

PYXUS INTERNATIONAL, INC.

Form 10-Q

February 11, 2019

PYXUS INTERNATIONAL, INC. Accelerated

Filer false 10-Q 12/31/2018 2019 Q3 false 9,080,984 0000939930 --03-31 2,325,734 7,020,921 three

years 78542760.00 three years 987 one

year 0000939930 2018-04-01 2018-12-31 xbrli:shares 0000939930 2019-01-31 iso4217:USD 0000939930 2018-10-01 2018-12-31 00

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 December 31, 2018.

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____.

Pyxus International, Inc.

(Exact name of registrant as specified in its charter)

<u>Virginia</u>	<u>001-13684</u>	<u>54-1746567</u>
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

8001 Aerial Center Parkway
Morrisville, NC 27560-8417
(Address of principal executive offices)

(919) 379-4300
(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.

Yes No

Indicate by check mark whether the registrant has submitted electronically, 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, 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. (Check one):

Large Accelerated Filer Accelerated Filer Non-Accelerated filer
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 transaction 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

As of January 31, 2019, the registrant had 9,080,984 shares outstanding of Common Stock (no par value) excluding 785,313 shares owned by a wholly owned subsidiary.

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Pyxus International, Inc. and Subsidiaries

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Part I. Financial Information

Item 1. Financial Statements

Pyxus International, Inc. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

Three and Nine Months Ended December 31, 2018 and 2017

(Unaudited)

	Three Months Ended December 31,		Nine Months Ended December 31,	
<i>(in thousands, except per share data)</i>	2018	2017	2018	2017
Sales and other operating revenues	\$ 524,487	\$ 477,783	\$ 1,210,351	\$ 1,202,115
Cost of goods and services sold	449,776	404,282	1,045,042	1,030,648
Gross profit	74,711	73,501	165,309	171,467
Selling, general, and administrative expenses	41,680	34,283	118,759	102,248
Other income	7,991	1,019	13,473	9,909
Restructuring and asset impairment charges	1,667	—	3,390	—
Operating income	39,355	40,237	56,633	79,128

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Debt retirement expense (benefit)	(1,281)	—	(1,754)	(2,975)
Interest expense (includes debt amortization of \$2,325 and \$2,734 for the three months and \$7,020 and \$7,921 for the nine months ended December 31, 2018 and 2017, respectively)	33,947	33,564	102,182	101,105
Interest income	962	601	2,587	2,295
Income (loss) before income taxes and other items	7,651	7,274	(41,208)	(16,707)
Income tax expense (benefit)	17,354	(73,282)	26,900	(66,233)
Equity in net	4,701	7,770	6,852	7,121

income of investee companies						
Net (loss) (5,002)	88,326		(61,256)		56,647	
income						
Net income (loss)						
attributable	(130)		(769)		(289)	
to noncontrolling interests						
Net (loss) income attributable	\$ (5,095)	\$ 88,456	\$ (60,487)	\$ 56,936		
to Pyxus International, Inc.						
(Loss) earnings per share:						
Basic \$	(0.56)	\$ 9.83	\$ (6.69)	\$ 6.34		
Diluted \$	(0.56)	\$ 9.80	\$ (6.69)	\$ 6.32		
Weighted average number of shares outstanding:						
Basic	9,068	9,001	9,048	8,982		
Diluted	9,068	9,029	9,048	9,009		

See "Notes to Condensed Consolidated Financial Statements"

Pyxus International, Inc. and Subsidiaries

**CONDENSED CONSOLIDATED STATEMENTS OF
COMPREHENSIVE (LOSS) INCOME**

Three and Nine Months Ended December 31, 2018 and 2017

(Unaudited)

	Three Months Ended December 31,		Nine Months Ended December 31,	
<i>(in 2018 thousands)</i>	2017	2018	2017	
Net (loss) income	(5,002)	\$ 88,326	\$ (61,256)	\$ 56,647
Other comprehensive (loss) income, net of tax:				
Currency translation adjustment	725	(7,628)	6,817	
Defined benefit pension amounts reclassified to income	459	853	1,376	
Change in pension liability for settlements	—	(391)	—	
Change in the fair value of derivatives designated as cash	(64)	(3,752)	(626)	

flow				
hedges				
Amounts				
reclassified				
to				
2,161	656	1,445	727	
income				
for				
derivatives				
Total				
other				
comprehensive				
(loss)				
(4,778)	1,776	(9,473)	8,294	
income,				
net				
of				
tax				
Total				
comprehensive				
(loss)				
(9,780)	90,102	(70,729)	64,941	
income				
Comprehensive				
loss				
attributable				
(430)	(130)	(1,216)	(289)	
to				
noncontrolling				
interests				
Comprehensive				
(loss)				
income				
attributable				
\$ (9,350)	\$ 90,232	\$ (69,513)	\$ 65,230	
to				
Pyxus				
International,				
Inc.				

See
 "Notes
 to
 Condensed
 Consolidated
 Financial
 Statements"

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Pyxus International, Inc. and Subsidiaries
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

<i>(in thousands)</i>	December 31, 2018	December 31, 2017	March 31, 2018
ASSETS			
Current assets			
Cash and cash equivalents	\$ 209,160	\$ 209,490	\$ 264,660
Restricted cash	6,335	2,210	2,984
Trade receivables, net	268,747	222,451	285,554
Other receivables	21,305	18,366	18,845
Accounts receivable, related parties	5,077	9,832	8,188
Inventories	827,782	905,680	698,087
Advances to tobacco suppliers	51,135	69,872	30,482
Recoverable income taxes	8,538	19,025	5,994
Prepaid expenses	17,325	17,730	17,181
Other current assets	16,212	16,774	17,628
Total current assets	1,431,616	1,491,430	1,349,603
Restricted cash	389	539	389
Investments in unconsolidated affiliates	68,351	67,069	68,151
Goodwill	34,109	16,463	27,546
Other intangible assets	70,074	41,837	70,724
Deferred income taxes, net	106,610	128,979	130,520
Long-term recoverable income taxes	898	—	1,795
Other deferred charges	2,634	3,848	3,388
Other noncurrent assets	44,256	54,552	60,234
Property, plant, and equipment, net	264,782	249,471	254,281
Total assets	\$ 2,023,719	\$ 2,054,188	\$ 1,966,631
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Notes payable to banks	\$ 583,407	\$ 536,170	\$ 427,277
Accounts payable	49,373	46,678	76,506
Accounts payable, related parties	18,372	22,939	14,835
Advances from customers	45,900	31,646	24,128
Accrued expenses and other current liabilities	98,233	92,446	88,380
Income taxes payable	6,513	14,902	6,767
Current portion of long-term debt	165	142	164
Total current liabilities	801,963	744,923	638,057
Long-term taxes payable	10,718	15,110	10,027
Long-term debt	897,195	918,820	920,143
Deferred income taxes	12,437	15,649	28,937
Liability for unrecognized tax benefits	11,026	10,522	11,191
Pension, postretirement, and other long-term liabilities	72,013	76,442	75,448
Total liabilities	1,805,352	1,781,466	1,683,803

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Commitments and contingencies

Stockholders' equity	December 31, 2018	December 31, 2017	March 31, 2018			
Common Stock—no par value:						
Authorized shares	250,000	250,000	250,000			
Issued shares	9,866	9,794	9,808	474,603	473,156	473,476
Retained deficit				(213,905)	(151,848)	(156,348)
Accumulated other comprehensive loss				(57,218)	(51,753)	(45,262)
Total stockholders' equity of Pyxus International, Inc.				203,480	269,555	271,866
Noncontrolling interests				14,887	3,167	10,962
Total stockholders' equity				218,367	272,722	282,828
Total liabilities and stockholders' equity				\$ 2,023,719	\$ 2,054,188	\$ 1,966,631

See "Notes to Condensed Consolidated Financial Statements"

Pyxus International, Inc. and Subsidiaries

CONDENSED STATEMENTS OF CONSOLIDATED STOCKHOLDERS' EQUITY

Nine Months Ended December 31, 2018

(Unaudited)

Attributable to Pyxus International, Inc.

<i>(in Common the \$)</i>	Retained Deficit	Accumulated Other Comprehensive Loss			Noncontrolling Interests	Total Stockholders' Equity	
		Currency Translation Adjustment	Pensions, Net of Tax	Loss on Derivatives, Net of Tax			
Balance, March 31, 2018	\$ 473,476	\$ (156,348)	\$ (12,682)	\$ (32,580)	—\$	10,962 \$	282,828
Net loss	(759)	—	—	—	(654)	(1,413)	
Stock-based compensation							