

The Andersons, Inc. Reports Second Quarter 2019 Results

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MAUMEE, Aug. 6, 2019 - The [Andersons Inc.](#) (NASDAQ: ANDE) announces financial results for the second quarter ended July 31, 2019.

Second Quarter Highlights:

- Company reports net income of \$29.9 million, or \$0.91 per diluted share, and adjusted net income of \$32.3 million.
- Adjusted EBITDA increases year over year by almost 50 percent to \$88.6 million.
- Trade Group reports pretax income of \$23.7 million and adjusted pretax income of \$27.0 million on strong corn and soybean prices.
- Ethanol Group records pretax income of \$2.6 million in a challenging margin environment.
- Plant Nutrient Group records pretax income of \$15.9 million despite significantly lower primary and specialty nutrient prices.
- Rail Group earns \$3.2 million of pretax income on steady railcar leasing income.

"Extremely wet weather in many of our core grain origination markets benefited our Trade Group but hurt both our Ethanol and Plant Nutrient Groups. However, the resulting market conditions illustrated perfectly the value of the more diversified, newly integrated portfolio we now operate. We were able to capitalize on merchandising opportunities caused by grain and feed ingredient price volatility. However, we expect a soft crop on the utilization of our eastern grain assets for the remainder of this year and into 2020."

\$ in millions, except per share amounts						
	Q2 2019	Q2 2018	Variance	YTD 2019	YTD 2018	Variance
Pretax Income (Loss) Attributable to the Company ¹	\$40.9	\$29.3	\$11.6	\$21.5	\$27.3	(\$5.8)
Adjusted Pretax Income (Loss) ¹	\$44.1	\$29.3	\$14.8	\$36.3	\$27.3	\$9.0
Trade (Grain) Group	\$27.0	\$8.7	\$18.3	\$21.1	\$7.5	\$13.6
Ethanol Group	\$2.6	\$7.3	(\$4.7)	\$5.2	\$10.4	(\$5.2)
Plant Nutrient Group	\$15.9	\$15.1	\$0.8	\$12.0	\$16.2	(\$4.2)
Rail Group	\$3.2	\$0.9	\$2.3	\$7.5	\$4.9	\$2.6
Other	(\$4.6)	(\$2.8)	(\$1.8)	(\$9.5)	(\$11.7)	\$2.2
Net Income (Loss) ¹	\$29.9	\$21.5	\$8.4	\$15.9	\$19.8	(\$3.9)
Adjusted Net Income (Loss) ¹	\$32.3	\$21.5	\$10.8	\$27.0	\$19.8	\$7.2
Diluted EPS	\$0.91	\$0.76	\$0.15	\$0.48	\$0.70	(\$0.22)
Adjusted Diluted EPS	\$0.98	\$0.76	\$0.22	\$0.82	\$0.70	\$0.12
EBITDA	\$85.4	\$59.7	\$25.7	\$114.0	\$87.3	\$26.7
Adjusted EBITDA	\$88.6	\$59.7	\$28.9	\$128.9	\$87.3	\$41.6

¹ Excludes net income (loss) attributable to the noncontrolling interests of (\$0.5) in Q2 2019, (\$0.1) in Q2 2018, (\$0.6) for year-to-date 2019 and (\$0.4) for year-to-date 2018.

"The Trade Group's adjusted results were strong, as basis appreciation and good merchandising results helped offset volume declines."

continued. "The Ethanol Group remained profitable in a considerably compressed margin environment. As expected, the lower primary and specialty nutrient volumes due to the wet spring, but margins were stronger, resulting in improved year-over-year performance primarily due to solid leasing results."

Further Adjustments Related to the Lansing Acquisition

The company continues to refine its purchase price allocation. While the net adjustments recorded during the quarter were \$0.5 million per diluted share, of incremental depreciation and amortization expenses based on a revised revaluation of acquired fixed assets, the company expects to incur incremental depreciation and amortization of \$2.4 million each quarter through 2021.

As it did in the first quarter, the company has recast second quarter 2018 pretax income for the former Grain Group and Trade Group made in conjunction with the acquisition of Lansing Trade Group. The changes resulted in a reclassification of \$1.2 million from the Grain Group. The company expects similar adjustments for each quarter of 2018.

Second Quarter Segment Overview

Trade Group Records Excellent Results on Increased Volatility and Strong Merchandising Results; Announces Pending Acquisition

With the closing of the Lansing acquisition effective January 1, 2019, Trade Group results now include the consolidated results of the Lansing Trade Group.

The Trade Group recorded pretax income of \$23.7 million and adjusted pretax income of \$27.0 million for the quarter. Adjusted pretax income includes \$0.4 million of profit on the Trade Group's remaining Tennessee assets. As noted above, the group also incurred \$0.4 million of incremental depreciation and amortization. The Trade Group recorded pretax income of \$8.7 million in the second quarter of 2018.

- Income from merchandising activities was strong due to significant market volatility.
- Profit from grain originations and the group's assets was up on significant corn and soft red wheat basis appreciation.
- The integration of Lansing and Thompsons continued to progress well.

Due in large part to the Lansing acquisition, the group's second quarter 2019 EBITDA and adjusted EBITDA were \$44.5 million and \$44.5 million, respectively, representing improvements in both the legacy and acquired businesses.

The group also announced that it has reached an agreement to sell the agronomy assets of Thompsons Limited, a wholly owned subsidiary of the group, to Andersons Inc. of Burlington, Ontario. The sale is expected to close in September 2019. The Andersons will continue to own and operate the agronomy facilities in Ontario.

Ethanol Group Remains Profitable Despite Weak Industry Margins

The Ethanol Group earned pretax income of \$2.6 million in the second quarter compared to the \$7.3 million of pretax income in the second quarter of 2018.

- Margins were extremely weak, but ethanol and corn oil yields continued to improve.
- The group selectively reduced production in response to the margin environment
- Third party ethanol trading increased sales volumes and margins.

The group is in the process of commissioning its state-of-the-art bio-refinery in Kansas in partnership with ICM, Inc. The refinery will serve the higher-margin California market and several higher-value coproducts.

Plant Nutrient Group Income Grows Year Over Year

The Plant Nutrient Group recorded pretax income of \$15.9 million in the second quarter compared to pretax income of \$15.9 million in the second quarter of 2018.

- For the second consecutive quarter, both primary and specialty nutrient volumes significantly lagged prior year volumes due to a wet spring in the region, reducing planted corn acres.
- Improved margins per ton driven by cost containment, operational efficiency and product mix offset the impact of lower volumes.
- Inventory carrying costs increased year over year due to delayed and reduced planting.

The group's current quarter EBITDA was \$24.9 million, a slight increase over 2018 second quarter results.

Rail Group Results Highlighted by Steady Leasing Income

The Rail Group earned second quarter pretax income of \$3.2 million compared to \$0.9 million in the same period of the prior year. Prior year results included a \$4.7 million impairment charge on railcars the group later scrapped.

- Railcar leasing income rose year over year on stronger utilization and more cars on lease but was offset in part by
- Income from car sales was negligible.
- Service and other pretax income fell significantly, largely due to workers compensation and other expenses and

The group's second quarter 2019 EBITDA of \$15.8 million was comparable to second quarter 2018 EBITDA before considering the 2018 impairment charge.

Conference Call

The company will host a webcast on Wednesday, August 7, 2019, at 11 a.m. Eastern Daylight Time, to discuss its performance and provide its updated outlook for 2019. To access the call, please dial 866-439-8514 or 678-509-7568 (participant passcode is 9055829). It is recommended that you call 10 minutes before the conference call begins.

To access the webcast, click on the link: <https://edge.media-server.com/mmc/p/izr35eyr>. 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's website: 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, adjusted net income, adjusted net income per share, 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, adjusted net income, adjusted net income per share, EBITDA and adjusted EBITDA do not and should not be considered as alternatives to pretax income, net income or net income per share as determined by generally accepted accounting principles. Reconciliations of the GAAP to non-GAAP measures may be found within the financial tables provided in the release.

Company Description

Founded in 1947 in Maumee, Ohio, The [Andersons Inc.](http://www.andersonsinc.com) (Nasdaq: ANDE) is a diversified company rooted in agriculture that conducts business in the commodity trading, ethanol, plant nutrient and rail sectors. Guided by 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, please visit 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)	2019	2018	2019	2018
Sales and merchandising revenues	\$ 2,325,041	\$ 911,402	\$ 4,301,800	\$ 2,300,000
Cost of sales and merchandising revenues	2,164,313	820,928	4,031,441	1,980,000
Gross profit	160,728	90,474	270,392	320,000
Operating, administrative and general expenses	106,918	59,853	220,267	110,000
Asset impairment	3,081	6,272	3,081	0
Interest expense	15,727	7,825	31,637	15,000
Other income:				
Equity in earnings (loss) of affiliates	(157)	9,803	1,362	0
Other income, net	5,563	2,828	4,049	0
Income (loss) before income taxes	40,408	29,155	20,818	0
Income tax provision (benefit)	10,997	7,742	5,555	0
Net income (loss)	29,411	21,413	15,263	0
Net income attributable to the noncontrolling interests	(477)	(116)	(632)	0
Net income (loss) attributable to The Andersons Inc.	\$ 29,888	\$ 21,529	\$ 15,895	\$ 0
Per common share:				
Basic earnings (loss) attributable to The Andersons Inc. common shareholders	\$ 0.92	\$ 0.76	\$ 0.76	\$ 0
Diluted earnings (loss) attributable to The Andersons Inc. common shareholders	\$ 0.91	\$ 0.76	\$ 0.76	\$ 0

The Andersons, Inc.

Reconciliation to Adjusted Net Income

(Unaudited)

(in thousands, except per share data)	Three months ended June 30,		Six months ended
	2019	2018	2019
Net income (loss) attributable to The Andersons Inc.	\$ 29,888	\$ 21,529	\$ 21,529
Items impacting other income, net of tax:			
One time acquisition costs	(907)	-	5,209
Transaction related stock compensation	1,010	-	3,572
Asset impairment	2,311	-	2,311
Total adjusting items	2,414	-	11,092
Adjusted net income (loss) attributable to The Andersons Inc.	\$ 32,302	\$ 21,529	\$ 21,529
Diluted earnings attributable to The Andersons Inc. common shareholders	\$ 0.91	\$ 0.76	\$ 0.76
Impact on diluted earnings per share	0.07	-	0.34
Adjusted diluted earnings (loss) per share	\$ 0.98	\$ 0.76	\$ 0.76

The [Andersons Inc.](#)Condensed Consolidated Balance Sheets
(Unaudited)

(in thousands)	June 30, 2019	December 31, 2018	June 30, 2018
Assets			
Current assets:			
Cash and cash equivalents	\$ 11,087	\$ 22,593	\$ 58,611
Accounts receivable, net	712,294	207,285	218,476
Inventories	753,641	690,804	495,611
Commodity derivative assets – current	233,015	51,421	54,259
Other current assets	58,439	50,703	42,648
Assets held for sale	151	392	9,816
Total current assets			

1,768,627

1,023,198

Other assets:

Commodity derivative assets – noncurrent	6,161	480	1,008
Other assets, net	346,531	127,503	138,201
Right of use asset, net	74,073	-	-
Equity method investments	120,929	242,326	232,159
	547,694	370,309	371,368
Rail Group assets leased to others, net	559,711	521,785	458,424
Property, plant and equipment, net	695,827	476,711	408,575
Total assets	\$ 3,571,859	\$ 2,392,003	\$ 2,117,78

Liabilities and equity

Current liabilities:

Short-term debt	\$ 426,125	\$ 205,000	\$ 185,00
Trade and other payables	527,250	462,535	282,221
Customer prepayments and deferred revenue	49,761	32,533	16,103
Commodity derivative liabilities – current	69,369	32,647	85,160
Accrued expenses and other current liabilities	165,383	79,046	74,512
Current maturities of long-term debt	66,678	21,589	13,700
Total current liabilities	1,304,566	833,350	656,696
Right of use liability	48,401	-	-
Other long-term liabilities	18,398	32,184	30,325
Commodity derivative liabilities – noncurrent	3,985	889	3,202
Employee benefit plan obligations	22,019	22,542	26,131
Long-term debt, less current maturities	1,007,012	496,187	435,580
Deferred income taxes	146,839	130,087	118,864
Total liabilities	2,551,220	1,515,239	1,270,798
The Andersons, Inc. Total equity	1,020,639	876,764	846,990
Segment Data Total liabilities and equity (Unaudited)	\$ 3,571,859	\$ 2,392,003	\$ 2,117,78

(in thousands)

Trade

Ethanol

Plant

Three months ended June 30, 2019

Revenues from external customers

\$ 1,766,305

\$ 245,143

Gross profit	102,846	4,312	38,79
Equity in earnings of affiliates	(1,614)	1,457	-
Other income, net	3,818	194	570
Income (loss) before income taxes	23,731	2,172	15,90
Income (loss) attributable to the noncontrolling interests	-	(477)	-
Income (loss) before income taxes attributable to The Andersons Inc. (a) \$	23,731	\$ 2,649	\$

Three months ended June 30, 2018

Revenues from external customers	\$ 365,100	\$ 201,758	\$
Gross profit	33,887	5,862	37,16
Equity in earnings of affiliates	5,510	4,293	-
Other income, net	1,248	(476)	622
Income (loss) before income taxes	8,707	7,179	15,12
Income (loss) attributable to the noncontrolling interests	-	(116)	-
Income (loss) before income taxes attributable to The Andersons Inc. (a) \$	8,707	\$ 7,295	\$

Six months ended June 30, 2019

Revenues from external customers	\$ 3,364,326	\$ 453,974	\$
Gross profit	171,835	8,120	59,73
Equity in earnings of affiliates	(1,745)	3,107	-
Other income, net	828	278	1,137
Income (loss) before income taxes	6,268	4,589	11,97
Income (loss) attributable to the noncontrolling interests	-	(632)	-
Income (loss) before income taxes attributable to The Andersons Inc. (a) \$	6,268	\$ 5,221	\$

Six months ended June 30, 2018

Revenues from external customers	\$ 641,126	\$ 375,422	\$
Gross profit	59,111	9,554	59,40
Equity in earnings of affiliates	7,497	5,879	-
Other income, net	1,573	138	1,274
Income (loss) before income taxes	7,460	9,953	16,21
Income (loss) attributable to the noncontrolling interest	-	(398)	-
Income (loss) before income taxes attributable to The Andersons Inc. (a)			

\$ 7,460

\$ 10,351

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

The Andersons, Inc.

Reconciliation to EBITDA and Adjusted EBITDA

(unaudited)

(in thousands)	Trade	Ethanol	Plant Nutri
Three months ended June 30, 2019			
Income (loss) before income taxes	\$ 23,731	\$ 2,172	\$ 15,903
Income (loss) attributable to the noncontrolling interests	-	(477)	-
Income (loss) before income taxes attributable to The Andersons Inc.	23,731	2,649	15,903
Interest expense	10,243	(906)	2,386
Depreciation and amortization	10,837	48	6,631
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$ 44,811	\$ 1,791	\$ 24,819
Adjusting items impacting EBITDA:			
One time acquisition costs	(1,209)	-	-
Transaction related stock compensation	1,346	-	-
Asset impairment	3,081	-	-
Total adjusting items	3,218	-	-
Adjusted EBITDA	\$ 48,029	\$ 1,791	\$ 24,819
Three months ended June 30, 2018			
Income (loss) before income taxes	\$ 8,707	\$ 7,179	\$ 15,124
Income (loss) attributable to the noncontrolling interests	-	(116)	-
Income (loss) before income taxes attributable to The Andersons Inc.	8,707	7,295	15,124
Interest expense	3,930	(271)	1,642
Depreciation and amortization	4,126	1,517	6,769
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$ 16,763	\$ 8,541	\$ 22,639
Six months ended June 30, 2019			
Income (loss) before income taxes	\$ 6,268	\$ 4,589	\$ 11,974
Income (loss) attributable to the noncontrolling interests	-	(632)	-
Income (loss) before income taxes attributable to The Andersons Inc.	6,268	5,221	11,974
Interest expense	21,158	(1,730)	4,647

Depreciation and amortization	25,036	187	13,294
Earnings before interest, taxes, depreciation and amortization (EBITDA) \$	52,462	\$ 3,678	\$ 29
Adjusting items impacting EBITDA:			
One time acquisition costs	6,945	-	-
Transaction related stock compensation	4,762	-	-
Asset impairment	3,081	-	-
Total adjusting items	14,788	-	-
Adjusted EBITDA	\$ 67,250	\$ 3,678	\$ 29
Six months ended June 30, 2018			
Income (loss) before income taxes	\$ 7,460	\$ 9,953	\$ 1
Income (loss) attributable to the noncontrolling interests	-	(398)	-
Income (loss) before income taxes attributable to The Andersons Inc.	7,460	10,351	16,215
Interest expense	6,889	(311)	3,082
Depreciation and amortization	8,143	3,026	13,497
Earnings before interest, taxes, depreciation and amortization (EBITDA) \$	22,492	\$ 13,066	\$ 3

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