

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.

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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 (unaudited)
	(in thousands, except unit data)	
<b>ASSETS</b>		
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
<b>LIABILITIES AND PARTNERS' CAPITAL</b>		
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
Long-term liabilities:		
Long-term debt, net of current portion	625,312	124,773
Other long-term liabilities	1,142	16
Total long-term liabilities	626,454	124,789
Commitments and contingencies		
Partners' capital:		
Common unitholders, 113,282,973 and 73,128,269 units issued and outstanding at June 30, 2016 and December 31, 2015, respectively	672,139	385,670
General partner interest	1	1
Accumulated other comprehensive loss	—	(119 )
Total partners' capital	672,140	385,552
Total liabilities and partners' capital	\$1,352,649	\$ 536,255
See accompanying notes to the condensed consolidated financial statements.		





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## CVR PARTNERS, LP AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(unaudited)			
	(in thousands, except per unit data)			
Net sales	\$119,797	\$80,815	\$192,889	\$173,865
Operating costs and expenses:				
Cost of product sold (exclusive of depreciation and amortization) — Affiliates	536	2,184	1,357	4,002
Cost of product sold (exclusive of depreciation and amortization) — Third parties	35,513	13,240	51,073	37,191
	36,049	15,424	52,430	41,193
Direct operating expenses (exclusive of depreciation and amortization) — Affiliates	1,249	1,195	2,101	2,222
Direct operating expenses (exclusive of depreciation and amortization) — Third parties	52,895	23,951	75,733	47,338
	54,144	25,146	77,834	49,560
Selling, general and administrative expenses (exclusive of depreciation and amortization) — Affiliates	3,917	3,361	7,379	6,628
Selling, general and administrative expenses (exclusive of depreciation and amortization) — Third parties	4,426	1,162	7,356	2,478
	8,343	4,523	14,735	9,106
Depreciation and amortization	17,559	7,010	24,535	13,829
Total operating costs and expenses	116,095	52,103	169,534	113,688
Operating income	3,702	28,712	23,355	60,177
Other income (expense):				
Interest expense and other financing costs	(15,552 )	(1,717 )	(17,187 )	(3,414 )
Interest income	2	12	4	24
Loss on extinguishment of debt	(5,116 )	—	(5,116 )	—
Other income, net	34	5	58	11
Total other income (expense)	(20,632 )	(1,700 )	(22,241 )	(3,379 )
Income (loss) before income tax expense (benefit)	(16,930 )	27,012	1,114	56,798
Income tax expense (benefit)	76	(4 )	77	8
Net income (loss)	\$(17,006 )	\$27,016	\$1,037	\$56,790
Net income (loss) per common unit – basic	\$(0.15 )	\$0.37	\$0.01	\$0.78
Net income (loss) per common unit – diluted	\$(0.15 )	\$0.37	\$0.01	\$0.78
Weighted-average common units outstanding:				
Basic	113,283	73,123	93,206	73,123
Diluted	113,283	73,131	93,206	73,131

See accompanying notes to the condensed consolidated financial statements.



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## CVR PARTNERS, LP AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Three Months Ended June 30, 2016		Six Months Ended June 30, 2016	
	2015	2016	2015	2016
	(unaudited) (in thousands)			
Net income (loss)	\$ (17,006)	\$ 27,016	\$ 1,037	\$ 56,790
Other comprehensive income (loss):				
Change in fair value of interest rate swaps	—	(38)	—	(110)
Net loss reclassified into income on settlement of interest rate swaps	—	266	119	533
Other comprehensive income	—	228	119	423
Total comprehensive income (loss)	\$ (17,006)	\$ 27,244	\$ 1,156	\$ 57,213
See accompanying notes to the condensed consolidated financial statements.				

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## CVR PARTNERS, LP AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENT OF PARTNERS' CAPITAL

	Common Units		General	Accumulated	Noncontrolling	Total
	Issued	Amount	Partner	Other	Interest	
			Interest	Comprehensive		
				Income/(Loss)		
	(unaudited)					
	(in thousands, except unit data)					
Balance at December 31, 2015	73,128,269	\$385,670	\$ 1	\$ (119 )	\$ —	\$385,552
Cash distributions to common unitholders – Affiliates	—	(21,017 )	—	—	—	(21,017 )
Cash distributions to common unitholders – Non-affiliates	—	(29,314 )	—	—	—	(29,314 )
Share-based compensation – Affiliates	—	(1 )	—	—	—	(1 )
Issuance of common units for the merger consideration	40,154,704	335,693	—	—	—	335,693
Noncontrolling interest	—	—	—	—	4,564	4,564
Contribution from affiliates	—	—	—	—	507	507
Purchase of noncontrolling interest	—	71	—	—	(5,071 )	(5,000 )
Net income	—	1,037	—	—	—	1,037
Other comprehensive income	—	—	—	119	—	119
Balance at June 30, 2016	113,282,973	\$672,139	\$ 1	\$ —	\$ —	\$672,140

See accompanying notes to the condensed consolidated financial statements.

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## CVR PARTNERS, LP AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30, 2016    2015	
	(unaudited) (in thousands)	
Cash flows from operating activities:		
Net income	\$1,037	\$56,790
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	24,535	13,829
Allowance for doubtful accounts	15	(16 )
Amortization of deferred financing costs and original issue discount	378	479
Amortization of debt fair value adjustment	1,250	—
(Gain) loss on disposition of fixed assets	44	22
Loss on extinguishment of debt	5,116	—
Share-based compensation – Affiliates	899	1,136
Share-based compensation	718	289
Change in assets and liabilities:		
Accounts receivable	54	(3,245 )
Inventories	34,615	(107 )
Prepaid expenses and other current assets	2,604	2,020
Other long-term assets	(263 )	(52 )
Accounts payable	8,955	908
Deferred revenue	(31,640)	(11,702 )
Accrued expenses and other current liabilities	(19,231)	(4,395 )
Other long-term liabilities	68	(2 )
Net cash provided by operating activities	29,154	55,954
Cash flows from investing activities:		
Capital expenditures	(11,869)	(6,033 )
Acquisition of CVR Nitrogen, LP, net of cash acquired	(63,869)	—
Proceeds from sale of assets	—	32
Net cash used in investing activities	(75,738)	(6,001 )

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	Six Months Ended June 30, 2016      2015	
	(unaudited) (in thousands)	
Cash flows from financing activities:		
Principal and premium payments on 2021 Notes	(320,539)	—
Principal payment on CRLLC Facility	(300,000)	—
Principal payments on long-term debt	(125,000)	—
Payment of revolving debt	(49,100 )	—
Payment of financing costs	(6,528 )	—
Proceeds on issuance of 2023 Notes, net of original issue discount	628,869	—
Proceeds on CRLLC Facility	300,000	—
Contribution from affiliate	507	—
Cash distributions to common unitholders – Affiliates	(21,017 )	(33,471 )
Cash distributions to common unitholders – Non-affiliates	(29,314 )	(29,415 )
Purchase of noncontrolling interest	(5,000 )	—
Net cash provided by (used in) financing activities	72,878	(62,886 )
Net increase (decrease) in cash and cash equivalents	26,294	(12,933 )
Cash and cash equivalents, beginning of period	49,967	79,914
Cash and cash equivalents, end of period	\$76,261	\$66,981
Supplemental disclosures:		
Cash paid for income taxes, net	\$14	\$35
Cash paid for interest, net of capitalized interest of \$401 in 2016	\$22,304	\$2,934