

Andersons, Inc.
Form 10-Q
August 07, 2017
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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, 2017

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 000-20557

THE ANDERSONS, INC.
(Exact name of the registrant as specified in its charter)

OHIO 34-1562374
(State of incorporation (I.R.S. Employer or organization) Identification No.)
1947 Briarfield Boulevard, Maumee, Ohio 43537
(Address of principal executive offices) (Zip Code)
(419) 893-5050
(Telephone Number)
(Former name, former address and former fiscal year, if changed since last report.)

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 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

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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 ý

The registrant had approximately 28.4 million common shares outstanding, no par value, at July 28, 2017.

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Part I. Financial Information

Item 1. Financial Statements

The Andersons, Inc.

Condensed Consolidated Balance Sheets

(Unaudited)(In thousands)

	June 30, 2017	December 31, 2016	June 30, 2016
Assets			
Current assets:			
Cash and cash equivalents	\$ 18,934	\$ 62,630	\$ 31,383
Restricted cash	1,033	471	987
Accounts receivable, net	186,331	194,698	212,588
Inventories (Note 2)	463,205	682,747	486,236
Commodity derivative assets – current (Note 5)	11,619	45,447	115,924
Other current assets	59,873	72,133	48,754
Assets held for sale (Note 16)	10,028	—	—
Total current assets	751,023	1,058,126	895,872
Other assets:			
Commodity derivative assets – noncurrent (Note 5)	1,191	100	1,934
Goodwill (Note 17)	23,105	63,934	63,934
Other intangible assets, net	113,492	106,100	113,245
Other assets, net	8,686	10,411	6,549
Equity method investments	215,794	216,931	238,478
	362,268	397,476	424,140
Rail Group assets leased to others, net (Note 3)	375,092	327,195	340,136
Property, plant and equipment, net (Note 3)	423,042	450,052	447,267
Total assets	\$ 1,911,425	\$ 2,232,849	\$ 2,107,415

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The Andersons, Inc.

Condensed Consolidated Balance Sheets (continued)

(Unaudited)(In thousands)

	June 30, 2017	December 31, 2016	June 30, 2016
Liabilities and equity			
Current liabilities:			
Short-term debt (Note 4)	\$ 124,000	\$ 29,000	\$ 179,404
Trade and other payables	267,194	581,826	302,413
Customer prepayments and deferred revenue	15,113	48,590	18,252
Commodity derivative liabilities – current (Note 5)	18,104	23,167	43,183
Accrued expenses and other current liabilities	69,256	69,648	71,169
Current maturities of long-term debt (Note 4)	62,482	47,545	53,720
Total current liabilities	556,149	799,776	668,141
Other long-term liabilities	34,441	27,833	30,430
Commodity derivative liabilities – noncurrent (Note 5)	334	339	2,182
Employee benefit plan obligations	36,837	35,026	44,902
Long-term debt, less current maturities (Note 4)	354,066	397,065	398,746
Deferred income taxes	181,806	182,113	179,911
Total liabilities	1,163,633	1,442,152	1,324,312
Commitments and contingencies (Note 13)			
Shareholders' equity:			
Common shares, without par value (63,000 shares authorized; 29,430 shares issued at 6/30/2017, 12/31/16 and 6/30/2016)	96	96	96
Preferred shares, without par value (1,000 shares authorized; none issued)	—	—	—
Additional paid-in-capital	222,261	222,910	219,489
Treasury shares, at cost (1,080, 1,201 and 1,190 shares at 6/30/2017, 12/31/16 and 6/30/2016, respectively)	(40,945)	(45,383)	(44,970)
Accumulated other comprehensive loss	(11,993)	(12,468)	(17,094)
Retained earnings	570,406	609,206	606,177
Total shareholders' equity of The Andersons, Inc.	739,825	774,361	763,698
Noncontrolling interests	7,967	16,336	19,405
Total equity	747,792	790,697	783,103
Total liabilities and equity	\$ 1,911,425	\$ 2,232,849	\$ 2,107,415

See Notes to Condensed Consolidated Financial Statements

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The Andersons, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)(In thousands, except per share data)

	Three months ended		Six months ended June	
	June 30,		30,	
	2017	2016	2017	2016
Sales and merchandising revenues	\$993,662	\$1,064,244	\$1,845,678	\$1,952,123
Cost of sales and merchandising revenues	905,828	967,202	1,681,386	1,787,326
Gross profit	87,834	97,042	164,292	164,797
Operating, administrative and general expenses	69,928	75,405	151,875	155,286
Goodwill impairment	42,000	—	42,000	—
Interest expense	5,988	6,554	12,088	13,605
Other income (loss):				
Equity in earnings (losses) of affiliates, net	6,385	2,344	4,507	(4,633)
Other income, net	4,632	5,682	12,529	8,928
Income (loss) before income taxes	(19,065)	23,109	(24,635)	201
Income tax provision (benefit)	7,652	7,668	5,117	382
Net income (loss)	(26,717)	15,441	(29,752)	(181)
Net income (loss) attributable to the noncontrolling interests	(64)	1,018	(10)	92
Net income (loss) attributable to The Andersons, Inc.	\$(26,653)	\$14,423	\$(29,742)	\$(273)
Per common share:				
Basic earnings (loss) attributable to The Andersons, Inc. common shareholders	\$(0.94)	\$0.51	\$(1.05)	\$(0.01)
Diluted earnings (loss) attributable to The Andersons, Inc. common shareholders	\$(0.94)	\$0.51	\$(1.05)	\$(0.01)
Dividends declared	\$0.160	\$0.155	\$0.320	\$0.310
See Notes to Condensed Consolidated Financial Statements				

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The Andersons, Inc.

Condensed Consolidated Statements of Comprehensive Income (Loss)

(Unaudited)(In thousands)

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Net income (loss)	\$(26,717)	\$15,441	\$(29,752)	\$(181)
Other comprehensive income (loss), net of tax:				
Change in fair value of debt securities (net of income tax of \$0, \$0, \$0 and \$74)	—	—	—	(126)
Change in unrecognized actuarial loss and prior service cost (net of income tax of \$(628), \$653, \$(635) and \$663 - Note 8)	(988)	1,121	(998)	1,294
Foreign currency translation adjustments (net of income tax of \$0, \$0, \$0 and \$0)	959	52	1,473	2,557
Cash flow hedge activity (net of income tax of \$0, \$36, \$0, and \$72)	—	60	—	120
Other comprehensive income (loss)	(29)	1,233	475	3,845
Comprehensive income (loss)	(26,746)	16,674	(29,277)	3,664
Comprehensive income (loss) attributable to the noncontrolling interests	(64)	1,018	(10)	92
Comprehensive income (loss) attributable to The Andersons, Inc.	\$(26,682)	\$15,656	\$(29,267)	\$3,572
See Notes to Condensed Consolidated Financial Statements				

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The Andersons, Inc.

Condensed Consolidated Statements of Cash Flows

(Unaudited)(In thousands)

	Six months ended	
	June 30,	
	2017	2016
Operating Activities		
Net income (loss)	\$(29,752)	\$ (181)
Adjustments to reconcile net income (loss) to cash used in operating activities:		
Depreciation and amortization	42,878	41,379
Bad debt expense	839	491
Equity in (earnings) losses of affiliates, net of dividends	(3,793)	7,181
Gains on sale of facilities and investments in affiliates	(4,701)	(685)
Gains on sale of Rail Group assets and related leases	(4,984)	(4,725)
Deferred income taxes	(628)	(1,601)
Stock-based compensation expense	2,935	3,696
Goodwill impairment expense	42,000	—
Other	(2,339)	234
Changes in operating assets and liabilities:		
Accounts receivable	13,086	(43,650)
Inventories	213,064	224,368
Commodity derivatives	27,670	(60,443)
Other assets	10,629	35,612
Payables and other accrued expenses	(352,133)	(396,037)
Net cash provided by (used in) operating activities	(45,229)	(194,361)
Investing Activities		
Acquisition of business, net of cash acquired	(3,507)	—
Purchases of Rail Group assets	(66,506)	(27,504)