

PBF Energy Inc.
Form 10-Q
May 01, 2019

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: March 31, 2019

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: 001-35764

Commission File Number: 333-206728-02

PBF ENERGY INC.
PBF ENERGY COMPANY LLC
(Exact name of registrant as specified in its charter)

DELAWARE	45-3763855
DELAWARE	61-1622166
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

One Sylvan Way, Second Floor	07054
Parsippany, New Jersey	
(Address of principal executive offices)	(Zip Code)
(973) 455-7500	
(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.

PBF Energy Inc. Yes No

PBF Energy Company LLC Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).

PBF Energy Inc. Yes No

PBF Energy Company LLC 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, a 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.

PBF Energy Inc.	Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>	Emerging growth company <input type="checkbox"/>
PBF Energy Company LLC	Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>	Emerging growth company <input type="checkbox"/>

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.

PBF Energy Inc.
PBF Energy Company LLC

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

PBF Energy Inc. Yes No
PBF Energy Company LLC Yes No

As of April 29, 2019, PBF Energy Inc. had outstanding 119,850,446 shares of Class A common stock and 20 shares of Class B common stock. PBF Energy Inc. is the sole managing member of, and owner of an equity interest representing approximately 99.0% of the outstanding economic interest in PBF Energy Company LLC as of March 31, 2019. There is no trading in the membership interest of PBF Energy Company LLC and therefore an aggregate market value based on such is not determinable. PBF Energy Company LLC has no common stock outstanding.

PBF ENERGY INC. AND PBF ENERGY COMPANY LLC
 FORM 10-Q FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2019
 TABLE OF CONTENTS
 CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS 4

PART I – FINANCIAL INFORMATION

ITEM 1. Financial Statements (Unaudited)

PBF Energy Inc.

<u>Condensed Consolidated Balance Sheets as of March 31, 2019 and December 31, 2018</u>	6
<u>Condensed Consolidated Statements of Operations for the three months ended March 31, 2019 and 2018</u>	7
<u>Condensed Consolidated Statements of Comprehensive Income for the three months ended March 31, 2019 and 2018</u>	8
<u>Condensed Consolidated Statements of Changes in Equity for the three months ended March 31, 2019 and 2018</u>	9
<u>Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2019 and 2018</u>	10

PBF Energy Company LLC

<u>Condensed Consolidated Balance Sheets as of March 31, 2019 and December 31, 2018</u>	12
<u>Condensed Consolidated Statements of Operations for the three months ended March 31, 2019 and 2018</u>	13
<u>Condensed Consolidated Statements of Comprehensive Income for the three months ended March 31, 2019 and 2018</u>	14
<u>Condensed Consolidated Statements of Changes in Equity for the three months ended March 31, 2019 and 2018</u>	15
<u>Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2019 and 2018</u>	16

Notes to PBF Energy and PBF LLC Condensed Consolidated Financial Statements 18

ITEM 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	50
ITEM 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	76
ITEM 4. <u>Controls and Procedures</u>	78

PART II – OTHER INFORMATION

ITEM 1. <u>Legal Proceedings</u>	79
ITEM 1A. <u>Risk Factors</u>	83
ITEM 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	83
ITEM 6. <u>Exhibits</u>	84
<u>SIGNATURES</u>	86

This combined Quarterly Report on Form 10-Q is filed by PBF Energy Inc. (“PBF Energy”) and PBF Energy Company LLC (“PBF LLC”). Each Registrant hereto is filing on its own behalf all of the information contained in this report that relates to such Registrant. Each Registrant hereto is not filing any information that does not relate to such Registrant, and therefore makes no representation as to any such information. PBF Energy is a holding company whose primary asset is an equity interest in PBF LLC. PBF Energy is the sole managing member of, and owner of an equity interest representing approximately 99.0% of the outstanding economic interests in PBF LLC as of March 31, 2019. PBF Energy operates and controls all of the business and affairs and consolidates the financial results of PBF LLC and its subsidiaries. PBF LLC is a holding company for the companies that directly and indirectly own and operate our business. PBF Holding Company LLC (“PBF Holding”) is a wholly-owned subsidiary of PBF LLC and PBF Finance Corporation (“PBF Finance”) is a wholly-owned subsidiary of PBF Holding. As of March 31, 2019, PBF LLC also holds a 54.1% limited partner interest and a non-economic general partner interest in PBF Logistics LP (“PBFX” or the “Partnership”), a publicly traded master limited partnership. PBF Energy, through its ownership of PBF LLC, consolidates the financial results of PBFX and its subsidiaries and records a noncontrolling interest in its consolidated financial statements representing the economic interests of PBFX’s unit holders other than PBF LLC. Collectively, PBF Energy and its consolidated subsidiaries, including PBF LLC, PBF Holding, and PBFX are referred to hereinafter as the “Company” unless the context otherwise requires. Discussions or areas of this report that either apply only to PBF Energy or PBF LLC are clearly noted in such sections. Unless the context indicates otherwise, the terms “we,” “us,” and “our” refer to both PBF Energy and PBF LLC and its consolidated subsidiaries.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains certain “forward-looking statements”, as defined in the Private Securities Litigation Reform Act of 1995 (“PSLRA”), of expected future developments that involve risks and uncertainties. You can identify forward-looking statements because they contain words such as “believes,” “expects,” “may,” “should,” “seeks,” “approximately,” “intends,” “plans,” “estimates,” or “anticipates” or similar expressions that relate to our strategy, plans or intentions. All statements we make relating to our estimated and projected earnings, margins, costs, expenditures, cash flows, growth rates and financial results or to our strategies, objectives, intentions, resources and expectations regarding future industry trends are forward-looking statements made under the safe harbor provisions of the PSLRA except to the extent such statements relate to the operations of a partnership or limited liability company. In addition, we, through our senior management, from time to time make forward-looking public statements concerning our expected future operations and performance and other developments. These forward-looking statements are subject to risks and uncertainties that may change at any time, and, therefore, our actual results may differ materially from those that we expected. We derive many of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and, of course, it is impossible for us to anticipate all factors that could affect our actual results.

Important factors that could cause actual results to differ materially from our expectations, which we refer to as “cautionary statements,” are disclosed under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this Form 10-Q, the Annual Report on Form 10-K for the year ended December 31, 2018 of PBF Energy and PBF LLC, which we refer to as our 2018 Annual Report on Form 10-K, and in our other filings with the Securities and Exchange Commission (“SEC”). All forward-looking information in this Quarterly Report on Form 10-Q and subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements. Some of the factors that we believe could affect our results include:

- supply, demand, prices and other market conditions for our products, including volatility in commodity prices;
- the effects of competition in our markets;
- changes in currency exchange rates, interest rates and capital costs;
- adverse developments in our relationship with both our key employees and unionized employees;
- our ability to operate our businesses efficiently, manage capital expenditures and costs (including general and administrative expenses) and generate earnings and cash flow;
- our indebtedness;
- our expectations with respect to our capital improvement and turnaround projects;
- our supply and inventory intermediation arrangements expose us to counterparty credit and performance risk;
- termination of our Inventory Intermediation Agreements with J. Aron, which could have a material adverse effect on our liquidity, as we would be required to finance our crude oil, intermediate and refined products inventory covered by the agreements. Additionally, we are obligated to repurchase from J. Aron certain crude, intermediates and finished products located at the Company’s storage tanks at the Paulsboro and Delaware City refineries and at PBFX’s East Coast Storage Assets upon termination of these agreements;
- restrictive covenants in our indebtedness that may adversely affect our operational flexibility;
- payments by PBF Energy to the current and former holders of PBF LLC Series A Units and PBF LLC Series B Units under PBF Energy’s Tax Receivable Agreement (as defined in “Note 7 - Commitments and Contingencies” of our Notes to Condensed Consolidated Financial Statements) for certain tax benefits we may claim;

- our assumptions regarding payments arising under PBF Energy’s Tax Receivable Agreement and other arrangements relating to our organizational structure are subject to change due to various factors, including, among other factors, the timing of exchanges of PBF LLC Series A Units for shares of PBF Energy Class A common stock as contemplated by the Tax Receivable Agreement, the price of PBF Energy Class A common stock at the time of such exchanges, the extent to which such exchanges are taxable, and the amount and timing of our income;
- our expectations and timing with respect to our acquisition activity and whether such acquisitions are accretive or dilutive to shareholders;
- the impact of disruptions to crude or feedstock supply to any of our refineries, including disruptions due to problems at PBFX or with third-party logistics infrastructure or operations, including pipeline, marine and rail transportation;
- the possibility that we might reduce or not make further dividend payments;
- the inability of our subsidiaries to freely pay dividends or make distributions to us;
- the impact of current and future laws, rulings and governmental regulations, including the implementation of rules and regulations regarding transportation of crude oil by rail;
- the impact of the newly enacted federal income tax legislation on our business;
- the effectiveness of our crude oil sourcing strategies, including our crude by rail strategy and related commitments;
- adverse impacts related to legislation by the federal government lifting the restrictions on exporting U.S. crude oil;
- adverse impacts from changes in our regulatory environment, such as the effects of compliance with the California Global Warming Solutions Act (also referred to as “AB32”), or from actions taken by environmental interest groups;
- market risks related to the volatility in the price of Renewable Identification Numbers (“RINs”) required to comply with the Renewable Fuel Standards and greenhouse gas (“GHG”) emission credits required to comply with various GHG emission programs, such as AB32;
- our ability to successfully integrate completed acquisitions into our business and realize the benefits from such acquisitions;
- liabilities arising from acquisitions that are unforeseen or exceed our expectations;
- risk associated with the operation of PBFX as a separate, publicly-traded entity;
- potential tax consequences related to our investment in PBFX; and
- any decisions we continue to make with respect to our energy-related logistical assets that may be transferred to PBFX.

We caution you that the foregoing list of important factors may not contain all of the material factors that are important to you. In addition, in light of these risks and uncertainties, the matters referred to in the forward-looking statements contained in this Quarterly Report on Form 10-Q may not in fact occur. Accordingly, investors should not place undue reliance on those statements.

Our forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q. Except as required by applicable law, including the securities laws of the United States, we do not intend to update or revise any forward-looking statements. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the foregoing.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

PBF ENERGY INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited, in millions, except share and per share data)

	March 31, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents (PBFX: \$16.4 and \$19.9, respectively)	\$418.3	\$ 597.3
Accounts receivable	869.4	718.2
Inventories	2,566.5	1,865.8
Prepaid and other current assets	125.1	55.6
Total current assets	3,979.3	3,236.9
Property, plant and equipment, net (PBFX: \$861.6 and \$862.1, respectively)	3,875.9	3,820.9
Deferred tax assets	—	48.5
Operating lease right of use assets	245.5	—
Deferred charges and other assets, net	1,025.4	899.1
Total assets	\$9,126.1	\$ 8,005.4
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$556.2	\$ 488.4
Accrued expenses	1,900.7	1,623.6
Deferred revenue	66.5	20.1
Current operating lease liabilities	81.0	—
Current debt	2.5	2.4
Total current liabilities	2,606.9	2,134.5
Long-term debt (PBFX: \$677.8 and \$673.3, respectively)	2,188.5	1,931.3
Payable to related parties pursuant to Tax Receivable Agreement	373.5	373.5
Deferred tax liabilities	70.4	40.4
Long-term operating lease liabilities	165.0	—
Other long-term liabilities	275.0	277.2
Total liabilities	5,679.3	4,756.9
Commitments and contingencies (Note 7)		
Equity:		
PBF Energy Inc. equity		
Class A common stock, \$0.001 par value, 1,000,000,000 shares authorized, 119,848,135 shares outstanding at March 31, 2019, 119,874,191 shares outstanding at December 31, 2018	0.1	0.1
Class B common stock, \$0.001 par value, 1,000,000 shares authorized, 20 shares outstanding at March 31, 2019, 20 shares outstanding at December 31, 2018	—	—
Preferred stock, \$0.001 par value, 100,000,000 shares authorized, no shares outstanding at March 31, 2019 and December 31, 2018	—	—
Treasury stock, at cost, 6,303,932 shares outstanding at March 31, 2019 and 6,274,261 shares outstanding at December 31, 2018	(161.8)	(160.8)
Additional paid in capital	2,722.5	2,633.8
Retained earnings	419.1	225.8
Accumulated other comprehensive loss	(22.2)	(22.4)
Total PBF Energy Inc. equity	2,957.7	2,676.5
Noncontrolling interest	489.1	572.0

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Total equity	3,446.8	3,248.5
Total liabilities and equity	\$9,126.1	\$ 8,005.4

See notes to condensed consolidated financial statements.

6

PBF ENERGY INC.
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (unaudited, in millions, except share and per share data)

	Three Months Ended March 31,	
	2019	2018
Revenues	\$5,216.2	\$ 5,802.8
Cost and expenses:		
Cost of products and other	4,209.2	5,132.1
Operating expenses (excluding depreciation and amortization expense as reflected below)	479.0	426.1
Depreciation and amortization expense	103.0	83.3
Cost of sales	4,791.2	5,641.5
General and administrative expenses (excluding depreciation and amortization expense as reflected below)	57.6	62.8
Depreciation and amortization expense	2.8	2.7
Loss on sale of assets	—	0.1
Total cost and expenses	4,851.6	5,707.1
Income from operations	364.6	95.7
Other income (expense):		
Change in fair value of catalyst leases	(3.1) —
Interest expense, net	(39.5) (43.2
Other non-service components of net periodic benefit cost	(0.1) 0.3
Income before income taxes	321.9	52.8
Income tax expense	80.5	11.0
Net income	241.4	41.8
Less: net income attributable to noncontrolling interests	12.2	11.4
Net income attributable to PBF Energy Inc. stockholders	\$229.2	\$ 30.4
Weighted-average shares of Class A common stock outstanding		
Basic	119,880,915	110,820,379
Diluted	122,175,744	115,193,491
Net income available to Class A common stock per share:		
Basic	\$1.91	\$ 0.27
Diluted	\$1.89	\$ 0.27

See notes to condensed consolidated financial statements.

PBF ENERGY INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited, in millions)

	Three Months Ended March 31,	
	2019	2018
Net income	\$241.4	\$41.8
Other comprehensive income:		
Net gain on pension and other post-retirement benefits	0.2	0.3
Total other comprehensive income	0.2	0.3
Comprehensive income	241.6	42.1
Less: comprehensive income attributable to noncontrolling interests	12.1	11.5
Comprehensive income attributable to PBF Energy Inc. stockholders	\$229.5	\$30.6

See notes to condensed consolidated financial statements.

8

PBF ENERGY INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited, in millions, except share and per share data)

	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Noncontrol Interest	Total Equity
	Shares	Amount	Shares	Amount				Shares	Amount		
Balance, December 31, 2017	110,565,531	\$ 0.125	\$ 2,277.7	\$ 236.8	\$ (25.4)	6,132,884	\$(152.6)	\$ 566.3	\$ 2,902.9		
Comprehensive Income	—	—	—	30.3	0.3	—	—	11.5	42.1		
Exercise of warrants and options	45,257	—	—	—	—	—	—	—	—		
Distributions to PBF Energy Company LLC members	—	—	—	—	—	—	—	(1.0)	(1.0)		
Distributions to PBF Logistics LP public unitholders	—	—	—	—	—	—	—	(11.7)	(11.7)		
Stock-based compensation	1,054	—	—	4.3	—	—	—	0.8	5.1		
Dividends (\$0.30 per common share)	—	—	—	—	(33.3)	—	—	—	(33.3)		
Effects of exchanges of PBF LLC Series A Units on deferred tax assets and liabilities and tax receivable agreement obligation	—	—	—	0.8	—	—	—	—	0.8		
Exchange of PBF Energy Company LLC Series A Units for PBF Energy Class A common stock	539,288	—	(3)	—	—	—	—	—	—		
Treasury stock purchases	(32,149)	—	—	1.0	—	—	32,149	(1.0)	—		
Other	—	—	—	10.9	—	—	—	—	10.9		
Balance, March 31, 2018	111,118,981	\$ 0.122	\$ 2,294.7	\$ 233.8	\$ (25.1)	6,165,033	\$(153.6)	\$ 565.9	\$ 2,915.8		

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(Loss)

Balance, December 31, 2018	119,874,191	\$ 0.1	20	\$ -2,633.8	\$ 225.8	\$ (22.4)	6,274,261	\$(160.8)	\$ 572.0	\$ 3,248.5
Comprehensive Income	—	—	—	—	229.3	0.2	—	—	12.1	241.6
Exercise of warrants and options	5,025	—	—	0.1	—	—	—	—	—	0.1
Taxes paid for net settlement of equity-based compensation	—	—	—	(1.0)	—	—	—	—	—	(1.0)
Distributions to PBF Energy Company LLC members	—	—	—	—	—	—	—	—	(0.4)	(0.4)
Distributions to PBF Logistics LP public unitholders	—	—	—	—	—	—	—	—	(13.2)	(13.2)
Stock-based compensation	(1,410)	—	—	6.2	—	—	—	—	1.0	7.2
Dividends (\$0.30 per common share)	—	—	—	—	(36.0)	—	—	—	—	(36.0)
Issuance of additional PBFX common units	—	—	—	82.4	—	—	—	—	(82.4)	—
Treasury stock purchases	(29,671)	—	—	1.0	—	—	29,671	(1.0)	—	—
Balance, March 31, 2019	119,848,135	\$ 0.1	20	\$ -2,722.5	\$ 419.1	\$ (22.2)	6,303,932	\$(161.8)	\$ 489.1	\$ 3,446.8

ENERGY INC.
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (unaudited, in millions)

	Three Months Ended March 31,	
	2019	2018
Cash flows from operating activities:		
Net income	\$241.4	\$41.8
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	108.6	88.0
Stock-based compensation	8.0	5.1
Change in fair value of catalyst leases	3.1	—
Deferred income taxes	78.5	10.9
Non-cash change in inventory repurchase obligations	14.2	8.8
Non-cash lower of cost or market inventory adjustment	(506.0)	(87.7)
Pension and other post-retirement benefit costs	11.2	11.8
Loss on sale of assets	—	0.1
Changes in operating assets and liabilities:		
Accounts receivable	(151.2)	121.5
Inventories	(194.7)	(278.3)
Prepaid and other current assets	(69.5)	(24.3)
Accounts payable	46.1	31.9
Accrued expenses	224.5	(8.3)
Deferred revenue	46.4	(2.6)
Other assets and liabilities	(10.5)	(4.1)
Net cash used in operating activities	\$(149.9)	\$(85.4)
Cash flows from investing activities:		
Expenditures for property, plant and equipment	(105.4)	(24.9)
Expenditures for deferred turnaround costs	(133.0)	(58.8)
Expenditures for other assets	(22.2)	(9.6)
Net cash used in investing activities	\$(260.6)	\$(93.3)

See notes to condensed consolidated financial statements.

PBF ENERGY INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(unaudited, in millions)

	Three Months Ended March 31,	
	2019	2018
Cash flows from financing activities:		
Distributions to PBF Energy Company LLC members other than PBF Energy	\$(0.4)	\$(1.0)
Distributions to PBFX public unitholders	(12.8)	(11.4)
Dividend payments	(35.9)	(33.2)
Proceeds from revolver borrowings	575.0	—
Repayments of revolver borrowings	(325.0)	—
Repayment of note payable	—	(1.2)
Proceeds from PBFX revolver borrowings	16.0	—
Repayments of PBFX revolver borrowings	(12.0)	(9.7)
Repayments of PBF Rail Term Loan	(1.7)	(1.7)
Proceeds from insurance premium financing	30.2	27.9
Taxes paid for net settlement of stock-based compensation	(1.0)	—
Proceeds from stock options exercised	0.1	—
Purchase of treasury stock	(1.0)	(1.0)
Net cash provided by (used in) financing activities	\$231.5	\$(31.3)