

MARTIN MIDSTREAM PARTNERS LP
Form 10-Q
July 31, 2014

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 June 30, 2014

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

000-50056

MARTIN MIDSTREAM PARTNERS L.P.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or
organization)

4200 Stone Road

Kilgore, Texas 75662

(Address of principal executive offices, zip code)

05-0527861

(IRS Employer Identification No.)

Registrant's telephone number, including area code: (903) 983-6200

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 definition 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 (Do not check if a smaller reporting company)

Smaller reporting company

Indicated by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes

No

The number of the registrant's Common Units outstanding at July 31, 2014, was 30,639,432.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

MARTIN MIDSTREAM PARTNERS L.P.

CONSOLIDATED AND CONDENSED BALANCE SHEETS

(Dollars in thousands)

	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Assets		
Cash	\$2,704	\$16,542
Accounts and other receivables, less allowance for doubtful accounts of \$1,807 and \$2,492, respectively	145,418	163,855
Product exchange receivables	4,164	2,727
Inventories	113,346	94,902
Due from affiliates	21,915	12,099
Other current assets	11,173	7,353
Total current assets	298,720	297,478
Property, plant and equipment, at cost	970,170	929,183
Accumulated depreciation	(329,772)	(304,808)
Property, plant and equipment, net	640,398	624,375
Goodwill	23,802	23,802
Investment in unconsolidated entities	266,445	128,662
Debt issuance costs, net	14,191	15,659
Fair value of derivatives	547	—
Other assets, net	6,653	7,943
	\$1,250,756	\$1,097,919
Liabilities and Partners' Capital		
Trade and other accounts payable	\$121,578	\$142,951
Product exchange payables	22,078	9,595
Due to affiliates	6,555	2,596
Income taxes payable	818	1,204
Other accrued liabilities	18,806	20,242
Total current liabilities	169,835	176,588
Long-term debt	692,168	658,695
Other long-term obligations	2,020	2,219
Total liabilities	864,023	837,502
Commitments and contingencies		
Partners' capital	386,733	260,417
	\$1,250,756	\$1,097,919

See accompanying notes to consolidated and condensed financial statements.

MARTIN MIDSTREAM PARTNERS L.P.
CONSOLIDATED AND CONDENSED STATEMENTS OF OPERATIONS

(Unaudited)

(Dollars in thousands, except per unit amounts)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
Revenues:				
Terminalling and storage *	\$34,167	\$27,420	\$65,968	\$56,311
Marine transportation *	22,153	25,497	45,563	50,477
Sulfur services	3,038	3,001	6,075	6,002
Product sales: *				
Natural gas services	248,601	187,200	581,938	446,309
Sulfur services	59,543	57,895	110,713	125,279
Terminalling and storage	51,443	57,175	105,716	107,496
	359,587	302,270	798,367	679,084
Total revenues	418,945	358,188	915,973	791,874
Costs and expenses:				
Cost of products sold: (excluding depreciation and amortization)				
Natural gas services *	238,622	181,523	559,320	430,301
Sulfur services *	45,315	44,786	83,168	97,583
Terminalling and storage *	46,806	50,273	94,835	94,088
	330,743	276,582	737,323	621,972
Expenses:				
Operating expenses *	48,256	43,035	92,152	86,395
Selling, general and administrative *	8,745	6,383	17,351	13,413
Depreciation and amortization	14,594	12,353	28,586	24,246
Total costs and expenses	402,338	338,353	875,412	746,026
Other operating income	99	424	54	796
Operating income	16,706	20,259	40,615	46,644
Other income (expense):				
Equity in earnings (loss) of unconsolidated entities	1,938	73	1,642	(301)
Interest expense	(11,441)	(10,940)	(22,892)	(19,998)
Debt prepayment premium	(7,767)	—	(7,767)	—
Other, net	(50)	(14)	(117)	(23)
Total other expense	(17,320)	(10,881)	(29,134)	(20,322)
Net income (loss) before taxes	(614)	9,378	11,481	26,322
Income tax expense	(354)	(300)	(654)	(607)
Net income (loss)	(968)	9,078	10,827	25,715
Less general partner's interest in net (income) loss	19	(181)	(217)	(514)
Less (income) loss allocable to unvested restricted units	3	(23)	(29)	(66)
Limited partners' interest in net income (loss)	\$946	\$8,874	\$10,581	\$25,135
	\$0.03	\$0.33	\$0.38	\$0.95

Net income (loss) per unit attributable to limited partners

- basic

Weighted average limited partner units - basic	28,924	26,558	27,757	26,561
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Net income (loss) per unit attributable to limited partners

- diluted

Weighted average limited partner units - diluted	28,924	26,579	27,791	26,577
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	\$(0.03) \$0.33	\$0.38	\$0.95
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See accompanying notes to consolidated and condensed financial statements.

*Related Party Transactions Shown Below

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MARTIN MIDSTREAM PARTNERS L.P.
 CONSOLIDATED AND CONDENSED STATEMENTS OF OPERATIONS

(Unaudited)

(Dollars in thousands, except per unit amounts)

*Related Party Transactions Included Above

	Three Months Ended		Six Months Ended	
	June 30, 2014	2013	June 30, 2014	2013
Revenues:				
Terminalling and storage	\$18,743	\$17,485	\$36,753	\$34,813
Marine transportation	6,415	6,042	12,264	12,885
Product Sales	3,709	1,839	5,601	3,048
Costs and expenses:				
Cost of products sold: (excluding depreciation and amortization)				
Natural gas services	10,808	7,036	19,261	15,592
Sulfur services	4,452	4,441	9,317	8,975
Terminalling and storage	6,553	14,189	16,397	26,150
Expenses:				
Operating expenses	19,248	17,534	37,487	35,508
Selling, general and administrative	5,489	4,170	10,873	8,588

See accompanying notes to consolidated and condensed financial statements.

MARTIN MIDSTREAM PARTNERS L.P.
CONSOLIDATED AND CONDENSED STATEMENTS OF CAPITAL
(Unaudited)
(Dollars in thousands)

	Partners' Capital Common Limited		General Partner Amount	Total
	Units	Amount		
Balances - January 1, 2013	26,566,776	\$349,490	\$8,472	\$357,962
Net income	—	25,201	514	25,715
Issuance of restricted units	63,750	—	—	—
Forfeiture of restricted units	(250) —	—	—
General partner contribution	—	—	37	37
Cash distributions	—	(41,135	) (917	) (42,052
Unit-based compensation	—	479	—	479
Purchase of treasury units	(6,000	) (250	) —	(250
Balances - June 30, 2013	26,624,276	\$333,785	\$8,106	\$341,891
Balances - January 1, 2014	26,625,026	\$254,028	\$6,389	\$260,417
Net income	—	10,610	217	10,827
Issuance of common units	4,017,156	160,514	—	160,514
Issuance of restricted units	6,900	—	—	—
Forfeiture of restricted units	(3,250) —	—	—
General partner contribution	—	—	3,407	3,407
Cash distributions	—	(42,192	) (953	) (43,145
Unit-based compensation	—	387	—	387
Excess purchase price over carrying value of acquired assets	—	(5,397	) —	(5,397
Purchase of treasury units	(6,400	) (277	) —	(277
Balances - June 30, 2014	30,639,432	\$377,673	\$9,060	\$386,733

See accompanying notes to consolidated and condensed financial statements.

MARTIN MIDSTREAM PARTNERS L.P.
CONSOLIDATED AND CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)
(Dollars in thousands)

	Six Months Ended	
	June 30,	
	2014	2013
Cash flows from operating activities:		
Net income	\$10,827	\$25,715
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	28,586	24,246
Amortization of deferred debt issuance costs	4,588	2,075
Amortization of debt discount	1,305	153
Amortization of premium on notes payable	(82)) —
Gain on sale of property, plant and equipment	(54)	) (796)
Equity in (earnings) loss of unconsolidated entities	(1,642)	) 301
Non-cash mark-to-market on derivatives	(547)) —
Unit-based compensation	387	479
Preferred dividends on MET investment	1,116	—
Other	—	6
Change in current assets and liabilities, excluding effects of acquisitions and dispositions:		
Accounts and other receivables	15,962	66,658
Product exchange receivables	(1,437)	) 1,694
Inventories	(18,444)	) 4,946
Due from affiliates	(9,816)	) (17,657)
Other current assets	(1,430)	) (3,530)
Trade and other accounts payable	(23,574)	) (29,256)
Product exchange payables	12,483	(1,211)
Due to affiliates	3,959	89
Income taxes payable	(386)	) 53
Other accrued liabilities	(1,449)	) 7,694
Change in other non-current assets and liabilities	597	(563)
Net cash provided by continuing operating activities	20,949	81,096
Net cash used in discontinued operating activities	—	(8,678)
Net cash provided by operating activities	20,949	72,418
Cash flows from investing activities:		
Payments for property, plant and equipment	(41,237)	) (28,621)
Acquisitions	(1,991)	) (63,004)
Payments for plant turnaround costs	(3,910)) —
Proceeds from sale of property, plant and equipment	702	4,719
Proceeds from involuntary conversion of property, plant and equipment	2,475	—
Investment in unconsolidated entities	(134,413)	) (15,000)
Return of investments from unconsolidated entities	2,425	1,357
Contributions to unconsolidated entities	(3,070)	) (15,578)
Net cash used in investing activities	(179,019)	) (116,127)
Cash flows from financing activities:		
Payments of long-term debt	(885,000)	) (439,000)
Payments of notes payable and capital lease obligations	—	(160)
Proceeds from long-term debt	917,250	529,000

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Net proceeds from issuance of common units	160,514	—	
General partner contribution	3,407	37	
Purchase of treasury units	(277	) (250)
Payment of debt issuance costs	(3,120	) (9,011)
Excess purchase price over carrying value of acquired assets	(5,397) —	
Cash distributions paid	(43,145	) (42,052)
Net cash provided by financing activities	144,232	38,564	
Net decrease in cash	(13,838	) (5,145)
Cash at beginning of period	16,542	5,162	
Cash at end of period	\$2,704	\$17	