

ANDERSONS INC
Form 10-Q
November 12, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the quarterly period ended September 30, 2013

.. 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 000-20557

THE ANDERSONS, INC.
(Exact name of the registrant as specified in its charter)

OHIO	34-1562374
(State of incorporation or organization)	(I.R.S. Employer Identification No.)
480 W. Dussel Drive, Maumee, Ohio	43537
(Address of principal executive offices)	(Zip Code)
(419) 893-5050	
(Telephone Number)	

(Former name, former address and former fiscal year, if changed since last report.)

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 ý 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 ý No ..

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	ý Accelerated Filer	..
Non-accelerated filer	.. Smaller reporting company	..

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The registrant had approximately 18.7 million common shares outstanding, no par value, at October 31, 2013.

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Part I. Financial Information

Item 1. Financial Statements

The Andersons, Inc.

Condensed Consolidated Balance Sheets

(Unaudited)(In thousands)

	September 30, 2013	December 31, 2012	September 30, 2012
Assets			
Current assets:			
Cash and cash equivalents	\$134,441	\$138,218	\$80,370
Restricted cash	164	398	160
Accounts receivable, net	178,970	208,877	199,158
Inventories (Note 2)	429,017	776,677	682,292
Commodity derivative assets – current	105,390	103,105	166,264
Deferred income taxes	5,254	15,862	20,627
Other current assets	42,278	54,016	41,568
Total current assets	895,514	1,297,153	1,190,439
Other assets:			
Commodity derivative assets – noncurrent	5	1,906	7,047
Goodwill	58,554	51,418	19,226
Other assets, net	52,177	53,711	48,575
Equity method investments	262,643	190,908	190,057
	373,379	297,943	264,905
Railcar assets leased to others, net (Note 3)	233,024	228,330	252,702
Property, plant and equipment, net (Note 3)	380,374	358,878	283,394
Total assets	\$1,882,291	\$2,182,304	\$1,991,440

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The Andersons, Inc.

Condensed Consolidated Balance Sheets (continued)

(Unaudited)(In thousands)

	September 30, 2013	December 31, 2012	September 30, 2012
Liabilities and equity			
Current liabilities:			
Borrowings under short-term line of credit	\$—	\$24,219	\$275,522
Accounts payable for grain	241,575	582,653	250,066
Other accounts payable	200,664	165,201	204,347
Customer prepayments and deferred revenue	23,974	105,410	77,278
Commodity derivative liabilities – current	88,234	33,277	43,589
Accrued expenses and other current liabilities	63,900	66,902	53,631
Current maturities of long-term debt (Note 10)	44,232	15,145	32,655
Total current liabilities	662,579	992,807	937,088
Other long-term liabilities	17,129	18,406	14,083
Commodity derivative liabilities – noncurrent	9,636	1,134	590
Employee benefit plan obligations	49,768	53,131	49,478
Long-term debt, less current maturities (Note 10)	381,018	427,243	312,404
Deferred income taxes	91,869	78,138	75,377
Total liabilities	1,211,999	1,570,859	1,389,020
Commitments and contingencies (Note 11)			
Shareholders' equity:			
Common shares, without par value (42,000 shares authorized; 19,198 shares issued)	96	96	96
Preferred shares, without par value (1,000 shares authorized; none issued)	—	—	—
Additional paid-in-capital	183,273	181,627	180,998
Treasury shares at cost (456, 554 and 557 shares at 9/30/13, 12/31/12 and 9/30/12, respectively)	(11,327)	(12,559)	(12,541)
Accumulated other comprehensive loss	(41,586)	(45,379)	(42,607)
Retained earnings	520,848	470,628	458,627
Total shareholders' equity of The Andersons, Inc.	651,304	594,413	584,573
Noncontrolling interests	18,988	17,032	17,847
Total equity	670,292	611,445	602,420
Total liabilities and equity	\$1,882,291	\$2,182,304	\$1,991,440
See Notes to Condensed Consolidated Financial Statements			

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The Andersons, Inc.

Condensed Consolidated Statements of Income

(Unaudited)(In thousands, except per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Sales and merchandising revenues	\$ 1,181,374	\$ 1,138,402	\$ 4,020,308	\$ 3,591,369
Cost of sales and merchandising revenues	1,108,228	1,060,086	3,764,660	3,324,533
Gross profit	73,146	78,316	255,648	266,836
Operating, administrative and general expenses	69,193	58,029	192,665	177,339
Interest expense	5,348	5,482	16,607	16,192
Other income:				
Equity in earnings of affiliates	22,177	6,027	39,991	15,406
Other income, net	7,605	3,492	11,623	9,409
Income before income taxes	28,387	24,324	97,990	98,120
Income tax provision	10,348	9,133	36,907	36,730
Net income	18,039	15,191	61,083	61,390
Net income (loss) attributable to the noncontrolling interests	878	(1,693)	) 1,805	(3,100)
Net income attributable to The Andersons, Inc.	\$ 17,161	\$ 16,884	\$ 59,278	\$ 64,490
Per common share:				
Basic earnings attributable to The Andersons, Inc. common shareholders	\$ 0.92	\$ 0.91	\$ 3.17	\$ 3.47
Diluted earnings attributable to The Andersons, Inc. common shareholders	\$ 0.91	\$ 0.90	\$ 3.15	\$ 3.43
Dividends paid	\$ 0.16	\$ 0.15	\$ 0.48	\$ 0.45
See Notes to Condensed Consolidated Financial Statements				

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The Andersons, Inc.

Condensed Consolidated Statements of Comprehensive Income

(Unaudited)(In thousands)

	Three months ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net income	\$ 18,039	\$ 15,191	\$ 61,083	\$ 61,390
Other comprehensive income (loss), net of tax:				
Increase (decrease) in estimated fair value of investment in debt securities (net of income tax of \$0, \$0, (\$187) and \$1,126)	—	—	303	(1,884)
Change in unrecognized actuarial loss and prior service cost (net of income tax of \$232, \$209, \$1,157 and \$1,343 - Note 1)	383	350	3,296	2,248
Cash flow hedge activity (net of income tax of \$33, \$25, \$195 and \$71)	56	41	194	119
Other comprehensive income (loss)	439	391	3,793	483
Comprehensive income	18,478	15,582	64,876	61,873
Comprehensive income (loss) attributable to the noncontrolling interests	878	(1,693)	1,805	(3,100)
Comprehensive income attributable to The Andersons, Inc. See Notes to Condensed Consolidated Financial Statements	\$ 17,600	\$ 17,275	\$ 63,071	\$ 64,973

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The Andersons, Inc.

Condensed Consolidated Statements of Cash Flows

(Unaudited)(In thousands)

	Nine months ended September 30,	
	2013	2012
Operating Activities		
Net income	\$61,083	\$61,390
Adjustments to reconcile net income to cash used in operating activities:		
Depreciation and amortization	41,635	35,330
Bad debt expense	700	1,118
Cash distributions (less than) in excess of income of unconsolidated affiliates	(22,486	) 8,984
Gains and amortization of deferred gains on sales of railcars and related leases	(17,376	) (22,260
Excess tax benefit from share-based payment arrangement	(602	) (39
Deferred income taxes	24,185	6,893
Stock based compensation expense	2,337	3,303
Other	3	(106
Changes in operating assets and liabilities:		
Accounts receivable	29,468	(31,522
Inventories	348,172	91,035
Commodity derivatives	63,074	(60,286
Other assets	(263	) (4,211
Accounts payable for grain	(341,078	) (141,839
Other accounts payable and accrued expenses	(59,891	) 13,483
Net cash provided by (used in) operating activities	128,961	(38,727
Investing Activities		
Purchase of investments	(49,249	) (19,996
Proceeds from redemption of investment	—	19,998
Acquisition of businesses, net of cash acquired	(11,148	) (92,686
Purchases of railcars	(71,554	) (102,853
Proceeds from sale of railcars	87,620	57,315
Purchases of property, plant and equipment	(31,355	) (51,682
Proceeds from sale of property, plant and equipment	351	817
Proceeds from minority investor	—	