

PEABODY ENERGY CORP
Form 10-Q
May 11, 2017

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, 2017

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: 1-16463

PEABODY ENERGY CORPORATION
(Exact name of registrant as specified in its charter)

Delaware 13-4004153
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

701 Market Street, St. Louis, Missouri 63101-1826
(Address of principal executive offices) (Zip Code)

(314) 342-3400
(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 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, 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 Securities Exchange Act of 1934. (Check one):

Large accelerated filer " Accelerated filer "
Non-accelerated filer " (Do
not check if a smaller reporting company) Smaller reporting company
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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Exchange Act subsequent to the distribution of securities under a plan confirmed by a court. Yes
No "

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There were 97.2 million shares of the registrant's common stock (par value of \$0.01 per share) outstanding at May 5, 2017.

There were 19.2 million shares of the registrant's preferred stock (par value of \$0.01 per share) outstanding at May 5, 2017.

There were 0.8 million warrants to purchase an equivalent number of shares of the registrant's common stock outstanding at May 5, 2017.

TABLE OF CONTENTS

	Page
<u>PART I — FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements</u>	<u>1</u>
<u>Unaudited Condensed Consolidated Statements of Operations for the Three Months Ended March 31, 2017 and 2016</u>	<u>1</u>
<u>Unaudited Condensed Consolidated Statements of Comprehensive Income for the Three Months Ended March 31, 2017 and 2016</u>	<u>2</u>
<u>Condensed Consolidated Balance Sheets as of March 31, 2017 (Unaudited) and December 31, 2016</u>	<u>3</u>
<u>Unaudited Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2017 and 2016</u>	<u>4</u>
<u>Unaudited Condensed Consolidated Statement of Changes in Stockholders' Equity for the Three Months Ended March 31, 2017</u>	<u>5</u>
<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	<u>6</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>48</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>65</u>
<u>Item 4. Controls and Procedures</u>	<u>65</u>
<u>PART II — OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	<u>65</u>
<u>Item 1A. Risk Factors</u>	<u>66</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>66</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>66</u>
<u>Item 6. Exhibits</u>	<u>66</u>
<u>SIGNATURE</u>	<u>67</u>
<u>EXHIBIT INDEX</u>	<u>68</u>
EX-31.1	
EX-31.2	
EX-32.1	
EX-32.2	
EX-95	
EX-101 INSTANCE DOCUMENT	
EX-101 SCHEMA DOCUMENT	
EX-101 CALCULATION LINKBASE DOCUMENT	
EX-101 LABELS LINKBASE DOCUMENT	
EX-101 PRESENTATION LINKBASE DOCUMENT	
EX-101 DEFINITION LINKBASE DOCUMENT	

Table of Contents

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

PEABODY ENERGY CORPORATION

(DEBTOR-IN-POSSESSION)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended March 31, 2017 2016 (Dollars in millions, except per share data)	
Revenues		
Sales	\$1,064.1	\$879.8
Other revenues	262.1	147.4
Total revenues	1,326.2	1,027.2
Costs and expenses		
Operating costs and expenses (exclusive of items shown separately below)	963.7	920.2
Depreciation, depletion and amortization	119.9	111.8
Asset retirement obligation expenses	14.6	13.1
Selling and administrative expenses	37.2	48.3
Restructuring charges	—	12.1
Other operating (income) loss:		
Net gain on disposal of assets	(22.8)	(1.8)
Asset impairment	30.5	17.2
(Income) loss from equity affiliates	(15.0)	9.0
Operating profit (loss)	198.1	(102.7)
Interest expense	32.9	126.2
Interest income	(2.7)	(1.4)
Reorganization items, net	41.4	—
Income (loss) from continuing operations before income taxes	126.5	(227.5)
Income tax benefit	(4.5)	(65.8)
Income (loss) from continuing operations, net of income taxes	131.0	(161.7)
Loss from discontinued operations, net of income taxes	(4.1)	(3.4)
Net income (loss)	126.9	(165.1)
Less: Net income attributable to noncontrolling interests	4.8	—
Net income (loss) attributable to common stockholders	\$122.1	\$(165.1)
Income (loss) from continuing operations:		
Basic income (loss) per share	\$6.82	\$(8.85)
Diluted income (loss) per share	\$6.80	\$(8.85)
Net income (loss) attributable to common stockholders:		
Basic income (loss) per share	\$6.60	\$(9.03)
Diluted income (loss) per share	\$6.57	\$(9.03)
Dividends declared per share	\$—	\$—

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

PEABODY ENERGY CORPORATION
 (DEBTOR-IN-POSSESSION)
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended March 31, 2017 2016 (Dollars in millions)	
Net income (loss)	\$126.9	\$(165.1)
Reclassification for realized losses on cash flow hedges (net of respective net tax provision of \$9.1 and \$29.2) included in net income (loss)	18.6	49.7
Postretirement plans and workers' compensation obligations (net of respective net tax provision of \$2.5 and \$2.1)	4.4	3.6
Foreign currency translation adjustment	5.5	2.7
Other comprehensive income, net of income taxes	28.5	56.0
Comprehensive income (loss)	155.4	(109.1)
Less: Comprehensive income attributable to noncontrolling interests	4.8	—
Comprehensive income (loss) attributable to common stockholders	\$150.6	\$(109.1)
See accompanying notes to unaudited condensed consolidated financial statements.		

Table of Contents

PEABODY ENERGY CORPORATION
(DEBTOR-IN-POSSESSION)
CONDENSED CONSOLIDATED BALANCE SHEETS

	(Unaudited)	
	March 31, 2017	December 31, 2016
	(Amounts in millions, except per share data)	
ASSETS		
Current assets		
Cash and cash equivalents	\$1,068.1	\$ 872.3
Restricted cash	80.7	54.3
Successor Notes issuance proceeds - restricted cash	1,000.0	—
Accounts receivable, net of allowance for doubtful accounts of \$12.8 at March 31, 2017 and \$13.1 at December 31, 2016	312.1	473.0
Inventories	250.8	203.7
Assets from coal trading activities, net	0.6	0.7
Other current assets	493.9	486.6
Total current assets	3,206.2	2,090.6
Property, plant, equipment and mine development, net	8,653.9	8,776.7
Investments and other assets	976.4	910.4
Total assets	\$12,836.5	\$ 11,777.7
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current portion of long-term debt	\$18.2	\$ 20.2
Liabilities from coal trading activities, net	0.7	1.2
Accounts payable and accrued expenses	967.3	990.4
Total current liabilities	986.2	1,011.8
Long-term debt, less current portion	950.5	—
Deferred income taxes	16.2	17.6
Asset retirement obligations	707.0	717.8
Accrued postretirement benefit costs	753.9	756.3
Other noncurrent liabilities	511.1	496.2
Total liabilities not subject to compromise	3,924.9	2,999.7
Liabilities subject to compromise	8,416.7	8,440.2
Total liabilities	12,341.6	11,439.9
Stockholders' equity		
Preferred Stock — \$0.01 per share par value; 10.0 shares authorized, no shares issued or outstanding as of March 31, 2017 or December 31, 2016	—	—
Perpetual Preferred Stock — 0.8 shares authorized, no shares issued or outstanding as of March 31, 2017 or December 31, 2016	—	—
Series Common Stock — \$0.01 per share par value; 40.0 shares authorized, no shares issued or outstanding as of March 31, 2017 or December 31, 2016	—	—
Common Stock — \$0.01 per share par value; 53.3 shares authorized, 19.3 shares issued and 18.5 shares outstanding as of March 31, 2017 and December 31, 2016	0.2	0.2
Additional paid-in capital	2,423.9	2,422.0
Treasury stock, at cost — 0.8 shares as of March 31, 2017 and December 31, 2016	(371.9)	(371.8)
Accumulated deficit	(1,121.1)	(1,243.2)
Accumulated other comprehensive loss	(448.5)	(477.0)

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Peabody Energy Corporation stockholders' equity	482.6	330.2
Noncontrolling interests	12.3	7.6
Total stockholders' equity	494.9	337.8
Total liabilities and stockholders' equity	\$12,836.5	\$ 11,777.7

See accompanying notes to unaudited condensed consolidated financial statements.

3

Table of ContentsPEABODY ENERGY CORPORATION
(DEBTOR-IN-POSSESSION)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31,	
	2017	2016
	(Dollars in millions)	
Cash Flows From Operating Activities		
Net income (loss)	\$126.9	\$(165.1)
Loss from discontinued operations, net of income taxes	4.1	3.4
Income (loss) from continuing operations, net of income taxes	131.0	(161.7)
Adjustments to reconcile income (loss) from continuing operations, net of income taxes to net cash provided by (used in) operating activities:		
Depreciation, depletion and amortization	119.9	111.8
Noncash interest expense	0.5	6.9
Deferred income taxes	(5.0)	(49.4)
Noncash share-based compensation	1.9	2.4
Asset impairment	30.5	17.2
Net gain on disposal of assets	(22.8)	(1.8)
(Income) loss from equity affiliates	(15.0)	9.0
Gain on voluntary employee beneficiary association settlement	—	(68.1)
Settlement of hedge positions	—	(17.8)
Unrealized gains on non-coal trading derivative contracts	—	(25.0)
Reclassification from other comprehensive earnings for terminated hedge contracts	27.6	—
Noncash reorganization items, net	10.0	—
Changes in current assets and liabilities:		
Accounts receivable	159.3	125.8
Change in receivable from accounts receivable securitization program	—	(168.5)
Inventories	(47.2)	(8.0)
Net assets from coal trading activities	(0.5)	6.0
Other current assets	0.1	(36.0)
Accounts payable and accrued expenses	(54.9)	(71.1)
Restricted cash	(94.1)	(100.2)
Asset retirement obligations	10.2	9.0
Workers' compensation obligations	(3.1)	(3.3)
Accrued postretirement benefit costs	0.8	(0.2)
Accrued pension costs	5.4	5.4
Take-or-pay obligation settlement	(5.5)	(15.5)
Other, net	(2.5)	(5.8)
Net cash provided by (used in) continuing operations	246.6	(438.9)
Net cash used in discontinued operations	(8.2)	(0.1)
Net cash provided by (used in) operating activities	238.4	(439.0)
Cash Flows From Investing Activities		
Additions to property, plant, equipment and mine development	(32.8)	(13.3)
Changes in accrued expenses related to capital expenditures	(1.4)	(3.4)
Federal coal lease expenditures	(0.5)	(0.4)
Proceeds from disposal of assets	24.3	2.1
Contributions to joint ventures	(95.4)	(81.7)