

FREEPORT-MCMORAN INC
Form 10-Q
August 04, 2017

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, 2017

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:

001-11307-01

Freeport-McMoRan Inc.

(Exact name of registrant as specified in its charter)

Delaware

74-2480931

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer Identification No.)

333 North Central Avenue

Phoenix, AZ

85004-2189

(Address of principal executive offices) (Zip Code)

(602) 366-8100

(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 website, 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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do
not check if a smaller reporting company)
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

On July 31, 2017, there were issued and outstanding 1,447,307,382 shares of the registrant's common stock, par value \$0.10 per share.

FREEPORT-McMoRan INC.

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Part I. FINANCIAL INFORMATION

Item 1. Financial Statements.

FREEPORT-McMoRan INC.

CONSOLIDATED BALANCE SHEETS (Unaudited)

| | June 30, 2017 | December 31, 2016 |
|--|------------------|----------------------|
| | (In millions) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$4,667 | \$ 4,245 |
| Trade accounts receivable | 802 | 1,126 |
| Income and other tax receivables | 632 | 879 |
| Inventories: | | |
| Materials and supplies, net | 1,264 | 1,306 |
| Mill and leach stockpiles | 1,359 | 1,338 |
| Product | 1,019 | 998 |
| Other current assets | 211 | 199 |
| Assets held for sale | 463 | 344 |
| Total current assets | 10,417 | 10,435 |
| Property, plant, equipment and mine development costs, net | 23,067 | 23,219 |
| Oil and gas properties, subject to amortization, less accumulated amortization and impairments | 48 | 74 |
| Long-term mill and leach stockpiles | 1,554 | 1,633 |
| Other assets | 1,957 | 1,956 |
| Total assets | \$37,043 | \$ 37,317 |
| LIABILITIES AND EQUITY | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$1,880 | \$ 2,393 |
| Current portion of debt | 2,216 | 1,232 |
| Current portion of environmental and asset retirement obligations | 379 | 369 |
| Accrued income taxes | 196 | 66 |
| Liabilities held for sale | 273 | 205 |
| Total current liabilities | 4,944 | 4,265 |
| Long-term debt, less current portion | 13,138 | 14,795 |
| Deferred income taxes | 3,870 | 3,768 |
| Environmental and asset retirement obligations, less current portion | 3,512 | 3,487 |
| Other liabilities | 1,586 | 1,745 |
| Total liabilities | 27,050 | 28,060 |
| Equity: | | |
| Stockholders' equity: | | |
| Common stock | 158 | 157 |
| Capital in excess of par value | 26,734 | 26,690 |
| Accumulated deficit | (16,043) | (16,540) |
| Accumulated other comprehensive loss | (456) | (548) |
| Common stock held in treasury | (3,720) | (3,708) |

| | | |
|------------------------------|----------|-----------|
| Total stockholders' equity | 6,673 | 6,051 |
| Noncontrolling interests | 3,320 | 3,206 |
| Total equity | 9,993 | 9,257 |
| Total liabilities and equity | \$37,043 | \$ 37,317 |

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

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CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

| | Three Months Ended June 30, 2017 | | Six Months Ended June 30, 2016 | |
|--|---|-----------|---|-----------|
| | 2017 | 2016 | 2017 | 2016 |
| | (In millions, except per share amounts) | | | |
| Revenues | \$3,711 | \$3,334 | \$7,052 | \$6,576 |
| Cost of sales: | | | | |
| Production and delivery | 2,495 | 2,956 | 4,695 | 5,455 |
| Depreciation, depletion and amortization | 450 | 632 | 839 | 1,294 |
| Impairment of oil and gas properties | — | 291 | — | 4,078 |
| Total cost of sales | 2,945 | 3,879 | 5,534 | 10,827 |
| Selling, general and administrative expenses | 107 | 160 | 260 | 298 |
| Mining exploration and research expenses | 19 | 15 | 34 | 33 |
| Environmental obligations and shutdown costs | (19) | 11 | 8 | 21 |
| Net gain on sales of assets | (10) | (749) | (33) | (749) |
| Total costs and expenses | 3,042 | 3,316 | 5,803 | 10,430 |
| Operating income (loss) | 669 | 18 | 1,249 | (3,854) |
| Interest expense, net | (162) | (196) | (329) | (387) |
| Net (loss) gain on exchanges and early extinguishment of debt | (4) | 39 | (3) | 36 |
| Other income, net | 10 | 25 | 34 | 64 |
| Income (loss) from continuing operations before income taxes and equity in affiliated companies' net (losses) earnings | 513 | (114) | 951 | (4,141) |
| Provision for income taxes | (186) | (116) | (360) | (193) |
| Equity in affiliated companies' net (losses) earnings | (1) | 1 | 3 | 8 |
| Net income (loss) from continuing operations | 326 | (229) | 594 | (4,326) |
| Net income (loss) from discontinued operations | 9 | (181) | 47 | (185) |
| Net income (loss) | 335 | (410) | 641 | (4,511) |
| Net income attributable to noncontrolling interests: | | | | |
| Continuing operations | (66) | (47) | (141) | (109) |
| Discontinued operations | (1) | (12) | (4) | (22) |
| Preferred dividends attributable to redeemable noncontrolling interest | — | (10) | — | (21) |
| Net income (loss) attributable to common stockholders | \$268 | \$(479) | \$496 | \$(4,663) |
| Basic and diluted net income (loss) per share attributable to common stockholders: | | | | |
| Continuing operations | \$0.18 | \$(0.23) | \$0.31 | \$(3.54) |
| Discontinued operations | — | (0.15) | 0.03 | (0.16) |
| | \$0.18 | \$(0.38) | \$0.34 | \$(3.70) |
| Weighted-average common shares outstanding: | | | | |
| Basic | 1,447 | 1,269 | 1,447 | 1,260 |
| Diluted | 1,453 | 1,269 | 1,453 | 1,260 |

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

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FREEPORT-McMoRan INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Unaudited)

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|---------|------------------|-----------|
| | June 30, | | June 30, | |
| | 2017 | 2016 | 2017 | 2016 |
| | (In millions) | | | |
| Net income (loss) | \$335 | \$(410) | \$641 | \$(4,511) |
| Other comprehensive income, net of taxes: | | | | |
| Unrealized gains on securities | 1 | 1 | 2 | 1 |
| Defined benefit plans: | | | | |
| Actuarial gains arising during the period, net of taxes of \$48 million | 69 | — | 69 | — |
| Amortization or curtailment of unrecognized amounts included in net periodic benefit costs | 19 | 15 | 30 | 23 |
| Foreign exchange losses | — | (1) | (1) | (10) |
| Other comprehensive income | 89 | 15 | 100 | 14 |
| Total comprehensive income (loss) | 424 | (395) | 741 | (4,497) |
| Total comprehensive income attributable to noncontrolling interests | (75) | (59) | (153) | (130) |
| Preferred dividends attributable to redeemable noncontrolling interest | — | (10) | — | (21) |
| Total comprehensive income (loss) attributable to common stockholders | \$349 | \$(464) | \$588 | \$(4,648) |

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

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FREEPORT-McMoRan INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

Six
Months
Ended
June 30,