

# The Andersons, Inc. Reports Second Quarter Results

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MAUMEE, Aug. 7, 2018 - The [Andersons Inc.](#) (NASDAQ: ANDE) announces financial results for the second quarter with

The Company reports net income of \$21.5 million, or \$0.76 per diluted share, up considerably from both the net loss of \$15.3 million, or \$0.54 per diluted share, reported in the prior year. Second quarter 2018 reported results include non-recurring per share impact of these charges is approximately \$0.17 per diluted share.

- Grain Group records much improved pretax income of \$9.9 million, net of a \$1.6 million impairment charge on a merchandising opportunities and affiliate results continue to improve.
- Ethanol Group earns \$6.1 million of pretax income on strong execution and improved DDG prices.
- Plant Nutrient Group reports pretax income of \$15.1 million on continued lower primary and specialty fertilizer manufacturing business.
- Rail Group earns \$0.9 million of pretax income despite a \$4.7 million impairment charge on railcars intended to be repaired as railcar repair business rebounds.

The Company reported second quarter 2018 net income attributable to The Andersons of \$21.5 million, or \$0.76 per diluted share, an improvement over the net loss attributable to the Company of \$26.7 million, or \$(0.94) per diluted share and adjusted net income of \$12.3 million, or \$0.43 per diluted share, on revenues of \$994 million recorded in the same period of 2017. The Company's earnings before interest and taxes for the quarter, compared to \$8.9 million of EBITDA and \$50.9 million of adjusted EBITDA recorded in the second quarter of 2017.

Results for the quarter included pretax impairment charges of \$4.7 million on idle railcars held for sale and \$1.6 million on a recent sale. The decrease in revenues year over year was primarily the result of the Company's adoption of new revenue accounting treatment of a significant amount of Grain's sales transactions. This change has no impact on the amount of

"As in the first quarter, our Grain and Ethanol businesses each posted significantly better year-over-year results, but our results were down to last year," said CEO Pat Bowe.

"For the seventh consecutive quarter, our Grain Group recorded improved year-over-year results," Bowe continued. "The Grain Group's pretax income of \$9.9 million when excluding the Tennessee asset impairment charge, and were highlighted by better results from merchandising opportunities again year over year due to higher volumes linked to plant optimization and improved DDG margins. The Plant Nutrient Group's results were comparable year over year notwithstanding its decision to scrap about 600 idle cars. Utilization and demand are signaling a continued modest market upturn."

For purposes of better understanding ongoing results, the expanded pretax income and EBITDA disclosures in the table below reflect all operations. Specifically, an adjustment was made for the goodwill impairment charged in the second quarter of 2017 as

\$ in millions	Second Quarter			Year to Date		
	2018	2017	Vs	2018	2017	Vs
Reported Pretax Income (Loss)	\$29.2	\$(19.1)	\$48.3	\$26.9	\$(24.6)	\$51.5
Goodwill Impairment	-	42.0	(42.0)	-	42.0	(42.0)
Adjusted Pretax Income	\$29.2	\$22.9	\$6.3	\$26.9	\$17.4	\$9.5
EBITDA	\$59.7	\$8.9	\$50.8	\$87.3	\$30.3	\$57.0
Adjusted EBITDA	\$59.7	\$50.9	\$8.8	\$87.3	\$72.3	\$15.0

For the first six months of the year, the Company recorded net income of \$19.8 million, or \$0.70 per diluted share, compared to an adjusted net income of \$12.3 million, or \$0.43 per diluted share, during the same period last year. Total EBITDA for the first six months of 2018 was \$87.3 million and adjusted EBITDA of \$72.3 million. Total EBITDA of \$30.3 million and adjusted EBITDA of \$15.0 million.

## Second Quarter Segment Overview

## Grain Group Operating Income Increases Again Compared to Prior Year

The Grain Group generated pretax income of \$9.9 million in the quarter. Included in those results was a \$1.6 million impairment charge recently. Notwithstanding that charge, the group's results were almost 40 percent better than the \$6.9 million pretax income in the second quarter of 2017.

The table below separates the results of the base grain business from those of the group's affiliates, which include Landis Grain Company, LLC.

\$ in millions	Second Quarter			Year to Date		
	2018	2017	Vs	2018	2017	Vs
Pretax Income						
Base Grain	\$4.5	\$4.1	\$0.4	\$2.8	\$0.6	\$2.2
Grain Affiliates	5.4	2.8	2.6	7.0	1.3	5.7
Total Grain Group	\$9.9	\$6.9	\$3.0	\$9.8	\$1.9	\$7.9
EBITDA	\$17.9	\$14.2	\$3.7	\$24.9	\$16.3	\$8.6

Excluding the impairment charge, the base grain business drove about 40 percent of the improvement, while affiliates drove the remainder. The impairment charge improved by \$1.8 million in the second quarter compared to 2017 results. The group was able to drive better merchandising margins. Income from holding grain in inventory was comparable year over year.

LTG had an excellent quarter, accounting for all the year-over-year improvement by the affiliates. The improvement spanned all segments.

## Ethanol Group Results Improve on Higher Volume and Better DDG Values

The Ethanol Group produced \$6.1 million of pretax income attributable to the Company in the second quarter. These results represent an improvement over the \$4.7 million pretax income attributable to the Company for the same period in 2017, primarily due to higher volume and better DDG values.

\$ in millions	Second Quarter			Year to Date		
	2018	2017	Vs	2018	2017	Vs
Equity in Earnings of Affiliates	\$4.3	\$3.5	\$0.8	\$5.9	\$2.9	\$3.0
Consolidated Operations and Service Fees	1.7	1.1	0.6	1.7	3.5	(1.8)
Pretax Income	6.0	4.6	1.4	7.6	6.4	1.2
Attributable to Noncontrolling Interests	(0.1)	(0.1)	-	(0.4)	-	0.4
Ethanol Group Pretax Income Attributable to The Andersons	\$6.1	\$4.7	\$1.4	\$8.0	\$6.4	\$1.6

The four ethanol plants combined achieved second quarter and first half production records of more than 121 million and 241 million bushels, respectively, compared to 118 million and 235 million bushels in the comparable periods, respectively. This is in part because the new Albion capacity came on line in March 2017. E85 production was 1.1 million gallons in the second quarter compared to 0.9 million gallons in the second quarter of 2017.

While domestic and export demands have both been strong so far in 2018, the impact of current tariffs and the ultimate resolution of various trade disputes leave the future of margins and export business uncertain for the industry.

#### While Volume Was Up, Plant Nutrient Group Continued to Be Impacted by Lower Margins

The Plant Nutrient Group recorded pretax income of \$15.1 million in the second quarter compared to a pretax loss of \$25.8 million and adjusted pretax income of \$16.2 million in the second quarter of 2017. The group's second quarter 2018 EBITDA was \$23.5 million, a \$1.2 million or 5 percent decrease from adjusted 2017 second quarter results.

For purposes of better understanding ongoing results, the Company has expanded the Plant Nutrient Group's pretax income and EBITDA disclosures in the table below to adjust for the second quarter 2017 goodwill impairment associated with the wholesale fertilizer business.

\$ in millions	Second Quarter			Year to Date		
	2018	2017	Vs	2018	2017	Vs
Reported Pretax Income	\$15.1	\$(25.8)	\$40.9	\$16.2	\$(19.2)	\$35.4
Goodwill Impairment	-	42.0	(42.0)	-	42.0	(42.0)
Adjusted Pretax Income	\$15.1	\$16.2	\$(1.1)	\$16.2	\$22.8	\$(6.6)
EBITDA	\$23.5	\$(17.3)	\$40.8	\$32.8	\$(2.1)	\$34.9
Adjusted EBITDA	\$23.5	\$24.7	\$(1.2)	\$32.8	\$39.9	\$(7.1)

Sales volumes for both primary and specialty nutrients were strong for the quarter after a slow start due to adverse weather that delayed planting. However, both product segments struggled with continued margin erosion.

The lawn and contract manufacturing business continued to be a bright spot for the group, registering results that were more than 30 percent better year over year for the second consecutive quarter.

#### Rail Group Decides to Scrap Certain Idle Railcars; Leasing Market Conditions Continue to Improve

The Rail Group earned second quarter pretax income of \$0.9 million compared to \$5.9 million in the same period of the prior year. The difference was attributable to the decision to scrap nearly 600 idle railcars. About 500 of those railcars were not scrapped by the end of the quarter, which triggered an impairment charge of \$4.7 million. A loss of \$0.5 million was recognized on the remaining railcars. The decision will generate cash and improve future operating performance by approximately \$1.4 million annually.

\$ in millions	Second Quarter			Year to Date		
	2018	2017	Vs	2018	2017	Vs
Pretax Income						
Lease Income	\$2.1	\$2.9	\$(0.8)	\$4.2	\$3.5	\$0.7
Car Sales	(3.0)	1.4	(4.4)	(0.7)	5.0	(5.7)
Services and Other	1.8	1.6	0.2	1.4	3.4	(2.0)
Total Rail Group	\$0.9	\$5.9	\$(5.0)	\$4.9	\$11.9	\$(7.0)
EBITDA	\$10.8	\$13.6	\$(2.8)	\$24.3	\$26.7	\$(2.4)
Utilization Rate	89.5%	84.4%	5.1%	88.7%	84.0%	4.7%

Base leasing operations earned \$2.1 million, matching first quarter results but falling short of year-over-year results by \$0.8 million due to higher maintenance expense, despite 5.1 percent higher year-over-year utilization. Utilization averaged 89.5 percent during the quarter compared to 87.9 percent sequentially and 84.4 percent during the same period last year. The average number of cars on lease rose about 3 percent year over year, while average lease rates fell slightly.

The group netted a pretax loss of \$3.0 million on railcars sold, or to be sold, in the quarter compared to pretax income of \$1.4 million in the second quarter of 2017. In addition to the idle railcar scrap program, the group took advantage of multi-year high scrap prices to scrap 515 additional railcars during the quarter. When the scrapping project is complete, the utilization rate should rise by approximately 2 percent excluding other factors. The group maintained the size of the fleet and reduced its average age during the quarter by buying 669 cars for \$21 million.

Rail's service and other businesses earned pretax income of \$1.8 million in the quarter, somewhat better than for the same period of 2017. Repair volumes were up after a first quarter 2018 lull. The group's repair facilities set a quarterly record for revenue and pretax income.

The group also recently announced that it has agreed to acquire a shuttered railcar facility in Danville, Illinois, with the intent to open it as a full-service railcar repair facility by year end.

#### Company Reduces Other Net Company-Level Expenses

Unallocated net Company-level expenses for the second quarter of 2018 fell by \$1.1 million to \$2.8 million. For the second quarter of 2017, the Company reported \$10.6 million net expense, which included unallocated expenses of \$3.9 million and a \$6.7 million pretax loss from the former Retail business.

#### Conference Call

The Company will host a webcast on Wednesday, August 8, 2018 at 11 a.m. Eastern Daylight Time, to discuss its performance and provide its updated outlook for 2018. To dial-in to the call, please dial 866-439-8514 or 678-509-7568 (participant passcode is 5074829). We recommend that you call 10 minutes before the conference call begins.

To access the webcast, click on the link: <http://edge.media-server.com/m6/p/6wddy3qc>. Log on.

Complete the four fields as directed and click Submit. A replay of the call can also be accessed under the heading "Investors" on the Company website at [www.andersonsinc.com](http://www.andersonsinc.com).

#### Forward Looking Statements

This release contains forward-looking statements. These statements involve risks and uncertainties that could cause actual results to differ materially. Without limitation, these risks include economic, weather and regulatory conditions, competition and the risk factors set forth from time to time in the Company's filings with the Securities and Exchange Commission. Although the Company believes that the assumptions upon which the financial information and its forward-looking statements are based are reasonable, it can give no assurance that these assumptions will prove to be correct.

#### Non-GAAP Measures

This release contains non-GAAP financial measures. The Company believes adjusted pretax income, EBITDA and adjusted EBITDA provide additional information to investors and others about its operations, allowing an evaluation of underlying operating performance and better period-to-period comparability. Adjusted pretax income, EBITDA and adjusted EBITDA do not and should not be considered as alternatives to net income or income before income taxes as determined by generally accepted accounting principles. Reconciliations of the non-GAAP to GAAP measures may be found within the financial tables provided in the release.

#### Company Description

Founded in Maumee, Ohio in 1947, The Andersons is a diversified Company rooted in agriculture conducting business across North America in the grain, ethanol, plant nutrient and rail sectors. Through its Statement of Principles, The Andersons strives to provide extraordinary service to its customers, help its employees improve, support its communities and increase the value of the company. For more information, visit The Andersons online at [www.andersonsinc.com](http://www.andersonsinc.com).

The Andersons, Inc.

Condensed Consolidated Statements of Operations

(Unaudited)

	Three months ended June 30,		Six months ended	
(in thousands, except per share data)	2018	2017	2018	
Sales and merchandising revenues	\$ 911,402	\$ 993,662	\$ 1,547,14	
Cost of sales and merchandising revenues	820,928	905,828	1,392,962	
Gross profit	90,474	87,834	154,179	
Operating, administrative and general expenses	59,853	69,544	124,110	
Asset impairment	6,272	-	6,272	
Goodwill impairment	-	42,000	-	
Interest expense	7,825	5,988	14,824	
Other income:				
Equity in earnings of affiliates	9,803	6,385	13,376	
Other income, net	2,828	4,248	4,514	
Income (loss) before income taxes	29,155	(19,065)	26,863	
Income tax provision (benefit)	7,742	7,652	7,432	
Net income (loss)	21,413	(26,717)	19,431	
Net income attributable to the noncontrolling interests	(116)	(64)	(398)	
Net income (loss) attributable to The <a href="#">Andersons Inc.</a>	\$ 21,529	\$ (26,653)	\$ 19,8	
Per common share:				
Basic earnings (loss) attributable to The <a href="#">Andersons Inc.</a>	\$ 0.76	\$ (0.94)	\$ 0.	
common shareholders				
Diluted earnings (loss) attributable to The Andersons, Inc. common shareholders	\$ 0.76	\$ (0.94)	\$ 0.	
Dividends declared	\$ 0.165	\$ 0.160	\$ 0.3	

## The Andersons, Inc.

## Reconciliation to Adjusted Net Income

(Unaudited)

	Three months ended June 30,		Six months ended	
(in thousands, except per share data)	2018	2017	2018	
Net income (loss) attributable to The <a href="#">Andersons Inc.</a>	\$	21,529 \$	(26,653) \$	19,8
Items impacting other income, net of tax:				
Goodwill impairment	-	42,000	-	
Total adjusting items	-	42,000	-	
Adjusted net income attributable to The <a href="#">Andersons Inc.</a>	\$	21,529 \$	15,347 \$	19,8
Diluted earnings (loss) attributable to The <a href="#">Andersons Inc.</a>	\$	0.76 \$	(0.94) \$	0.
common shareholders				
Impact on diluted earnings per share	-	1.48	-	
Adjusted diluted earnings per share	\$	0.76 \$	0.54 \$	0.

The [Andersons Inc.](#)

## Condensed Consolidated Balance Sheets

(Unaudited)

(in thousands)	June 30, 2018	December 31, 2017	June 30, 2017
Assets			
Current assets:			
Cash and cash equivalents	\$ 58,611	\$ 34,919	\$ 18,934
Restricted cash	-	-	1,033
Accounts receivable, net	218,476	183,238	186,331
Inventories	495,611	648,703	463,205
Commodity derivative assets &ndash; current	54,259	30,702	11,619
Other current assets	42,648	63,790	59,873
Assets held for sale	9,816	37,859	10,028



Total current assets	879,421	999,211	751,023
Other assets:			
Commodity derivative assets &ndash; noncurrent	1,008	310	1,191
Other assets, net	138,201	131,474	145,283
Equity method investments	232,159	223,239	215,794
	371,368	355,023	362,268
Rail Group assets leased to others, net	458,424	423,443	375,092
Property, plant and equipment, net	408,575	384,677	423,042
Total assets	\$ 2,117,788	\$ 2,162,354	\$ 1,911,425
Liabilities and equity			
Current liabilities:			
Short-term debt	\$ 185,000	\$ 22,000	\$ 124,000
Trade and other payables	282,221	503,571	267,194
Customer prepayments and deferred revenue	16,103	59,710	15,113
Commodity derivative liabilities &ndash; current	85,160	29,651	18,104
Accrued expenses and other current liabilities	74,512	69,579	69,256
Current maturities of long-term debt	13,700	54,205	62,482
Total current liabilities	656,696	738,716	556,149
Other long-term liabilities	30,325	33,129	34,441
Commodity derivative liabilities &ndash; noncurrent	3,202	825	334
Employee benefit plan obligations	26,131	26,716	36,837
Long-term debt, less current maturities	435,580	418,339	354,066
Deferred income taxes	118,864	121,730	181,806
Total liabilities	1,270,798	1,339,455	1,163,633
Total equity	846,990	822,899	747,792
Total liabilities and equity	\$ 2,117,788	\$ 2,162,354	\$ 1,911,425

## The Andersons, Inc.

## Segment Data

(Unaudited)

(in thousands)	Grain	Ethanol	Plant Nutrient	Rail
Three months ended June 30, 2018				
Revenues from external customers	\$ 365,920	\$ 200,938	\$ 303,106	\$ 41,110
Gross profit	34,707	5,042	37,167	13,558
Equity in earnings of affiliates	5,510	4,293	-	-
Other income, net	727	45	622	675
Income (loss) before income taxes	9,877	6,009	15,124	944
Income (loss) attributable to the noncontrolling interests	-	(116)	-	-
Income (loss) before income taxes attributable to \$	9,877	\$ 6,125	\$ 15,124	\$ 944

The [Andersons Inc.](#) (a)

Three months ended June 30, 2017

Revenues from external customers	\$ 488,447	\$ 187,831	\$ 264,736	\$ 3,110
Gross profit	30,447	3,320	39,934	12,699
Equity in earnings of affiliates	2,903	3,482	-	-
Other income, net	1,861	15	636	492
Income (loss) before income taxes	6,929	4,596	(25,825)	5,860
Income (loss) attributable to the noncontrolling interests	-	(64)	-	-
Income (loss) before income taxes attributable to \$	6,929	\$ 4,660	\$ (25,825)	\$ 5,860

The [Andersons Inc.](#) (a)

	Grain	Ethanol	Plant Nutrient	Rail
Six months ended June 30, 2018				
Revenues from external customers	\$ 642,772	\$ 373,776	\$ 438,723	\$ 91,110
Gross profit	60,757	7,908	59,404	26,110
Equity in earnings of affiliates				

















Other income, net	1,573	138	1,274	691
Income (loss) before income taxes	9,847	7,566	16,215	4,913
Income (loss) attributable to the noncontrolling	-	(398)	-	-

interests

Income (loss) before income taxes attributable to \$	9,847	\$	7,964	\$	16,215	\$	4
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The [Andersons Inc.](#) (a)

Six months ended June 30, 2017

Revenues from external customers	\$	966,975	\$	341,984	\$	411,323	\$	7
Gross profit	54,096	8,860	65,742	25,007				
Equity in earnings of affiliates	1,558	2,949	-	-				
Other income, net	2,507	22	6,200	1,571				
Income (loss) before income taxes	1,856	6,366	(19,154)	11,938				
Income (loss) attributable to the noncontrolling	-	(10)	-	-				

interest

Income (loss) before income taxes attributable to \$	1,856	\$	6,376	\$	(19,154)	\$	1
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The [Andersons Inc.](#) (a)

(a) Income (loss) before income taxes attributable to The [Andersons Inc.](#) for each Group is defined as net sales and income less all identifiable operating expenses, including interest expense for carrying working capital and long-term assets, less noncontrolling interest share of income (loss).

Reconciliation to EBITDA and Adjusted EBITDA

(unaudited)

(in thousands)

Three months ended June 30, 2018

Income (loss) before income taxes	\$	9,877	\$	6,009	\$	
Income (loss) attributable to the noncontrolling interests	-	(116)	-			
Income (loss) before income taxes attributable to The <a href="#">Andersons Inc.</a>	9,877	6,125	15,112			
Interest expense	3,930	(271)	1,642			
Depreciation and amortization	4,126	1,517	6,769			
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$	17,933	\$	7,371	\$	

Three months ended June 30, 2017



Income (loss) before income taxes	\$	6,929	\$	4,596	\$
Income (loss) attributable to the noncontrolling interests	-	(64)	-	-	-
Income (loss) before income taxes attributable to The <a href="#">Andersons Inc.</a>	6,929	4,660	(25,8		
Interest expense	2,328	(22)	1,81		
Depreciation and amortization	4,948	1,484	6,75		
Earnings (loss) before interest, taxes, depreciation and amortization (EBITDA)	\$	14,205	\$	6,122	\$
Adjusting items impacting EBITDA:					
Goodwill impairment	-	-	42,0		
Total adjusting items	-	-	42,0		
Adjusted EBITDA	\$	14,205	\$	6,122	\$
Six months ended June 30, 2018					
Income (loss) before income taxes	\$	9,847	\$	7,566	\$
Income (loss) attributable to the noncontrolling interests	-	(398)	-	-	-
Income (loss) before income taxes attributable to The <a href="#">Andersons Inc.</a>	9,847	7,964	16,2		
Interest expense	6,889	(311)	3,08		
Depreciation and amortization	8,143	3,026	13,4		
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$	24,879	\$	10,679	\$
Six months ended June 30, 2017					
Income (loss) before income taxes	\$	1,856	\$	6,366	\$
Income (loss) attributable to the noncontrolling interests	-	(10)	-	-	-
Income (loss) before income taxes attributable to The <a href="#">Andersons Inc.</a>	1,856	6,376	(19,1		
Interest expense	5,023	(25)	3,45		
Depreciation and amortization	9,402	2,985	13,6		
Earnings (loss) before interest, taxes, depreciation and amortization (EBITDA)	\$	16,281	\$	9,336	\$
Adjusting items impacting EBITDA:					
Goodwill impairment	-	-	42,0		
Total adjusting items	-	-	42,0		
Adjusted EBITDA	\$	16,281	\$	9,336	\$

SOURCE The [Andersons Inc.](#)

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