

USG CORP
Form 10-Q
April 25, 2018
Table of Contents

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, 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 1-8864

USG CORPORATION

(Exact name of registrant as specified in its charter)

Delaware 36-3329400

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

550 West Adams Street, Chicago, Illinois 60661-3676

(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code (312) 436-4000

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 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, 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.

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.

Indicate 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 shares of the registrant's common stock outstanding as of March 31, 2018 was 139,652,659.

Table of Contents	Page
<u>PART I FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements (unaudited):</u>	
<u>Condensed Consolidated Statements of Income:</u> <u>Three Months Ended March 31, 2018 and 2017</u>	<u>3</u>
<u>Condensed Consolidated Statements of Comprehensive Income:</u> <u>Three Months Ended March 31, 2018 and 2017</u>	<u>4</u>
<u>Condensed Consolidated Balance Sheets:</u> <u>As of March 31, 2018 and December 31, 2017</u>	<u>5</u>
<u>Condensed Consolidated Statements of Cash Flows:</u> <u>Three Months Ended March 31, 2018 and 2017</u>	<u>6</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>7</u>
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>20</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>32</u>
<u>Item 4. Controls and Procedures</u>	<u>32</u>
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	<u>33</u>
<u>Item 1A. Risk Factors</u>	<u>33</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>33</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>33</u>
<u>Item 6. Exhibits</u>	<u>34</u>
<u>Signatures</u>	<u>35</u>

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

USG CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(millions, except per-share and share data)	Three months ended	
	March 31,	
	2018	2017
Net sales	\$786	\$ 767
Cost of products sold	647	608
Gross profit	139	159
Selling and administrative expenses	93	75
Operating profit	46	84
Income from equity method investments	9	13
Interest expense	(14)	(20)
Interest income	1	1
Other income, net	3	6
Income from continuing operations before income taxes	45	84
Income tax expense	(9)	(29)
Income from continuing operations	36	55
Income from discontinued operations, net of tax	1	—
Net income	\$37	\$ 55
Basic earnings per average common share	\$0.26	\$ 0.38
Diluted earnings per average common share	\$0.25	\$ 0.37
Average common shares	141,105,278	138,309,994
Dilutive awards under long-term incentive plan	2,703,126	420,360
Average diluted common shares	143,808,404	138,730,354
See accompanying Notes to Condensed Consolidated Financial Statements.		

Table of Contents

USG CORPORATION
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (Unaudited)

(millions)	Three months ended March 31, 2018 2017	
Net income	\$37	\$55
Other comprehensive income (loss), net of tax:		
Derivatives qualifying as cash flow hedges:		
Income (loss) on derivatives qualifying as cash flow hedges, net of tax of \$0 and \$3, respectively	—	(6)
Less: Reclassification adjustment for income (loss) on derivatives included in net income, net of tax of \$0 in all periods	—	—
Net derivatives qualifying as cash flow hedges	—	(6)
Pension and postretirement benefits:		
Changes in pension and postretirement benefits, net of tax of \$0 in all periods	2	(1)
Less: Amortization of prior service cost included in net periodic pension cost, net of tax (benefit) of (\$1) and \$0, respectively	(1)	—
Net pension and postretirement benefits	3	(1)
Foreign currency translation:		
Changes in foreign currency translation, net of tax of \$0 in all periods	12	40
Other comprehensive income, net of tax	\$15	\$33
Comprehensive income	\$52	\$88

See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents

USG CORPORATION
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (Unaudited)

(millions, except share data)	March 31, December 31,	
	2018	2017
Assets		
Cash and cash equivalents	\$ 261	\$ 394
Short-term marketable securities	62	62
Receivables (net of reserves 2018 - \$10 and 2017 - \$9)		