

CVR PARTNERS, LP
Form 10-Q
July 29, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

Commission file number: 001-35120

CVR Partners, LP
(Exact name of registrant as specified in its charter)
Delaware 56-2677689
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)
2277 Plaza Drive, Suite 500
Sugar Land, Texas 77479
(Address of principal executive offices) (Zip Code)
(281) 207-3200
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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(Do not check if smaller reporting company.)

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act).

Yes No

There were 113,282,973 common units outstanding at July 26, 2016.

CVR PARTNERS, LP AND SUBSIDIARIES

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For The Quarter Ended June 30, 2016

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GLOSSARY OF SELECTED TERMS

The following are definitions of certain terms used in this Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 (this "Report"):

2015 Form 10-K	The Partnership's Annual Report on Form 10-K for the year ended December 31, 2015, filed with the SEC on February 18, 2016.
2021 Notes	\$320.0 million aggregate principal amount of 6.5% Senior Notes due 2021, which were issued by CVR Nitrogen and CVR Nitrogen Finance. In June 2016 the majority of the Notes were repaid. \$4.2 million aggregate principal amount of the Notes remain outstanding as of June 30, 2016.
2023 Notes	\$645.0 million aggregate principal amount of 9.25% Senior Notes due 2023, which were issued through CVR Partners and CVR Nitrogen Finance.
ammonia	Ammonia is a direct application fertilizer and is primarily used as a building block for other nitrogen products for industrial applications and finished fertilizer products.
capacity	Capacity is defined as the throughput a process unit is capable of sustaining, either on a calendar or stream day basis. The throughput may be expressed in terms of maximum sustainable, nameplate or economic capacity. The maximum sustainable or nameplate capacities may not be the most economical. The economic capacity is the throughput that generally provides the greatest economic benefit based on considerations such as feedstock costs, product values and downstream unit constraints.
catalyst	A substance that alters, accelerates, or instigates chemical changes, but is neither produced, consumed nor altered in the process.
Change of Control Offer	The offer commenced on April 29, 2016 by the CVR Nitrogen and CVR Nitrogen Finance to purchase any and all of the outstanding 2021 Notes at 101% of par value.
Coffeyville Facility	CVR Partners' nitrogen fertilizer manufacturing facility located in Coffeyville, Kansas.
common units	Common units representing limited partner interests of CVR Partners.
corn belt	The primary corn producing region of the United States, which includes Illinois, Indiana, Iowa, Minnesota, Missouri, Nebraska, Ohio and Wisconsin.
Credit Agreement	CRNF's \$125.0 million term loan, \$25.0 million revolving and \$50.0 million uncommitted incremental credit facility, guaranteed by the Partnership, entered into with a group of lenders including Goldman Sachs Lending Partners LLC, as administrative and collateral agent.
CRLLC	Coffeyville Resources, LLC, the subsidiary of CVR Energy which directly owns our general partner and 38,920,000 common units.
CRLLC Facility	The Partnership's \$300.0 million senior term loan credit facility with CRLLC, which was repaid in full and terminated on June 10, 2016.

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CRNF	Coffeyville Resources Nitrogen Fertilizers, LLC.
CVR Energy	CVR Energy, Inc., a publicly traded company listed on the New York Stock Exchange under the ticker symbol "CVI," which indirectly owns our general partner and the common units owned by CRLLC.
CVR Nitrogen Finance	CVR Nitrogen Finance Corporation, an indirect wholly-owned subsidiary of the Partnership (formerly known as East Dubuque Finance Corporation and also formerly known as Rentech Nitrogen Finance Corporation).
CVR Nitrogen	CVR Nitrogen, LP (formerly known as East Dubuque Nitrogen Partners, L.P. and also formerly known as Rentech Nitrogen Partners L.P.).
CVR Nitrogen GP	CVR Nitrogen GP, LLC (formerly known as East Dubuque Nitrogen GP, LLC and also formerly known as Rentech Nitrogen GP, LLC).

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CVR Partners	CVR Partners, LP.
CVR Refining	CVR Refining, LP, a publicly traded limited partnership listed on the New York Stock Exchange under the ticker symbol "CVRR," which currently owns and operates a complex full coking medium-sour crude oil refinery with a rated capacity of 115,000 barrels per calendar day (bpcd) in Coffeyville, Kansas, a complex crude oil refinery with a rated capacity of 70,000 bpcd in Wynnewood, Oklahoma and ancillary businesses.
East Dubuque Facility	CVR Partners' nitrogen fertilizer manufacturing facility located in East Dubuque, Illinois.
East Dubuque Merger	The transactions contemplated by the Merger Agreement, whereby the Partnership acquired CVR Nitrogen and CVR Nitrogen GP on April 1, 2016.
EDNF	East Dubuque Nitrogen Fertilizers, LLC (formerly known as Rentech Nitrogen, LLC).
farm belt	Refers to the states of Illinois, Indiana, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, Ohio, Oklahoma, South Dakota, Texas and Wisconsin.
GAAP	U.S. generally accepted accounting principles.
general partner	CVR GP, LLC, our general partner, which is a wholly-owned subsidiary of CRLLC.
Merger Agreement	The Agreement and Plan of Merger, dated as of August 9, 2015, whereby the Partnership acquired CVR Nitrogen and CVR Nitrogen GP.
Mid Corn Belt	Primarily includes Illinois, Indiana, Iowa, Missouri, Nebraska and Kansas.
MMBtu	One million British thermal units: a measure of energy. One Btu of heat is required to raise the temperature of one pound of water one degree Fahrenheit.
MSCF	One thousand standard cubic feet, a customary gas measurement.
netback	Netback represents net sales less freight revenue divided by product sales volume in tons. Netback is also referred to as product pricing at gate.
on-stream	Measurement of the reliability of the gasification, ammonia and UAN units, defined as the total number of hours operated by each unit divided by the total number of hours in the reporting period.
Partnership	CVR Partners, LP.
pet coke	Petroleum coke - a coal-like substance that is produced during the oil refining process.
product pricing at gate	Product pricing at gate represents net sales less freight revenue divided by product sales volume in tons. Product pricing at gate is also referred to as netback.
Southern Plains	Primarily includes Oklahoma, Texas and New Mexico.
Tender Offer	

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The cash tender offer commenced on April 29, 2016 by CVR Nitrogen and CVR Nitrogen Finance to purchase any and all of the outstanding 2021 Notes at 101.5% of par value.

throughput	The volume processed through a unit.
ton	One ton is equal to 2,000 pounds.
turnaround	A periodically required standard procedure to refurbish and maintain a facility that involves the shutdown and inspection of major processing units.
UAN	UAN is an aqueous solution of urea and ammonium nitrate used as a fertilizer.
Wells Fargo Credit Agreement	CVR Nitrogen's credit agreement with Wells Fargo Bank, National Association, as successor-in-interest by assignment from General Electric Company, as administrative agent, which was repaid in April 2016 and terminated.
wheat belt	The primary wheat producing region of the United States, which includes Oklahoma, Kansas, North Dakota, South Dakota and Texas

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CVR PARTNERS, LP AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2016 (unaudited)	December 31, 2015
	(in thousands, except unit data)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$76,261	\$ 49,967
Accounts receivable, net of allowance for doubtful accounts of \$42 and \$27, at June 30, 2016 and December 31, 2015, respectively	16,059	7,187
Inventories	53,113	37,529
Prepaid expenses and other current assets, including \$837 and \$883 from affiliates at June 30, 2016 and December 31, 2015, respectively	6,403	3,862
Total current assets	151,836	98,545
Property, plant, and equipment, net of accumulated depreciation	1,154,568	393,133
Goodwill	40,969	40,969
Other long-term assets, including \$688 and \$777 with affiliates at June 30, 2016 and December 31, 2015, respectively	5,276	3,608
Total assets	\$1,352,649	\$ 536,255
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable, including \$2,075 and \$1,940 due to affiliates at June 30, 2016 and December 31, 2015, respectively	\$33,998	\$ 11,103
Personnel accruals, including \$1,946 and \$1,974 with affiliates at June 30, 2016 and December 31, 2015, respectively	7,160	5,999
Deferred revenue	1,326	3,129
Accrued expenses and other current liabilities, including \$1,545 and \$2,334 with affiliates at June 30, 2016 and December 31, 2015, respectively	11,571	5,683
Total current liabilities	54,055	25,914