

The Andersons, Inc. Reports Third Quarter 2019 Results

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MAUMEE, Nov. 5, 2019 - The [Andersons Inc.](#) (NASDAQ: ANDE) announces financial results for the third quarter ended

Third Quarter Highlights:

- Company reports a net loss of \$4.2 million or \$0.13 per diluted share and an adjusted net loss of \$2.3 million, or \$0.07 per diluted share.
- Trade Group reports improved results, recording a pretax loss of \$2.0 million and adjusted pretax income of \$0.6 million due to reduced planting and a delayed harvest in the Eastern corn belt.
- Ethanol Group records pretax income of \$0.9 million in a challenging margin environment.
- Plant Nutrient Group records a smaller pretax loss of \$7.4 million due to increased field activity in the quarter.
- Rail Group earns \$3.1 million of pretax income on stable railcar leasing income.

"The Trade Group's adjusted results were much improved year over year on stronger merchandising, though grain origin was impacted by weather. "We continue to see the benefits of our larger and more diversified Trade Group, whose results were substantially improved by the Lansing acquisition."

"I'm also particularly pleased that our Ethanol Group remained profitable despite difficult market conditions, outpacing market expectations at ELEMENT, our state-of-the-art biorefinery in Kansas, from which we ultimately expect industry-leading results. We also completed the integration of our ethanol plant entities, three of which were jointly owned with Marathon Petroleum Corporation, into a single entity jointly owned by Andersons and Marathon."

\$ in millions, except per share amounts

| | Q3 2019 | Q3 2018 | Variance | YTD 2019 | YTD 2018 | Variance |
|---|------------|------------|----------|-------------|-------------|----------|
| Pretax Income (Loss) Attributable to the Company ¹ | (\$11.4) | (\$3.9) | (\$7.5) | \$10.0 | \$23.4 | (\$13.4) |
| Adjusted Pretax Income (Loss) ¹ | (\$8.9) | (\$0.4) | (\$8.5) | \$27.3 | \$26.9 | \$0.4 |
| Trade (Grain) Group | \$0.6 | (\$9.9) | \$10.5 | \$21.6 | (\$2.5) | \$24.1 |
| Ethanol Group | \$0.9 | \$10.4 | (\$9.5) | \$6.2 | \$20.7 | (\$14.5) |
| Plant Nutrient Group | (\$7.4) | (\$8.0) | \$0.6 | \$4.5 | \$8.2 | (\$3.7) |
| Rail Group | \$3.1 | \$5.7 | (\$2.6) | \$10.6 | \$10.6 | \$ - |
| Other | (\$6.1) | \$1.4 | (\$7.5) | (\$15.6) | (\$10.3) | (\$5.3) |
| Net Income (Loss) ¹ | (\$4.2) | (\$2.1) | (\$2.1) | \$11.7 | \$17.7 | (\$6.0) |
| Adjusted Net Income (Loss) ¹ | (\$2.3) | \$0.5 | (\$2.8) | \$24.7 | \$20.3 | \$4.4 |
| EPS | (\$0.13) | (\$0.07) | (\$0.06) | \$0.35 | \$0.62 | (\$0.27) |
| Adjusted EPS | (\$0.07) | \$0.02 | (\$0.09) | \$0.75 | \$0.71 | \$0.04 |
| EBITDA | \$40.0 | \$24.0 | \$16.0 | \$154.0 | \$111.4 | \$42.6 |
| Adjusted EBITDA | \$42.5 | \$27.5 | \$15.0 | \$171.4 | \$114.8 | \$56.6 |

¹ Excludes income (loss) attributable to the noncontrolling interests of (\$1.6) in Q3 2019, \$0.2 in Q3 2018, (\$2.3) for year-to-date 2019 and (\$0.2) for year-to-date 2018.

Third Quarter Segment Overview

Trade Group Records Improved Year-Over-Year Results Despite Weak Origination Activity

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

The Trade Group recorded a pretax loss of \$2.0 million and adjusted pretax income of \$0.6 million for the quarter. The group also incurred \$2.4 million of incremental depreciation and amortization expenses related to the Lansing acquisition. The former Grain Group recorded a pretax loss of \$9.9 million in the third quarter of 2018.

- Performance improved across most of the group's operations, but especially in merchandising.
- The newly integrated group has already identified and partially implemented changes that will result in more than
- The group absorbed the reduction in planted acres around its Eastern Corn Belt assets by finding additional oppo

The group's third quarter 2019 EBITDA and adjusted EBITDA were \$18.4 million and \$20.9 million, respectively.

Ethanol Group Turns a Profit Despite Challenging Industry Margins

The Ethanol Group earned pretax income of \$0.9 million in the third quarter compared to the \$10.4 million of pretax inc

- Higher corn basis compressed margins, especially at the three eastern plants.
- The group continues to upgrade its production technology to gain additional efficiency.
- Third party ethanol trading again increased sales volumes and margins.

The group began producing ethanol, DDGs and corn oil from ELEMENT in August. Production continues to ramp up, w

The merger of the Albion, Clymers, Greenville and Denison plant entities into The Andersons Marathon Holdings LLC v reporting of the group's entire operations and a sizable one-time gain in the fourth quarter. ELEMENT remains a separ

Plant Nutrient Group Loss Narrows Year Over Year

The Plant Nutrient Group recorded a pretax loss of \$7.4 million in the third quarter, a modest improvement on the preta

- Volumes were up, largely on primary nutrients and at the farm centers, which was reflective of the delayed plantin
- Margins per ton were somewhat lower due to product mix.
- Inventory carrying costs increased year over year due to reduced spring planting.

The group's current quarter EBITDA was \$0.9 million, a \$0.8 million increase over 2018 third quarter results.

The group also sold its Auburn, Michigan, farm center in early October and expects to record a small gain on the sale in

Rail Group Results Highlighted by Steady Leasing Income

The Rail Group earned third quarter pretax income of \$3.1 million compared to \$5.7 million in the same period of the pr

- Railcar leasing income fell on continuing headwinds in the sand and ethanol markets.
- Income from car sales was significantly lower due to fewer direct and scrap car sales and lower scrap rates.
- Service and other pretax income fell somewhat due increased labor and benefits expenses.

The group's third quarter 2019 EBITDA of \$16.1 million was comparable to third quarter 2018 EBITDA.

Other Net Company-Level Expenses Higher Due to 2018 Nonrecurring Gains

Third quarter 2019 unallocated net company-level expenses were higher compared to adjusted third quarter 2018 resu the company recorded pretax gains of \$5.1 million, or \$0.14 per diluted share, from several Maumee Ventures investme

Provision for Income Taxes Includes Sizable Research and Development Tax Credits

The company's third quarter income tax provision includes a tax benefit of approximately \$3.9 million, or \$0.12 per dilut

were mostly related to the construction of the ELEMENT biorefinery.

Adjustments Related to the Lansing Acquisition

The company will finalize its purchase price allocation by year end. The Trade Group adjusted its current quarter pretax compensation expense and the company adjusted the third quarter 2018 pretax results by \$3.5 million, or \$0.09 per share. Trade Group's current quarter pretax results are also impacted by \$2.4 million, or \$0.06 per diluted share, of incremental

As it did in the first two quarters, the company has recast third quarter 2018 pretax income for the former Grain Group and in conjunction with the Lansing acquisition. The changes resulted in a reclassification of \$1.3 million in pretax income from and make similar adjustments for the fourth quarter of 2018.

Conference Call

The company will host a webcast on Wednesday, November 6, 2019, at 11 a.m. Eastern Standard Time, to discuss its preliminary views for 2020. To access the call, please dial 866-439-8514 or 678-509-7568 (participant passcode is 527) and the conference call begins.

To access the webcast, click on the link: <http://edge.media-server.com/mmc/p/nczp9z2e>. Complete the four fields as directed under the heading "Investors" on the company's website at www.andersonsinc.com.

Forward-Looking Statements

This release contains forward-looking statements. These statements involve risks and uncertainties that could cause actual economic, weather and regulatory conditions, competition, and the risk factors set forth from time to time in the company's filings. The company believes that the assumptions upon which the financial information and its forward-looking statements are based will prove to be correct.

Non-GAAP Measures

This release contains non-GAAP financial measures. The company believes adjusted pretax income, adjusted pretax income attributable to The Andersons, net income per share, EBITDA and adjusted EBITDA provide additional information to investors and others about its operations and better period-to-period comparability. Adjusted pretax income, adjusted pretax income attributable to The Andersons, net income per share and adjusted EBITDA do not and should not be considered as alternatives to pretax income, net income or net income per share. Reconciliations of the GAAP to non-GAAP measures may be found within this press release and the financial tables provided.

Company Description

Founded in 1947 in Maumee, Ohio, The [Andersons Inc.](http://www.andersonsinc.com) (Nasdaq: ANDE) is a diversified company rooted in agriculture, fertilizer, nutrient and rail sectors. Guided by its Statement of Principles, The Andersons strives to provide extraordinary service to its customers 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 September 30, | | Nine Months E |
|--|----------------------------------|------------|---------------|
| (in thousands, except per share data) | 2019 | 2018 | 2019 |
| Sales and merchandising revenues | \$ 1,982,755 | \$ 685,579 | \$ 6,284,5 |
| Cost of sales and merchandising revenues | 1,873,614 | 631,715 | 5,905,055 |
| Gross profit | 109,141 | 53,864 | 379,533 |
| Operating, administrative and general expenses | 107,118 | 65,986 | 327,385 |
| Asset impairment | - | - | 3,081 |
| Interest expense | 13,975 | 5,176 | 45,613 |
| Other income: | | | |
| Equity in earnings (loss) of affiliates | (3,728) | 7,225 | (2,367) |
| Other income, net | 2,598 | 6,434 | 6,649 |
| Income (loss) before income taxes | (13,082) | (3,639) | 7,736 |
| Income tax provision (benefit) | (7,212) | (1,764) | (1,657) |
| Net income (loss) | (5,870) | (1,875) | 9,393 |
| Net income (loss) attributable to the noncontrolling interests | (1,633) | 223 | (2,265) |
| Net income (loss) attributable to The Andersons Inc. | \$ (4,237) | \$ (2,098) | \$ 11,6 |
| Per common share: | | | |
| Basic earnings (loss) attributable to The Andersons Inc. common shareholders | \$ (0.13) | \$ (0.07) | \$ 0 |
| Diluted earnings (loss) attributable to The Andersons Inc. common shareholders | \$ (0.13) | \$ (0.07) | \$ 0 |

The Andersons, Inc.

Reconciliation to Adjusted Net Income (Loss) Attributable to The Andersons, Inc.

(Unaudited)

| (in thousands, except per share data) | Three months ended September 30, | | Nine Months Ended | |
|---|----------------------------------|------------|-------------------|-----------|
| | 2019 | 2018 | 2019 | 2018 |
| Net income (loss) attributable to The Andersons Inc. | \$ (4,237) | \$ (2,098) | \$ 11,658 | \$ 24,665 |
| Items impacting other income, net of tax: | | | | |
| One time acquisition costs | (17) | 2,597 | 5,192 | 2,597 |
| Transaction related stock compensation | 1,933 | - | 5,504 | - |
| Asset impairment | - | - | 2,311 | - |
| Total adjusting items, net of tax | 1,916 | 2,597 | 13,007 | 2,597 |
| Adjusted net income (loss) attributable to The Andersons Inc. | \$ (2,321) | \$ 499 | \$ 24,665 | \$ 27,262 |
| Diluted earnings attributable to The Andersons Inc. common shareholders | \$ (0.13) | \$ (0.07) | \$ 0.35 | \$ 0.35 |
| Impact on diluted earnings per share | 0.06 | 0.09 | 0.40 | 0.00 |
| Adjusted diluted earnings (loss) per share | \$ (0.07) | \$ 0.02 | \$ 0.75 | \$ 0.35 |

The Andersons, Inc.

Condensed Consolidated Balance Sheets

(Unaudited)

| (in thousands) | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|---|--------------------|-------------------|--------------------|
| Assets | | | |
| Current assets: | | | |
| Cash, cash equivalents and restricted cash | \$ 21,299 | \$ 22,593 | \$ 22,593 |
| Accounts receivable, net | 523,110 | 207,285 | 206,380 |
| Inventories | 741,086 | 690,804 | 490,331 |
| Commodity derivative assets – current | 120,510 | 51,421 | 76,861 |
| Other current assets | 82,197 | 50,703 | 58,374 |

| | | | |
|---|-----------|--------------|--------------|
| Assets held for sale | 573 | 392 | 29,527 |
| Total current assets | 1,488,775 | 1,023,198 | 878,293 |
| Other assets: | | | |
| Commodity derivative assets – noncurrent | 1,943 | 480 | 766 |
| Other assets, net | 336,471 | 127,503 | 132,928 |
| Right of use asset, net | 70,773 | - | - |
| Equity method investments | 117,348 | 242,326 | 240,350 |
| | 526,535 | 370,309 | 374,044 |
| Rail Group assets leased to others, net | 565,746 | 521,785 | 464,776 |
| Property, plant and equipment, net | 703,396 | 476,711 | 434,505 |
| Total assets | \$ | 3,284,452 \$ | 2,392,003 \$ |
| Liabilities and equity | | | |
| Current liabilities: | | | |
| Short-term debt | \$ | 138,249 \$ | 205,000 \$ |
| Trade and other payables | 594,708 | 462,535 | 344,406 |
| Customer prepayments and deferred revenue | 35,274 | 32,533 | 38,242 |
| Commodity derivative liabilities – current | 67,606 | 32,647 | 91,403 |
| Accrued expenses and other current liabilities | 162,749 | 79,046 | 68,925 |
| Current maturities of long-term debt | 66,899 | 21,589 | 15,677 |
| Total current liabilities | 1,065,485 | 833,350 | 690,653 |
| Right of use liability | 47,299 | - | - |
| Other long-term liabilities | 40,927 | 32,184 | 30,615 |
| Commodity derivative liabilities – noncurrent | 1,960 | 889 | 2,548 |
| Employee benefit plan obligations | 21,311 | 22,542 | 25,356 |
| Long-term debt, less current maturities | 968,117 | 496,187 | 437,280 |
| Deferred income taxes | 128,003 | 130,087 | 122,523 |
| Total liabilities | 2,273,102 | 1,515,239 | 1,308,975 |
| Total equity | 1,011,350 | 876,764 | 842,643 |
| Total liabilities and equity | \$ | 3,284,452 \$ | 2,392,003 \$ |

The Andersons, Inc.

Segment Data

(Unaudited)

(in thousands)

Three months ended September 30, 2019

| | Trade | Ethanol | Plant N |
|--|--------------|------------|---------|
| Revenues from external customers | \$ 1,580,157 | \$ 254,055 | \$ |
| Gross profit | 74,752 | 6,710 | 15,851 |
| Equity in earnings (losses) of affiliates | (98) | (3,630) | - |
| Other income (expense), net | 876 | 417 | 510 |
| Income (loss) before income taxes | (2,001) | (684) | (7,440) |
| Income (loss) attributable to the noncontrolling interests | - | (1,633) | - |
| Income (loss) before income taxes attributable to The Andersons Inc. (a) | \$ (2,001) | \$ 949 | \$ |

Three months ended September 30, 2018

| | | | |
|--|------------|------------|---------|
| Revenues from external customers | \$ 342,610 | \$ 195,669 | \$ |
| Gross profit | 15,791 | 7,781 | 15,542 |
| Equity in earnings of affiliates | 2,412 | 4,813 | - |
| Other income, net | 92 | 553 | 626 |
| Income (loss) before income taxes | (9,914) | 10,576 | (7,976) |
| Income (loss) attributable to the noncontrolling interests | - | 223 | - |
| Income (loss) before income taxes attributable to The Andersons Inc. (a) | \$ (9,914) | \$ 10,353 | \$ |

Nine months ended September 30, 2019

| | | | |
|--|--------------|------------|--------|
| Revenues from external customers | \$ 4,944,483 | \$ 708,029 | \$ |
| Gross profit | 246,587 | 14,830 | 75,583 |
| Equity in earnings (losses) of affiliates | (1,843) | (524) | - |
| Other income, net | 1,706 | 695 | 1,647 |
| Income (loss) before income taxes | 4,268 | 3,904 | 4,534 |
| Income (loss) attributable to the noncontrolling interests | - | (2,265) | - |
| Income (loss) before income taxes attributable to The Andersons Inc. (a) | \$ 4,268 | \$ 6,169 | \$ |

Nine months ended September 30, 2018

| | | | | | |
|--|----|---------|----|---------|--------|
| Revenues from external customers | \$ | 983,737 | \$ | 571,090 | \$ |
| Gross profit | | 74,903 | | 17,334 | 74,946 |
| Equity in earnings of affiliates | | 9,909 | | 10,692 | - |
| Other income, net | | 615 | | 1,741 | 1,900 |
| Income (loss) before income taxes | | (2,453) | | 20,528 | 8,239 |
| Income (loss) attributable to the noncontrolling interest | | - | | (175) | - |
| Income (loss) before income taxes attributable to The Andersons Inc. (a) | \$ | (2,453) | \$ | 20,703 | \$ |

(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 reported on a consolidated basis. Reconciliation to EBITDA and Adjusted EBITDA

(unaudited)

| (in thousands) | Trade | Ethanol | Plant N | | |
|--|---------|---------|---------|---------|----|
| Three months ended September 30, 2019 | | | | | |
| Income (loss) before income taxes | \$ | (2,001) | \$ | (684) | \$ |
| Income (loss) attributable to the noncontrolling interests | | - | | (1,633) | - |
| Income (loss) before income taxes attributable to The Andersons Inc. | (2,001) | 949 | (7,440) | | |
| Interest expense | 7,868 | 210 | 1,831 | | |
| Depreciation and amortization | 12,487 | 6,907 | 6,485 | | |
| Earnings before interest, taxes, depreciation and amortization (EBITDA) | \$ | 18,354 | \$ | 8,066 | \$ |
| Adjusting items impacting EBITDA: | | | | | |
| One time acquisition costs | (23) | - | - | | |
| Transaction related stock compensation | 2,577 | - | - | | |
| Asset impairment | - | - | - | | |
| Total adjusting items | 2,554 | - | - | | |
| Adjusted EBITDA | \$ | 20,908 | \$ | 8,066 | \$ |
| Three months ended September 30, 2018 | | | | | |
| Income (loss) before income taxes | \$ | (9,914) | \$ | 10,576 | \$ |
| Income (loss) attributable to the noncontrolling interests | | - | | 223 | - |
| Income (loss) before income taxes attributable to The Andersons Inc. | (9,914) | 10,353 | (7,976) | | |
| Interest expense | 2,126 | (784) | 1,315 | | |
| Depreciation and amortization | | | | | |

| | | | | | |
|--|---------|---------|--------|--------|--------|
| Earnings before interest, taxes, depreciation and amortization (EBITDA) | \$ | (3,670) | \$ | 11,102 | \$ |
| Adjusting items impacting EBITDA: | | | | | |
| One time acquisition costs | - | - | - | - | - |
| Transaction related stock compensation | - | - | - | - | - |
| Asset impairment | - | - | - | - | - |
| Total adjusting items | - | - | - | - | - |
| Adjusted EBITDA | \$ | (3,670) | \$ | 11,102 | \$ |
| Nine months ended September 30, 2019 | | | | | |
| Income (loss) before income taxes | \$ | 4,268 | \$ | 3,904 | \$ |
| Income (loss) attributable to the noncontrolling interests | - | (2,265) | - | - | - |
| Income (loss) before income taxes attributable to The Andersons Inc. | 4,268 | 6,169 | 4,534 | 4,534 | 4,534 |
| Interest expense | 29,027 | (1,520) | 6,478 | 6,478 | 6,478 |
| Depreciation and amortization | 37,523 | 7,094 | 19,778 | 19,778 | 19,778 |
| Earnings before interest, taxes, depreciation and amortization (EBITDA) | \$ | 70,818 | \$ | 11,743 | \$ |
| Adjusting items impacting EBITDA: | | | | | |
| One time acquisition costs | 6,922 | - | - | - | - |
| Transaction related stock compensation | 7,339 | - | - | - | - |
| Asset impairment | 3,081 | - | - | - | - |
| Total adjusting items | 17,342 | - | - | - | - |
| Adjusted EBITDA | \$ | 88,160 | \$ | 11,743 | \$ |
| Nine months ended September 30, 2018 | | | | | |
| Income (loss) before income taxes | \$ | (2,453) | \$ | 20,528 | \$ |
| Income (loss) attributable to the noncontrolling interests | - | (175) | - | - | - |
| Income (loss) before income taxes attributable to The Andersons Inc. | (2,453) | 20,703 | 8,239 | 8,239 | 8,239 |
| Interest expense | 9,018 | (1,098) | 4,397 | 4,397 | 4,397 |
| Depreciation and amortization | 12,261 | 4,559 | 20,257 | 20,257 | 20,257 |
| Earnings before interest, taxes, depreciation and amortization (EBITDA) | \$ | 18,826 | \$ | 24,164 | \$ |
| Adjusting items impacting EBITDA: | | | | | |
| One time acquisition costs | - | - | - | - | - |
| Transaction related stock compensation | - | - | - | - | - |
| Asset impairment | - | - | - | - | - |

-

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| | | | |
|-----------------------|----|-----------|-----------|
| Total adjusting items | - | - | - |
| Adjusted EBITDA | \$ | 18,826 \$ | 24,164 \$ |

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