

FutureFuel Corp.
Form 10-Q
November 08, 2012

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 September 30, 2012

OR

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

For the transition period from _____

Commission file number: 0-52577

FUTUREFUEL CORP.
(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

20-3340900
(IRS Employer Identification
No.)

8235 Forsyth Blvd., Suite 400
St. Louis, Missouri 63105
(Address of Principal Executive Offices)

(805) 565-9800
(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

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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. (Check one):

Large accelerated filer	Accelerated filer	✓
Non-accelerated filer (do not check if a smaller reporting company)	Smaller reporting company	

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No ✓

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of November 8, 2012:
41,326,057

PART I
FINANCIAL INFORMATION

Item 1. Financial Statements.

The following sets forth our unaudited consolidated balance sheet as at September 30, 2012, our audited consolidated balance sheet as at December 31, 2011, our unaudited consolidated statements of operations and comprehensive income for the three- and nine-month periods ended September 30, 2012 and September 30, 2011, and our consolidated statements of cash flows for the nine-month periods ended September 30, 2012 and September 30, 2011.

FutureFuel Corp.
Consolidated Balance Sheets
As at September 30, 2012 and December 31, 2011
(Dollars in thousands)

	(Unaudited) September 30, 2012	December 31, 2011
Assets		
Cash and cash equivalents	\$ 114,593	\$ 89,745
Accounts receivable, net of allowances of \$0 and \$10 at September 30, 2012 and December 31, 2011, respectively	19,886	35,554
Accounts receivable – related parties	947	123
Inventory	49,078	57,439
Prepaid expenses	410	1,460
Prepaid expenses – related parties	32	-
Marketable securities	81,807	56,294
Other current assets	1,568	1,910
Total current assets	268,321	242,525
Property, plant and equipment, net	139,143	140,517
Other assets	2,249	2,202
Total noncurrent assets	141,392	142,719
Total Assets	\$ 409,713	\$ 385,244
Liabilities and Stockholders' Equity		
Accounts payable	\$ 16,109	\$ 18,665
Accounts payable – related parties	1,084	3,023
Income taxes payable	4,793	1,123
Current deferred income tax liability	8,079	6,162
Deferred revenue – short-term	6,035	3,558
Accrued expenses and other current liabilities	5,439	3,225
Accrued expenses and other current liabilities – related parties	14	43
Total current liabilities	41,553	35,799
Deferred revenue – long-term	28,206	29,256
Contingent liability – long-term	2,521	2,521
Other noncurrent liabilities	942	924
Noncurrent deferred income tax liability	28,736	28,506
Total noncurrent liabilities	60,405	61,207
Total liabilities	101,958	97,006
Commitments and contingencies		

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Preferred stock, \$0.0001 par value, 5,000,000 shares authorized, none issued and outstanding	-	-
Common stock, \$0.0001 par value, 75,000,000 shares authorized, 41,326,057 and 41,308,446 issued and outstanding as of September 30, 2012 and December 31, 2011, respectively	4	4
Accumulated other comprehensive income	5,179	1,803
Additional paid in capital	253,907	253,505
Retained earnings	48,665	32,926
Total stockholders' equity	307,755	288,238
Total Liabilities and Stockholders' Equity	\$409,713	\$385,244

The accompanying notes are an integral part of these financial statements.

FutureFuel Corp.
Consolidated Statements of Operations and Comprehensive Income
For the Three Months Ended September 30, 2012 and 2011
(Dollars in thousands, except per share amounts)
(Unaudited)

	Three Months Ended September 30,	
	2012	2011
Revenues	\$81,983	\$90,101
Revenues – related parties	6,293	206
Cost of goods sold	63,866	66,599
Cost of goods sold – related parties	1,263	848
Distribution	1,084	770
Distribution – related parties	100	95
Gross profit	21,963	21,995
Selling, general, and administrative expenses		
Compensation expense (inclusive of \$22 and \$0 of stock based compensation expense for the three months ended September 30, 2012 and 2011, respectively)	841	826
Other expense	951	762
Related party expense	36	53
Research and development expenses	954	996
	2,782	2,637
Income from operations	19,181	19,358
Interest and dividend income	1,144	955
Interest expense	(6)	(6)
Gain/(loss) on marketable securities	83	(240)
Other income/(expense)	68	(66)
	1,289	643
Income before income taxes	20,470	20,001
Provision for income taxes	7,921	7,268
Net income	\$12,549	\$12,733
Earnings per common share		
Basic	\$0.30	\$0.31
Diluted	\$0.30	\$0.31
Weighted average shares outstanding		
Basic	41,320,427	41,297,834
Diluted	41,471,373	41,478,005
Comprehensive Income		
Net income	\$12,549	\$12,733
Other comprehensive income/(loss) from unrealized gains and losses on available-for-sale securities, net of tax of \$2,134 in 2012 and of \$(2,159) in 2011	3,423	(3,449)
Comprehensive income	\$15,972	\$9,284

The accompanying notes are an integral part of these financial statements.

FutureFuel Corp.
Consolidated Statements of Operations and Comprehensive Income
For the Nine Months Ended September 30, 2012 and 2011
(Dollars in thousands, except per share amounts)
(Unaudited)

	Nine Months Ended September 30,	
	2012	2011
Revenues	\$264,429	\$216,280
Revenues – related parties	12,811	3,996
Cost of goods sold	221,288	168,948
Cost of goods sold – related parties	3,001	6,458
Distribution	3,424	2,118
Distribution – related parties	363	329
Gross profit	49,164	42,423
Selling, general, and administrative expenses		
Compensation expense (inclusive of \$281 and \$502 of stock based compensation expense for the nine months ended September 30, 2012 and 2011, respectively)	2,655	2,955
Other expense	2,390	1,452
Related party expense	157	172
Research and development expenses	2,626	2,610
	7,828	7,189
Income from operations	41,336	35,234
Interest and dividend income	3,431	2,542
Interest expense	(21)	(176)
Gain/(loss) on marketable securities	281	(182)
Other income/(expense) income	112	(93)
	3,803	2,091
Income before income taxes	45,139	37,325
Provision for income taxes	17,004	13,437
Net income	\$28,135	\$23,888
Earnings per common share		
Basic	\$0.68	\$0.59
Diluted	\$0.68	\$0.59
Weighted average shares outstanding		
Basic	41,318,123	40,509,810
Diluted	41,472,775	40,687,188
Comprehensive Income		
Net income	\$28,135	\$23,888
Other comprehensive income/(loss) from unrealized gains/(losses) on available-for-sale securities, net of tax of \$2,105 and \$(1,887) in 2012 and 2011, respectively	3,376	(3,016)
Comprehensive income	\$31,511	\$20,872

The accompanying notes are an integral part of these financial statements.

FutureFuel Corp.
Consolidated Statements of Cash Flows
For the Nine Months Ended September 30, 2012 and 2011
(Dollars in thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2012	2011
Cash flows provided by operating activities		
Net income	\$28,135	\$23,888
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	7,789	6,351
Provision for deferred income taxes	42	3,453
Change in fair value of derivative instruments and marketable securities	(855)	869
(Gain)/loss on the sale of investments	(281)	414
Losses on disposals of fixed assets	62	93
Stock based compensation	281	502
Noncash interest expense	18	16
Changes in operating assets and liabilities:		
Accounts receivable	15,668	9,399
Accounts receivable – related parties	(824)	(81)
Inventory	8,361	(6,344)
Income taxes receivable	-	519
Prepaid expenses	1,050	827
Prepaid expenses – related parties	(32)	-
Accrued interest on marketable securities	-	(123)
Other assets	(62)	544
Accounts payable	(2,556)	877
Accounts payable – related parties	(1,939)	(222)
Income taxes payable	3,670	4,570
Accrued expenses and other current liabilities	2,214	2,781
Accrued expenses and other current liabilities – related parties	(29)	35
Deferred revenue	1,427	11,743
Net cash provided by operating activities	62,139	60,111
Cash flows from investing activities		
Restricted cash	-	21,086
Collateralization of derivative instruments	1,212	(2,162)
Purchase of marketable securities	(37,389)	(83,350)
Proceeds from the sale of marketable securities	17,638	30,979
Proceeds from the sale of fixed assets	247	12
Capital expenditures	(6,724)	(18,849)
Net cash used in investing activities	(25,016)	(52,284)
Cash flows from financing activities		