

NATURAL RESOURCE PARTNERS LP  
Form 10-Q  
August 09, 2018

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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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, 2018

or

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

Commission file number: 001-31465

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NATURAL RESOURCE PARTNERS L.P.  
(Exact name of registrant as specified in its charter)

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Delaware 35-2164875  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)  
1201 Louisiana Street, Suite 3400  
Houston, Texas 77002  
(Address of principal executive offices)  
(Zip Code)  
(713) 751-7507  
(Registrant's telephone number, including area code)

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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, smaller reporting company, or an emerging growth company. See definition of "accelerated filer", "large 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) 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.

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

At August 6, 2018 there were 12,245,920 Common Units outstanding.

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NATURAL RESOURCE PARTNERS, L.P.  
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PART I. FINANCIAL INFORMATION  
ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS  
NATURAL RESOURCE PARTNERS L.P.  
CONSOLIDATED BALANCE SHEETS

	June 30, 2018 (Unaudited)	December 31, 2017
(In thousands, except unit data)		
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$52,975	\$29,827
Accounts receivable, net	59,312	47,026
Accounts receivable—affiliates	140	161
Inventory	8,048	7,553
Prepaid expenses and other	4,391	5,838
Current assets of discontinued operations	988	991
Total current assets	125,854	91,396
Land	24,809	25,247
Plant and equipment, net	47,917	46,170
Mineral rights, net	873,716	883,885
Intangible assets, net	47,924	49,554
Equity in unconsolidated investment	245,524	245,433
Long-term contracts receivable	39,878	40,776
Other assets	6,184	6,547
Other assets—affiliate	—	156
Total assets	\$1,411,806	\$1,389,164
<b>LIABILITIES AND CAPITAL</b>		
Current liabilities		
Accounts payable	\$7,801	\$6,957
Accounts payable—affiliates	1,453	562
Accrued liabilities	12,848	16,890
Accrued liabilities—affiliates	—	515
Accrued interest	14,609	15,484
Current portion of deferred revenue	2,732	—
Current portion of long-term debt, net	75,188	79,740
Current liabilities of discontinued operations	—	401
Total current liabilities	114,631	120,549
Deferred revenue	17,136	100,605
Long-term debt, net	723,147	729,608
Other non-current liabilities	2,385	2,808
Other non-current liabilities—affiliate	—	346
Total liabilities	857,299	953,916
Commitments and contingencies (see Note 15)		
Class A Convertible Preferred Units (250,000 and 258,844 units issued and outstanding at June 30, 2018 and December 31, 2017, respectively, at \$1,000 par value per unit; liquidation preference of \$1,500 per unit)	164,587	173,431
Partners' capital		

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Common unitholders' interest (12,245,920 and 12,232,006 units issued and outstanding at June 30, 2018 and December 31, 2017, respectively)	326,125	199,851
General partner's interest	4,427	1,857
Warrant holders' interest	66,816	66,816
Accumulated other comprehensive loss	(4,872	) (3,313 )
Total partners' capital	392,496	265,211
Non-controlling interest	(2,576	) (3,394 )
Total capital	389,920	261,817
Total liabilities and capital	\$1,411,806	\$1,389,164

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

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NATURAL RESOURCE PARTNERS L.P.  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands, except per unit data)	2018	2017	2018	2017
Revenues and other income				
Coal royalty and other	\$48,711	\$32,768	\$94,684	\$67,762
Coal royalty and other—affiliates	188	11,338	425	22,843
Transportation and processing services	5,002	4,146	10,385	4,146
Transportation and processing services—affiliate	—	1,374	—	6,013
Construction aggregates	34,233	27,363	60,657	52,846
Road construction and asphalt paving services	6,176	6,192	6,904	7,930
Equity in earnings of Ciner Wyoming	16,529	8,389	26,150	18,683
Gain on asset sales, net	210	3,361	870	3,405
Total revenues and other income	\$111,049	\$94,931	\$200,075	\$183,628
Operating expenses				
Operating and maintenance expenses	\$38,301	\$31,020	\$68,269	\$60,648
Operating and maintenance expenses—affiliates	4,065	2,219	6,530	4,774
Depreciation, depletion and amortization	8,563	8,165	16,520	17,889
Amortization expense—affiliate	—	240	—	1,008
General and administrative	2,414	2,031	5,819	8,109
General and administrative—affiliates	849	852	1,780	1,976
Asset impairments	—	—	242	1,778
Total operating expenses	\$54,192	\$44,527	\$99,160	\$96,182
Income from operations	\$56,857	\$50,404	\$100,915	\$87,446
Other income (expense)				
Interest expense, net	\$(17,734)	\$(20,308)	\$(35,704)	\$(43,432)
Debt modification expense	—	(132)	—	(7,939)
Loss on extinguishment of debt	—	(4,107)	—	(4,107)
Other expense, net	\$(17,734)	\$(24,547)	\$(35,704)	\$(55,478)
Net income from continuing operations	\$39,123	\$25,857	\$65,211	\$31,968
Income (loss) from discontinued operations	(34)	133	(48)	(74)
Net income	\$39,089	\$25,990	\$65,163	\$31,894
Less: net income attributable to non-controlling interest	(869)	—	(869)	—
Net income attributable to NRP	\$38,220	\$25,990	\$64,294	\$31,894
Less: income attributable to preferred unitholders	(7,500)	(7,538)	(15,000)	(10,038)
Net income attributable to common unitholders and general partner	\$30,720	\$18,452	\$49,294	\$21,856
Net income attributable to common unitholders	\$30,105	\$18,015	\$48,308	\$21,419
Net income attributable to the general partner	\$615	\$437	\$986	\$437
Income from continuing operations per common unit (see Note 5)				
Basic	\$2.46	\$1.46	\$3.95	\$1.76
Diluted	\$1.75	\$1.13	2.96	1.64
Net income per common unit (see Note 5)				

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Basic	\$2.46	\$1.47	\$3.95	\$1.75
Diluted	\$1.75	\$1.13	2.95	1.64
Net income	\$39,089	\$25,990	\$65,163	\$31,894
Add: comprehensive loss from unconsolidated investment and other	(434 )	(13 )	(1,559 )	(1,145 )
Comprehensive income	\$38,655	\$25,977	\$63,604	\$30,749
Less: comprehensive income attributable to non-controlling interest	(869 )	—	(869 )	—
Comprehensive income attributable to NRP	\$37,786	\$25,977	\$62,735	\$30,749

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

NATURAL RESOURCE PARTNERS L.P.  
CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL  
(Unaudited)

(In thousands)	Common Unitholders		General Partner	Warrant Holders	Accumulated Other Comprehensive Loss	Partners' Capital Excluding Non-Controlling Interest	Non-Controlling Interest	Total Capital
	Units	Amounts						
Balance at December 31, 2017	12,232	\$199,851	\$1,857	\$66,816	\$ (3,313 )	\$ 265,211	\$ (3,394 )	\$261,817
Cumulative effect of adoption of accounting standard (See Note 2)	—	88,448	1,805	—	—	90,253	—	90,253
Net income <sup>(1)</sup>	—	63,008	1,286	—	—	64,294	869	65,163
Distributions to common unitholders and general partner	—	(11,015 )	(225 )	—	—	(11,240 )	—	(11,240 )
Distributions to preferred unitholders	—	(14,960 )	(305 )	—	—	(15,265 )	—	(15,265 )
Issuance of unit-based awards	14	410	—	—	—	410	—	410
Unit-based awards amortization and vesting	—	333	—	—	—	333	—	333
Comprehensive loss from unconsolidated investment and other	—	50	9	—	(1,559 )	(1,500 )	(51 )	(1,551 )
Balance at June 30, 2018	12,246	\$326,125	\$4,427	\$66,816	\$ (4,872 )	\$ 392,496	\$ (2,576 )	\$389,920

(1) Net income includes \$15.0 million attributable to Preferred Unitholders that accumulated during the period, of which \$14.7 million is allocated to the common unitholders and \$0.3 million is allocated to the general partner. The accompanying notes are an integral part of these consolidated financial statements.



NATURAL RESOURCE PARTNERS L.P.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

	Six Months Ended June 30,	
(In thousands)	2018	2017
Cash flows from operating activities		
Net income	\$65,163	\$31,894
Adjustments to reconcile net income to net cash provided by operating activities of continuing operations:		
Depreciation, depletion and amortization	16,520	17,889
Amortization expense—affiliate	—	1,008
Distributions from unconsolidated investment	22,403	22,112
Equity earnings from unconsolidated investment	(26,150 )	(18,683 )
Gain on asset sales, net	(870 )	(3,405 )
Debt modification expense	—	7,939
Loss on extinguishment of debt	—	4,107
Loss from discontinued operations	48	74
Asset impairments	242	1,778
Unit-based compensation expense	1,073	3
Amortization of debt issuance costs and other	1,973	3,344
Other—affiliates	(190 )	(1,173 )
Change in operating assets and liabilities:		
Accounts receivable	(8,926 )	(4,530 )
Accounts receivable—affiliates	21	236
Accounts payable	175	46
Accounts payable—affiliates	890	2
Accrued liabilities	(3,381 )	(7,302 )
Accrued liabilities—affiliates	(515 )	—
Accrued interest	(875 )	3,405
Deferred revenue	6,037	4,489
Deferred revenue—affiliates	—	(10,166 )
Other items, net	952	2,527
Net cash provided by operating activities of continuing operations	\$74,590	\$55,594
Net cash used in operating activities of discontinued operations	(447 )	(531 )
Net cash provided by operating activities	\$74,143	\$55,063
Cash flows from investing activities		
Distributions from unconsolidated investment in excess of cumulative earnings	\$2,097	\$2,388
Proceeds from sale of assets	911	1,268
Return of long-term contract receivable	1,016	1,207
Return of long-term contract receivable—affiliate	—	804
Acquisition of plant and equipment and other	(5,857 )	(4,998 )
Net cash provided by (used in) investing activities of continuing operations	\$(1,833 )	\$669
Net cash provided by investing activities of discontinued operations	—	202
Net cash provided by (used in) investing activities	\$(1,833 )	\$871



NATURAL RESOURCE PARTNERS L.P.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

(In thousands)	Six Months Ended	
	2018	2017
Cash flows from financing activities		
Proceeds from issuance of preferred units and warrants, net	\$—	\$242,100
Proceeds from issuance of 2022 Senior Notes, net	—	103,688
Borrowings on credit facility	35,000	—
Repayments of loans	(48,072 )	(348,292 )
Redemption of preferred units paid-in-kind	(8,844 )	—
Distributions to common unitholders and general partner	(11,240 )	(11,234 )
Distributions to preferred unitholders	(15,265 )	(1,250 )
Contributions to discontinued operations	(447 )	(329 )
Debt issuance costs and other	(741 )	(40,534 )
Net cash used in financing activities of continuing operations	\$(49,609)	\$(55,851)
Net cash provided by financing activities of discontinued operations	447	329
Net cash used in financing activities	\$(49,162)	\$(55,522)
Net increase in cash and cash equivalents	\$23,148	