

ALLIANCE RESOURCE PARTNERS LP

Form 10-Q

November 08, 2016

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 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 No.: 0-26823

ALLIANCE RESOURCE PARTNERS, L.P.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

73-1564280
(IRS Employer Identification No.)

1717 South Boulder Avenue, Suite 400, Tulsa, Oklahoma 74119

(Address of principal executive offices and zip code)

(918) 295-7600

(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. [X] 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). [X] 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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (check one)

Large Accelerated Filer [X] Accelerated Filer [] Non-Accelerated Filer [] Smaller Reporting Company []
(Do not check if 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 [X] No

As of November 8, 2016, 74,375,025 common units are outstanding.

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PART I

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ALLIANCE RESOURCE PARTNERS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except unit data)

(Unaudited)

	September 30, 2016	December 31, 2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 21,372	\$ 33,431
Trade receivables	146,209	122,875
Other receivables	492	696
Due from affiliates	198	190
Inventories, net	89,904	121,081
Advance royalties, net	2,016	6,820
Prepaid expenses and other assets	18,106	29,812
Total current assets	278,297	314,905
PROPERTY, PLANT AND EQUIPMENT:		
Property, plant and equipment, at cost	2,994,420	3,044,260
Less accumulated depreciation, depletion and amortization	(1,352,117)	(1,243,985)
Total property, plant and equipment, net	1,642,303	1,800,275
OTHER ASSETS:		
Advance royalties, net	30,872	21,295
Equity investments in affiliates	128,051	64,509
Goodwill	136,399	136,399
Other long-term assets	28,353	23,903
Total other assets	323,675	246,106
TOTAL ASSETS	\$ 2,244,275	\$ 2,361,286
LIABILITIES AND PARTNERS' CAPITAL		
CURRENT LIABILITIES:		
Accounts payable	\$ 63,465	\$ 83,597
Due to affiliates	44	129
Accrued taxes other than income taxes	22,007	15,621
Accrued payroll and related expenses	43,396	37,031

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Accrued interest	2,607	306
Workers' compensation and pneumoconiosis benefits	8,701	8,688
Current capital lease obligations	27,035	19,764
Other current liabilities	15,420	18,929
Current maturities, long-term debt, net	509,155	238,086
Total current liabilities	691,830	422,151
LONG-TERM LIABILITIES:		
Long-term debt, excluding current maturities, net	144,949	579,420
Pneumoconiosis benefits	62,529	60,077
Accrued pension benefit	38,239	39,031
Workers' compensation	50,051	47,486
Asset retirement obligations	124,925	122,434
Long-term capital lease obligations	92,376	80,150
Other liabilities	13,647	21,174
Total long-term liabilities	526,716	949,772
Total liabilities	1,218,546	1,371,923

COMMITMENTS AND CONTINGENCIES

PARTNERS' CAPITAL:

Alliance Resource Partners, L.P. ("ARLP") Partners' Capital:

Limited Partners - Common Unitholders 74,375,025 and 74,188,784 units outstanding, respectively	1,329,934	1,280,218
General Partners' deficit	(275,153)	(258,883)
Accumulated other comprehensive loss	(34,174)	(34,557)
Total ARLP Partners' Capital	1,020,607	986,778
Noncontrolling interest	5,122	2,585
Total Partners' Capital	1,025,729	989,363
TOTAL LIABILITIES AND PARTNERS' CAPITAL	\$ 2,244,275	\$ 2,361,286

See notes to condensed consolidated financial statements.

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ALLIANCE RESOURCE PARTNERS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except unit and per unit data)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
SALES AND OPERATING REVENUES:				
Coal sales	\$ 533,817	\$ 547,466	\$ 1,357,578	\$ 1,632,493
Transportation revenues	7,692	9,395	19,732	24,323
Other sales and operating revenues	10,565	9,584	26,743	74,765
Total revenues	552,074	566,445	1,404,053	1,731,581
EXPENSES:				
Operating expenses (excluding depreciation, depletion and amortization)	347,711	336,527	847,513	1,045,954
Transportation expenses	7,692	9,395	19,732	24,323
Outside coal purchases	1,514	2	1,514	326
General and administrative	18,114	17,948	53,015	52,336
Depreciation, depletion and amortization	80,612	84,661	240,640	242,730
Asset impairment	—	10,695	—	10,695
Total operating expenses	455,643	459,228	1,162,414	1,376,364
INCOME FROM OPERATIONS	96,431	107,217	241,639	355,217
Interest expense (net of interest capitalized for the three and nine months ended September 30, 2016 and 2015 of \$47, \$152, \$320 and \$518, respectively)	(8,001)	(7,352)	(23,386)	(23,626)
Interest income	3	285	8	1,421
Equity in income (loss) of affiliates, net	1,105	(17,221)	1,041	(49,049)
Other income	293	455	545	750
INCOME BEFORE INCOME TAXES	89,831	83,384	219,847	284,713
INCOME TAX EXPENSE	7	12	4	17
NET INCOME	89,824	83,372	219,843	284,696
LESS: NET LOSS (INCOME) ATTRIBUTABLE TO NONCONTROLLING INTEREST	(44)	7	(40)	27

NET INCOME ATTRIBUTABLE TO ALLIANCE RESOURCE PARTNERS, L.P. ("NET INCOME OF ARLP")	\$ 89,780	\$ 83,379	\$ 219,803	\$ 284,723
GENERAL PARTNERS' INTEREST IN NET INCOME OF ARLP	\$ 20,571	\$ 37,311	\$ 60,723	\$ 111,735
LIMITED PARTNERS' INTEREST IN NET INCOME OF ARLP	\$ 69,209	\$ 46,068	\$ 159,080	\$ 172,988
BASIC AND DILUTED NET INCOME OF ARLP PER LIMITED PARTNER UNIT (Note 9)	\$ 0.91	\$ 0.61	\$ 2.08	\$ 2.29
DISTRIBUTIONS PAID PER LIMITED PARTNER UNIT	\$ 0.4375	\$ 0.6750	\$ 1.5500	\$ 1.9875
WEIGHTED-AVERAGE NUMBER OF UNITS OUTSTANDING – BASIC AND DILUTED	74,375,025	74,188,784	74,347,157	74,169,538

See notes to condensed consolidated financial statements.

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ALLIANCE RESOURCE PARTNERS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
NET INCOME	\$ 89,824	\$ 83,372	\$ 219,843	\$ 284,696
OTHER COMPREHENSIVE INCOME (LOSS):				
Defined benefit pension plan				
Amortization of net actuarial loss (1)	787	839	2,365	2,516
Total defined benefit pension plan adjustments	787	839	2,365	2,516
Pneumoconiosis benefits				
Amortization of net actuarial gain (1)	(660)	(113)	(1,982)	(338)
Total pneumoconiosis benefits adjustments	(660)	(113)	(1,982)	(338)
OTHER COMPREHENSIVE INCOME	127	726	383	2,178