

FREEPORT-MCMORAN INC
Form 10-Q
November 09, 2018

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, 2018

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 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 October 31, 2018, there were issued and outstanding 1,449,033,664 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)

	September 30, 2018	December 31, 2017
	(In millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$4,556	\$ 4,447
Trade accounts receivable	1,064	1,246
Income and other tax receivables	226	325
Inventories:		
Materials and supplies, net	1,439	1,305
Mill and leach stockpiles	1,439	1,422
Product	1,169	1,166
Other current assets	402	270
Assets held for sale	626	508
Total current assets	10,921	10,689
Property, plant, equipment and mine development costs, net	23,013	22,934
Long-term mill and leach stockpiles	1,355	1,409
Other assets	2,460	2,270
Total assets	\$37,749	\$ 37,302
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$2,396	\$ 2,321
Accrued income taxes	645	565
Current portion of environmental and asset retirement obligations	460	388
Dividends payable	73	—
Current portion of debt	4	1,414
Liabilities held for sale	273	323
Total current liabilities	3,851	5,011
Long-term debt, less current portion	11,123	11,703
Deferred income taxes	3,839	3,649
Environmental and asset retirement obligations, less current portion	3,564	3,631
Other liabilities	1,918	2,012
Total liabilities	24,295	26,006
Equity:		
Stockholders' equity:		
Common stock	158	158
Capital in excess of par value	26,603	26,751
Accumulated deficit	(12,526)	(14,722)
Accumulated other comprehensive loss	(532)	(487)
Common stock held in treasury	(3,726)	(3,723)

Total stockholders' equity	9,977	7,977
Noncontrolling interests	3,477	3,319
Total equity	13,454	11,296
Total liabilities and equity	\$37,749	\$ 37,302

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

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CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
	2018	2017	2018	2017
	(In millions, except per share amounts)			
Revenues	\$4,908	\$4,310	\$14,944	\$11,362
Cost of sales:				
Production and delivery	3,069	2,794	8,792	7,462
Depreciation, depletion and amortization	458	418	1,351	1,257
Total cost of sales	3,527	3,212	10,143	8,719
Selling, general and administrative expenses	101	104	341	362
Mining exploration and research expenses	27	27	72	60
Environmental obligations and shutdown costs	8	72	76	76
Net gain on sales of assets	(70)	(33)	(126)	(66)
Total costs and expenses	3,593	3,382	10,506	9,151
Operating income	1,315	928	4,438	2,211
Interest expense, net	(143)	(304)	(436)	(633)
Net gain on early extinguishment of debt	—	11	8	8
Other income (expense), net	14	(9)	63	(9)
Income from continuing operations before income taxes and equity in affiliated companies' net earnings	1,186	626	4,073	1,577
Provision for income taxes	(522)	(387)	(1,543)	(747)
Equity in affiliated companies' net earnings	4	3	5	6
Net income from continuing operations	668	242	2,535	836
Net (loss) income from discontinued operations	(4)	3	(19)	50
Net income	664	245	2,516	886
Net (income) loss attributable to noncontrolling interests:				
Continuing operations	(108)	35	(399)	(106)
Discontinued operations	—	—	—	(4)
Net income attributable to common stockholders	\$556	\$280	\$2,117	\$776
Basic net income (loss) per share attributable to common stockholders:				
Continuing operations	\$0.38	\$0.19	\$1.47	\$0.50
Discontinued operations	—	—	(0.01)	0.03
	\$0.38	\$0.19	\$1.46	\$0.53
Diluted net income (loss) per share attributable to common stockholders:				
Continuing operations	\$0.38	\$0.19	\$1.46	\$0.50
Discontinued operations	—	—	(0.01)	0.03
	\$0.38	\$0.19	\$1.45	\$0.53
Weighted-average common shares outstanding:				
Basic	1,450	1,448	1,449	1,447
Diluted	1,458	1,454	1,458	1,453

Dividends declared per share of common stock	\$0.05	\$—	\$0.15	\$—
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The accompanying notes are an integral part of these consolidated financial statements.

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FREEPORT-McMoRan INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
	2018	2017	2018	2017
Net income	\$664	\$245	\$2,516	\$886
Other comprehensive income, net of taxes:				
Unrealized gains on securities	—	—	—	2
Defined benefit plans:				
Actuarial gains arising during the period, net of taxes of \$48 million for the nine months ended September 30, 2017	—	—	—	69
Amortization of unrecognized amounts included in net periodic benefit costs	13	12	36	42
Foreign exchange (losses) gains	(1)	1	(2)	—
Other comprehensive income	12	13	34	113
Total comprehensive income	676	258	2,550	999
Total comprehensive (income) loss attributable to noncontrolling interests	(109)	35	(399)	(118)
Total comprehensive income attributable to common stockholders	\$567	\$293	\$2,151	\$881

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)

	Nine Months Ended September 30, 2018 2017 (In millions)	
Cash flow from operating activities:		
Net income	\$2,516	\$886
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	1,351	1,257
Net gain on sales of assets	(126)	(66)
Stock-based compensation	70	58
Net charges for Cerro Verde royalty dispute	—	359
Payments for Cerro Verde royalty dispute	(32)	(32)
Net charges for environmental and asset retirement obligations, including accretion	206	196
Payments for environmental and asset retirement obligations	(179)	(85)
Net charges for defined pension and postretirement plans	59	95
Pension plan contributions	(60)	(152)
Net gain on early extinguishment of debt	(8)	(8)
Deferred income taxes	202	77
Loss (gain) on disposal of discontinued operations	19	(41)
Decrease in long-term mill and leach stockpiles	54	181
Non-cash drillship settlements/idle rig costs and other oil and gas adjustments	—	(33)
Oil and gas contract settlement payments	—	(70)
Other, net	7	1
Changes in working capital and other tax payments:		
Accounts receivable	321	420
Inventories	(326)	(314)
Other current assets	(16)	(17)
Accounts payable and accrued liabilities	(2)	(93)
Accrued income taxes and timing of other tax payments	(131)	393
Net cash provided by operating activities	3,925	3,012
Cash flow from investing activities:		
Capital expenditures:		
North America copper mines	(413)	(106)
South America	(188)	(65)
Indonesia	(695)	(663)
Molybdenum mines	(6)	(4)
Other	(89)	(182)
Proceeds from sales of assets	10	68
Intangible water rights and other, net	(91)	(2)
Net cash used in investing activities	(1,472)	(954)
Cash flow from financing activities:		
Proceeds from debt	475	795
Repayments of debt	(2,410)	(1,991)
Cash dividends paid:		

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Common stock	(145)	(2)
Noncontrolling interests	(241)	(67)
Stock-based awards net proceeds (payments)	4	(10)
Debt financing costs and other, net	(23)	(12)
Net cash used in financing activities	(2,340)	(1,287)

Net increase in cash, cash equivalents, restricted cash and restricted cash equivalents	113	771
Decrease (increase) in cash and cash equivalents in assets held for sale	55	(45)
Cash, cash equivalents, restricted cash and restricted cash equivalents at beginning of year	4,631	4,403
Cash, cash equivalents, restricted cash and restricted cash equivalents at end of period	\$4,799	\$5,129

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

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FREEPORT-McMoRan INC.
CONSOLIDATED STATEMENTS OF EQUITY (Unaudited)
THREE MONTHS ENDED SEPTEMBER 30

	Stockholders' Equity					Common Stock Held in Treasury	Total Stock-holders' Equity	Non- controlling Interests	Total Equity	
	Common Stock	Capital in Excess of Par Value	Accumulated Deficit	Accumulated Other Compre- hensive Loss	Number of Shares					
	Number of Shares	At Par Value				Number of Shares	At Cost			
(In millions)										
Balance at June 30, 2018	1,579	\$ 158	\$ 26,667	\$ (13,161)	\$ (464)	130	\$ (3,726)	\$ 9,474	\$ 3,368	\$ 12,842
Stock-based compensation, including the tender of shares	—	—	9	—	—	—	—	9	—	9
Dividends	—	—	(73)	—	—	—	—	(73)	—	(73)
Adoption of new accounting standard for reclassification of income taxes (refer to Note 11)	—	—	—	79	(79)	—	—	—	—	—
Net income attributable to common stockholders	—	—	—	556	—	—	—	556	—	556
Net income attributable to noncontrolling interests	—	—	—	—	—	—	—	—	108	108
Other comprehensive income	—	—	—	—	11	—	—	11	1	12
Balance at September 30, 2018	1,579	\$ 158	\$ 26,603	\$ (12,526)	\$ (532)	130	\$ (3,726)	\$ 9,977	\$ 3,477	\$ 13,454

Stockholders' Equity

	Stockholders' Equity					Common Stock Held in Treasury	Total Stock-holders' Equity	Non- controlling Interests	Total Equity
	Common Stock	Capital in Excess of Par Value	Accumulated Deficit	Accumulated Other Compre- hensive Loss	Number of Shares				
	Number of Shares	At Par Value				Number of Shares	At Cost		
(In millions)									

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Balance at June 30, 2017	1,577	\$ 158	\$ 26,734	\$ (16,043)	\$ (456)	130	\$ (3,720)	\$ 6,673	\$ 3,320	\$ 9,993
Exercised and vested stock-based awards	1	—	—	—	—	—	—	—	—	—
Stock-based compensation, including the tender of shares	—	—	9	—	—	—	(2)	7	—	7
Dividends	—	—	—	—	—	—	—	—	(28)	(28)
Net income attributable to common stockholders	—	—	—	280	—	—	—	280	—	280
Net loss attributable to noncontrolling interests	—	—	—	—	—	—	—	—	(35)	(35)
Other comprehensive income	—	—	—	—	13	—	—	13	—	13
Balance at September 30, 2017	1,578	\$ 158	\$ 26,743	\$ (15,763)	\$ (443)	130	\$ (3,722)	\$ 6,973	\$ 3,257	\$ 10,230

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

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FREEPORT-McMoRan INC.
CONSOLIDATED STATEMENTS OF EQUITY (Unaudited)
NINE MONTHS ENDED SEPTEMBER 30

	Stockholders' Equity					Common Stock		Total Stock-holders' Equity	Non-controlling Interests	Total Equity
	Common Stock	Capital in Excess of Par Value	Accumulated Deficit	Accumulated Other Comprehensive Loss	Accumulated Held in Treasury	Number of Shares	At Cost			
	Number of Shares	At Par Value	Capital in Excess of Par Value	Accumulated Deficit	Accumulated Other Comprehensive Loss	Number of Shares	At Cost			
	(In millions)									
Balance at December 31, 2017	1,578	\$ 158	\$ 26,751	\$ (14,722)	\$ (487)	130	\$(3,723)	\$ 7,977	\$ 3,319	\$ 11,296
Exercised and vested stock-based awards	1	—	8	—	—	—	—	8	—	8
Stock-based compensation, including the tender of shares	—	—	62	—	—	—	—	—	—	—