

PEABODY ENERGY CORP
Form 10-Q
August 03, 2018

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 June 30, 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: 1-16463

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

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 Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

There were 121.7 million shares of the registrant's common stock (par value of \$0.01 per share) outstanding at July 31, 2018.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

PEABODY ENERGY CORPORATION

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Successor		Predecessor		Successor		Predecessor	
	Three	April 2			Six	April 2	January 1	
	Months	through	April 1,		Months	through	through	
	Ended	June 30,	2017		Ended	June 30,	April 1,	
	June 30,	2017			June 30,	2017	2017	
	2018				2018			
	(Dollars in millions, except per share data)							
Revenues								
Sales	\$1,137.3	\$1,059.6	\$ —		\$2,406.4	\$1,059.6	\$1,081.4	
Other revenues	172.1	198.7	—		365.7	198.7	244.8	
Total revenues	1,309.4	1,258.3	—		2,772.1	1,258.3	1,326.2	
Costs and expenses								
Operating costs and expenses (exclusive of items shown separately below)	946.5	927.9	—		2,003.7	927.9	950.2	
Depreciation, depletion and amortization	163.9	148.3	—		333.5	148.3	119.9	
Asset retirement obligation expenses	13.2	11.0	—		25.5	11.0	14.6	
Selling and administrative expenses	44.1	34.7	—		81.1	34.7	36.3	
Other operating (income) loss:								
Net loss (gain) on disposals	1.6	(0.5)	)—		(29.0)	) (0.5)	) (22.8))
Asset impairment	—	—	—		—	—	30.5	
Income from equity affiliates	(25.2)	) (15.7)	)—		(47.2)	) (15.7)	) (15.0))
Operating profit	165.3	152.6	—		404.5	152.6	212.5	
Interest expense	38.3	41.4	—		74.6	41.4	32.9	
Loss on early debt extinguishment	2.0	—	—		2.0	—	—	
Interest income	(7.0)	) (1.5)	)—		(14.2)	) (1.5)	) (2.7))
Net periodic benefit costs, excluding service cost	4.6	6.6	—		9.1	6.6	14.4	
Reorganization items, net	—	—	585.8		(12.8)	) —	627.2	
Income (loss) from continuing operations before income taxes	127.4	106.1	(585.8)	)	345.8	106.1	(459.3))
Income tax provision (benefit)	7.4	4.7	(266.0)	)	17.5	4.7	(263.8))
Income (loss) from continuing operations, net of income taxes	120.0	101.4	(319.8)	)	328.3	101.4	(195.5))
Loss from discontinued operations, net of income taxes	(3.6)	) (2.7)	) (12.1)	)	(4.9)	) (2.7)	) (16.2))
Net income (loss)	116.4	98.7	(331.9)	)	323.4	98.7	(211.7))
Less: Series A Convertible Preferred Stock dividends	—	115.1	—		102.5	115.1	—	
Less: Net income attributable to noncontrolling interests	2.7	3.8	—		0.6	3.8	4.8	
Net income (loss) attributable to common stockholders	\$113.7	\$(20.2)	\$(331.9))	\$220.3	\$(20.2)	\$(216.5))

Income (loss) from continuing operations:

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Basic income (loss) per share	\$0.94	\$(0.18)	\$(17.44)	\$1.78	\$(0.18)	\$(10.93)
Diluted income (loss) per share	\$0.93	\$(0.18)	\$(17.44)	\$1.76	\$(0.18)	\$(10.93)

Net income (loss) attributable to common stockholders:

Basic income (loss) per share	\$0.91	\$(0.21)	\$(18.10)	\$1.74	\$(0.21)	\$(11.81)
Diluted income (loss) per share	\$0.90	\$(0.21)	\$(18.10)	\$1.72	\$(0.21)	\$(11.81)

Dividends declared per share	\$0.115	\$—	\$—	\$0.230	\$—	\$—
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See accompanying notes to unaudited condensed consolidated financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Successor		Predecessor		Successor		Predecessor	
	Three	April 2	April 1,	Six	April 2	January 1		
	Months	through	April 1,	Months	through	through		
	Ended	June 30,	2017	Ended	June 30,	April 1,		
	June 30,	2017		June 30,	2017	2017		
	2018			2018				
	(Dollars in millions)							
Net income (loss)	\$116.4	\$98.7	\$(331.9)	)	\$323.4	\$98.7	\$(211.7))
Reclassification for realized losses on cash flow hedges (net of respective net tax provision of \$0.0, \$0.0, \$0.0, \$0.0, \$0.0 and \$9.1) included in net income	—	—	—		—	—	18.6	
Postretirement plans and workers' compensation obligations (net of respective net tax provision of \$0.0, \$0.0, \$0.0, \$0.0 and \$2.5)	—	—	—		—	—	4.4	
Foreign currency translation adjustment	(2.2	) 0.5	—		(3.0	) 0.5	5.5	
Other comprehensive (loss) income, net of income taxes	(2.2	) 0.5	—		(3.0	) 0.5	28.5	
Comprehensive income (loss)	114.2	99.2	(331.9)	)	320.4	99.2	(183.2))
Less: Series A Convertible Preferred Stock dividends	—	115.1	—		102.5	115.1	—	
Less: Net income attributable to noncontrolling interests	2.7	3.8	—		0.6	3.8	4.8	
Comprehensive income (loss) attributable to common stockholders	\$111.5	\$(19.7)	\$(331.9)	)	\$217.3	\$(19.7)	\$(188.0))

See accompanying notes to unaudited condensed consolidated financial statements.

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CONDENSED CONSOLIDATED BALANCE SHEETS

	(Unaudited)	
	June 30, 2018	December 31, 2017
	(Amounts in millions, except per share data)	
ASSETS		
Current assets		
Cash and cash equivalents	\$1,451.7	\$ 1,012.1
Restricted cash	—	40.1
Accounts receivable, net of allowance for doubtful accounts of \$4.8 at June 30, 2018 and \$4.6 at December 31, 2017	503.0	552.1
Inventories	290.5	291.3
Other current assets	223.2	294.4
Total current assets	2,468.4	2,190.0
Property, plant, equipment and mine development, net	4,945.7	5,111.9
Collateral arrangements	—	323.1
Investments and other assets	296.1	470.6
Deferred income taxes	85.5	85.6
Total assets	\$7,795.7	\$ 8,181.2
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current portion of long-term debt	\$45.0	\$ 42.1
Accounts payable and accrued expenses	1,038.9	1,202.8
Total current liabilities	1,083.9	1,244.9
Long-term debt, less current portion	1,358.0	1,418.7
Deferred income taxes	5.1	5.4
Asset retirement obligations	672.6	657.0
Accrued postretirement benefit costs	726.8	730.0
Other noncurrent liabilities	404.0	469.4
Total liabilities	4,250.4	4,525.4
Stockholders' equity		
Series A Convertible Preferred Stock — \$0.01 per share par value; no shares authorized, issued or outstanding as of June 30, 2018 and 50.0 shares authorized, 30.0 shares issued and 13.5 shares outstanding as of December 31, 2017	—	576.0
Preferred Stock — \$0.01 per share par value; 100.0 shares authorized, no shares issued or outstanding as of June 30, 2018 and 50.0 shares authorized, no shares issued or outstanding as of December 31, 2017	—	—
Series Common Stock — \$0.01 per share par value; 50.0 shares authorized, no shares issued or outstanding as of June 30, 2018 or December 31, 2017	—	—
Common Stock — \$0.01 per share par value; 450.0 shares authorized, 137.7 shares issued and 122.3 shares outstanding as of June 30, 2018 and 111.8 shares issued and 105.2 shares outstanding as of December 31, 2017	1.4	1.0
Additional paid-in capital	3,285.7	2,590.3
Treasury stock, at cost — 15.4 and 5.8 common shares as of June 30, 2018 and December 31, 2017	(564.9)	(175.9)

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Retained earnings	781.3	613.6
Accumulated other comprehensive (loss) income	(1.6) 1.4
Peabody Energy Corporation stockholders' equity	3,501.9	3,606.4
Noncontrolling interests	43.4	49.4
Total stockholders' equity	3,545.3	3,655.8
Total liabilities and stockholders' equity	\$7,795.7	\$ 8,181.2

See accompanying notes to unaudited condensed consolidated financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Successor Six Months Ended June 30, 2018	Predecessor April 2 through June 30, 2017	Predecessor January 1 through April 1, 2017	
				(Dollars in millions)
Cash Flows From Operating Activities				
Net income (loss)	\$323.4	\$ 98.7	\$ (211.7)
Loss from discontinued operations, net of income taxes	4.9	2.7	16.2	
Income (loss) from continuing operations, net of income taxes	328.3	101.4	(195.5)
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	333.5	148.3	119.9	
Noncash coal inventory revaluation	—	67.3	—	
Noncash interest expense, net	8.1	4.2	0.5	
Deferred income taxes	0.5	(1.6	)	(252.2)
Noncash share-based compensation	16.5	7.0	1.9	
Asset impairment	—	—	30.5	
Net gain on disposals	(29.0	)	(0.5)
Income from equity affiliates	(47.2	)	(15.7)
Foreign currency option contracts	6.4	(9.3)	—
Reclassification from other comprehensive earnings for terminated hedge contracts	—	—	27.6	
Noncash reorganization items, net	(12.8	)	—	(485.4)
Changes in current assets and liabilities:				
Accounts receivable	104.4	(84.4	)	159.3
Inventories	0.9	(60.0	)	(47.2)
Other current assets	(38.2	)	(17.1)
Accounts payable and accrued expenses	(40.1	)	(118.5)
Collateral arrangements	323.1	49.7	(66.4)
Asset retirement obligations	9.2	4.6	10.2	
Workers' compensation obligations	(0.6	)	(1.2)
Postretirement benefit obligations	(3.1	)	(0.7)
Pension obligations	(46.6	)	(2.1)
Other, net	5.9	(5.1	)	(8.0)
Net cash provided by (used in) continuing operations	919.2	66.3	(804.8)
Net cash used in discontinued operations	(3.8	)	(0.6)
Net cash provided by (used in) operating activities	915.4	65.7	(813.0)
Cash Flows From Investing Activities				
Additions to property, plant, equipment and mine development	(125.6	)	(45.9)
Changes in accrued expenses related to capital expenditures	(0.9	)	1.6	(1.4)
Federal coal lease expenditures	(0.5	)	—	(0.5)
Proceeds from disposal of assets	52.6	2.5	24.3	
Contributions to joint ventures	(243.8)	(96.3)
Distributions from joint ventures	236.8	95.5	90.5	

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Advances to related parties	(4.6)	(0.9)	(0.4)
Repayments of loans from related parties	70.2		26.5		31.1	
Other, net	(2.2)	(1.5)	(0.3)
Net cash (used in) provided by investing activities	(18.0)	(18.5)	15.1	

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PEABODY ENERGY CORPORATION

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - (Continued)

	Successor	Predecessor
	Six	January 1
	Months	through
	Ended	through
	June 30,	April 1,
	June 30,	2017
	2018	2017
	(Dollars in millions)	
Cash Flows From Financing Activities		
Proceeds from long-term debt	—	1,000.0
Repayments of long-term debt	63.5 23.8	2.1
Payment of deferred financing costs	1.4 —	45.4
Common stock repurchases	374.5 —	—
Repurchases of employee common stock relinquished for tax withholding	14.5 —	0.1
Dividends paid	29.3 —	—
Distributions to noncontrolling interests	6.6 6.4	0.1
Other, net	0.1	—