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Andersons, Inc.  
Form 10-Q  
November 08, 2016  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2016

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 (I.R.S. Employer or organization) Identification No.)  
1947 Briarfield Boulevard, 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  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, 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  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 28.2 million common shares outstanding, no par value, at November 8, 2016.

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## Part I. Financial Information

## Item 1. Financial Statements

## The Andersons, Inc.

## Condensed Consolidated Balance Sheets

(Unaudited)(In thousands)

	September 30, 2016	December 31, 2015	September 30, 2015
Assets			
Current assets:			
Cash and cash equivalents	\$ 78,158	\$ 63,750	\$ 40,658
Restricted cash	190	451	181
Accounts receivable, net	173,593	170,912	201,664
Inventories (Note 2)	427,754	747,399	527,789
Commodity derivative assets – current (Note 5)	59,837	49,826	60,965
Deferred income taxes	—	6,772	6,735
Other current assets	43,761	90,412	66,411
Total current assets	783,293	1,129,522	904,403
Other assets:			
Commodity derivative assets – noncurrent (Note 5)	1,346	412	1,584
Goodwill	63,934	63,934	116,086
Other intangible assets, net	110,155	120,240	124,943
Other assets, net	5,921	9,515	32,049
Equity method investments	225,114	242,107	223,207
	406,470	436,208	497,869
Rail Group assets leased to others, net (Note 3)	334,401	338,111	347,100
Property, plant and equipment, net (Note 3)	460,247	455,260	442,322
Total assets	\$ 1,984,411	\$ 2,359,101	\$ 2,191,694

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The Andersons, Inc.

Condensed Consolidated Balance Sheets (continued)

(Unaudited)(In thousands)

	September 30, 2016	December 31, 2015	September 30, 2015
Liabilities and equity			
Current liabilities:			
Short-term debt (Note 4)	\$ —	\$ 16,990	\$ 82,801
Trade and other payables	356,931	668,788	466,428
Customer prepayments and deferred revenue	15,725	66,762	23,581
Commodity derivative liabilities – current (Note 5)	59,770	37,387	49,911
Accrued expenses and other current liabilities	68,465	70,324	71,593
Current maturities of long-term debt (Note 4)	51,520	27,786	26,989
Total current liabilities	552,411	888,037	721,303
Other long-term liabilities	30,525	18,176	16,510
Commodity derivative liabilities – noncurrent (Note 5)	1,954	1,063	2,912
Employee benefit plan obligations	45,260	45,805	58,123
Long-term debt, less current maturities (Note 4)	395,559	436,208	413,561
Deferred income taxes	178,535	186,073	179,591
Total liabilities	1,204,244	1,575,362	1,392,000
Commitments and contingencies (Note 13)			
Shareholders' equity:			
Common shares, without par value (63,000 shares authorized; 29,430, 29,353 and 29,430 shares issued at 9/30/16, 12/31/15 and 9/30/15, respectively)	96	96	96
Preferred shares, without par value (1,000 shares authorized; none issued)—	—	—	—
Additional paid-in-capital	221,326	222,848	224,595
Treasury shares, at cost (1,195, 1,397 and 1,425 shares at 9/30/16, 12/31/15 and 9/30/15, respectively)	(45,130)	(52,902)	(53,971)
Accumulated other comprehensive loss	(17,305)	(20,939)	(57,459)
Retained earnings	603,556	615,151	666,507
Total shareholders' equity of The Andersons, Inc.	762,543	764,254	779,768
Noncontrolling interests	17,624	19,485	19,926
Total equity	780,167	783,739	799,694
Total liabilities and equity	\$ 1,984,411	\$ 2,359,101	\$ 2,191,694
See Notes to Condensed Consolidated Financial Statements			

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The Andersons, Inc.  
Condensed Consolidated Statements of Operations  
(Unaudited)(In thousands, except per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Sales and merchandising revenues	\$859,612	\$909,093	\$2,811,735	\$3,015,022
Cost of sales and merchandising revenues	782,597	823,903	2,569,923	2,738,348
Gross profit	77,015	85,190	241,812	276,674
Operating, administrative and general expenses	78,767	88,698	234,053	251,044
Interest expense	4,441	6,147	18,046	16,210
Other income (loss):				
Equity in earnings (loss) of affiliates, net	8,422	3,845	3,789	23,295
Other income (loss), net	2,216	3,355	11,144	20,235
Income (loss) before income taxes	4,445	(2,455 )	4,646	52,950
Income tax provision (benefit)	1,104	(1,505 )	1,486	17,556
Net income (loss)	3,341	(950 )	3,160	35,394
Net income (loss) attributable to the noncontrolling interests	1,619	277	1,711	1,433
Net income (loss) attributable to The Andersons, Inc.	\$1,722	\$(1,227 )	\$1,449	\$33,961
Per common share:				
Basic earnings (loss) attributable to The Andersons, Inc. common shareholders	\$0.06	\$(0.04 )	\$0.05	\$1.19
Diluted earnings (loss) attributable to The Andersons, Inc. common shareholders	\$0.06	\$(0.04 )	\$0.05	\$1.19
Dividends declared	\$0.155	\$0.14	\$0.465	\$0.42
See Notes to Condensed Consolidated Financial Statements				

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The Andersons, Inc.

Condensed Consolidated Statements of Comprehensive Income (Loss)

(Unaudited)(In thousands)

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Net income (loss)	\$3,341	\$(950 )	\$3,160	\$35,394
Other comprehensive income (loss), net of tax:				
Recognition of gain on sale of debt securities (net of income tax of \$0, \$0, \$74 and \$0)	—	—	(126 )	—
Change in unrecognized actuarial loss and prior service cost (net of income tax of \$53, \$235, \$716 and \$1,760 - Note 8)	87	388	1,381	2,906
Foreign currency translation adjustments (net of income tax of \$0, (\$696), \$0 and \$(82))	(298 )	(2,750 )	2,259	(5,954 )
Cash flow hedge activity (net of income tax of \$0, \$38, \$72 and \$112)	—	62	120	184
Other comprehensive income (loss)	(211 )	(2,300 )	3,634	(2,864 )
Comprehensive income (loss)	3,130	(3,250 )	6,794	32,530
Comprehensive income (loss) attributable to the noncontrolling interests	1,619	277	1,711	1,433
Comprehensive income (loss) attributable to The Andersons, Inc.	\$1,511	\$(3,527)	\$5,083	\$31,097
See Notes to Condensed Consolidated Financial Statements				

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The Andersons, Inc.

Condensed Consolidated Statements of Cash Flows

(Unaudited)(In thousands)

	Nine months ended September 30,	
	2016	2015
Operating Activities		
Net income (loss)	\$3,160	\$35,394
Adjustments to reconcile net income (loss) to cash used in operating activities:		
Depreciation and amortization	62,244	57,365
Bad debt expense	789	802
Equity in losses (earnings) of affiliates, net of dividends	12,804	(3,868 )
Gain on sale of investments	(685 )	—
Gains on sales of Rail Group assets and related leases	(6,366 )	(12,438 )
Excess tax benefit from share-based payment arrangement	—	(1,299 )
Deferred income taxes	(46 )	18,921
Stock-based compensation expense	5,542	2,598
Goodwill impairment expense	—	1,985
Other	(102 )	1,061
Changes in operating assets and liabilities:		
Accounts receivable	(5,425 )	(6,003 )
Inventories	283,158	292,960
Commodity derivatives	12,592	16,160
Other assets	36,536	(1,465 )
Payables and other accrued expenses	(362,855)	(344,400)
Net cash provided by (used in) operating activities	41,346	57,773
Investing Activities		
Acquisition of business, net of cash acquired	—	(124,592)
Purchases of Rail Group assets	(57,979 )	(112,346)
Proceeds from sale of Rail Group assets	44,061	64,978
Purchases of property, plant and equipment	(56,138 )	(42,387 )
Proceeds from sale of property, plant and equipment	330	184
Proceeds from returns of investments in affiliates	7,443	1,480
Proceeds from sale of investments	15,013	—
Proceeds from sale of facilities	54,330	—
Purchase of Investments	(2,523 )	—
Change in restricted cash	260	248
Net cash provided by (used in) investing activities	4,797	(212,435)
Financing Activities		
Net change in short-term borrowings	(15,000 )	79,700
Proceeds from issuance of long-term debt	78,199	152,796
Proceeds from long-term financing arrangement	14,027	—
Payments of long-term debt	(91,393 )	(87,032 )
Purchase of treasury stock	—	(49,089 )
Distributions to noncontrolling interest owner	(3,400 )	(2,453 )
Proceeds from sale of treasury shares to employees and directors	1,159	447
Payments of debt issuance costs	(309 )	(271 )
Dividends paid	(13,020 )	(12,011 )
Excess tax benefit from share-based payment arrangement	—	1,299



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Other	(1,998 )	(2,770 )
Net cash provided by (used in) financing activities	(31,735 )	80,616
Increase (decrease) in cash and cash equivalents	14,408	(74,046 )
Cash and cash equivalents at beginning of period	63,750	114,704
Cash and cash equivalents at end of period	\$78,158	\$40,658

See Notes to Condensed Consolidated Financial Statements

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The Andersons, Inc.

Condensed Consolidated Statements of Equity

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

	Common Shares	Additional Paid-in Capital	Treasury Shares	Accumulated Other Comprehensive Loss	Retained Earnings	Noncontrolling Interests	Total
Balance at December 31, 2014	\$ 96	\$222,789	\$(9,743 )	\$(54,595 )	\$644,556	\$ 20,946	\$824,049
Net income					33,961	1,433	35,394
Other comprehensive loss				(2,864 )			(2,864 )
Cash distributions to noncontrolling interest						(2,453 )	(2,453 )
Stock awards, stock option exercises and other shares issued to employees and directors, net of income tax of \$819 (163 shares)		(2,635 )	4,861				2,226
Purchase of Treasury Shares (1,193 shares)			(49,089 )				(49,089 )
Dividends declared (\$0.42 per common share)					(11,872 )		(11,872 )
Shares Issued for acquisitions (77 shares)		4,303					4,303
Performance share unit dividend equivalents		138			(138 )		—
Balance at September 30, 2015	\$ 96	\$224,595	\$(53,971)	\$(57,459 )	\$666,507	\$ 19,926	\$799,694
Balance at December 31, 2015	\$ 96	\$222,848	\$(52,902)	\$(20,939 )	\$615,151	\$ 19,485	\$783,739
Net income					1,449	1,711	3,160
Other comprehensive income				3,634			3,634
Cash distributions to noncontrolling interest						(3,400 )	(3,400 )
Other change in noncontrolling interest						(172 )	(172 )
Stock awards, stock option exercises and other shares issued to employees and directors, net of income tax of \$471 (202 shares)		(1,542 )	7,772				6,230
Dividends declared (\$0.465 per common share)					(13,024 )		(13,024 )
Restricted share award dividend equivalents		\$20			\$(20 )		—
Balance at September 30, 2016	\$ 96	\$221,326	\$(45,130)	\$(17,305 )	\$603,556	\$ 17,624	\$780,167

See Notes to Condensed Consolidated Financial Statements

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The Andersons, Inc.

Notes to Condensed Consolidated Financial Statements  
(unaudited)

1. Basis of Presentation and Consolidation

These Condensed Consolidated Financial Statements include the accounts of The Andersons, Inc. and its wholly owned and controlled subsidiaries (the "Company"). All intercompany accounts and transactions are eliminated in consolidation.

Investments in unconsolidated entities in which the Company has significant influence, but not control, are accounted for using the equity method of accounting.

In the opinion of management, all adjustments consisting of normal and recurring items, considered necessary for the fair presentation of the results of operations, financial position, and cash flows for the periods indicated, have been made. The results in these Condensed Consolidated Financial Statements are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2016. An unaudited Condensed Consolidated Balance Sheet as of September 30, 2015 has been included as the Company operates in several seasonal industries.

The Condensed Consolidated Balance Sheet data at December 31, 2015 was derived from the audited Consolidated Financial Statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. The accompanying unaudited Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and notes thereto included in The Andersons, Inc. Annual Report on Form 10-K for the year ended December 31, 2015 (the "2015 Form 10-K").

New Accounting Standards

Revenue Recognition

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue From Contracts With Customers. They issued subsequent amendments to the initial guidance in August 2015, March 2016, April 2016, and May 2016 within ASU 2015-14, ASU 2016-08, ASU 2016-10, and ASU 2016-12, respectively. The core principle of the new revenue model is that an entity recognizes revenue from the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. These standards are effective for annual and interim periods beginning after December 15, 2017. The Company is currently assessing the method of adoption and the impact this standard will have on its Consolidated Financial Statements and disclosures.

Leasing

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, Leases. This standard is intended to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet with expanded disclosures around those items. This guidance is effective for annual and interim periods beginning after December 15, 2018, and early adoption is permitted. The Company is currently evaluating the impact of this standard.

Other applicable standards

In August 2016, the FASB issued Accounting Standards Update No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. This standard clarifies how companies present and classify certain cash receipts and payments in the statement of cash flows. The standard is effective for annual and interim periods beginning after December 15, 2017. The Company is currently evaluating when to adopt this standard but has not done so in the current period. At the time of future adoption, the Company will make the election to continue classifying distributions from equity method investments using the cumulative earnings approach which is consistent with current practice.

In March 2016, the FASB issued Accounting Standards Update No. 2016-09, Improvements to Employee Share-Based Payment Accounting. This standard simplifies the accounting treatment for excess tax benefits and deficiencies, forfeitures, and cash flow considerations related to share-based compensation. The standard is effective for annual and interim periods beginning after December 15, 2016. The Company is currently assessing the method of

adoption and the impact this standard will have on its Consolidated Financial Statements and disclosures. In January 2016, the FASB issued Accounting Standards Update No. 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities. This standard provides guidance for the recognition, measurement, presentation, and disclosure

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of financial instruments. This guidance is effective for annual and interim periods beginning after December 15, 2017, and early adoption is not permitted. The Company is currently evaluating the impact of this standard.

In July 2015, the FASB issued Accounting Standards Update No. 2015-11, Simplifying the Measurement of Inventory. This standard requires entities to measure inventory at the lower of cost or net realizable value rather than at the lower of cost or market. The standard is effective for annual and interim periods beginning after December 15, 2016. The Company is currently evaluating the impact of this standard.

## 2. Inventories

Major classes of inventories are as follows:

(in thousands)	September 30, 2016	December 31, 2015	September 30, 2015
Grain	\$ 262,165	\$ 534,548	\$ 325,536
Ethanol and by-products	7,734	8,576	8,365
Plant nutrients and cob products	126,922	172,815	161,562
Retail merchandise	24,985	24,510	26,079
Railcar repair parts	5,948	6,894	6,057
Other	—	56	190
	\$ 427,754	\$ 747,399	\$ 527,789

Inventories on the Condensed Consolidated Balance Sheets at September 30, 2016, December 31, 2015 and September 30, 2015 do not include 1.0 million, 3.4 million and 3.2 million bushels of grain, respectively, held in storage for others. The Company does not have title to the grain and is only liable for any deficiencies in grade or shortage of quantity that may arise during the storage period. Management has not experienced historical losses on any deficiencies and does not anticipate material losses in the future.

## 3. Property, Plant and Equipment

The components of property, plant and equipment are as follows:

(in thousands)	September 30, 2016	December 31, 2015	September 30, 2015
Land	\$ 28,473	\$ 29,928	\$ 30,285
Land improvements and leasehold improvements	82,908	77,191	76,414
Buildings and storage facilities	319,950	303,482	301,125
Machinery and equipment	393,178	375,028	368,338
Construction in progress	21,284	32,871	21,044
	845,793	818,500	797,206
Less: accumulated depreciation	385,546	363,240	354,884
	\$ 460,247	\$ 455,260	\$ 442,322

Depreciation expense on property, plant and equipment was \$35.7 million and \$34.1 million for the nine months ended September 30, 2016 and 2015, respectively. Additionally, Depreciation expense on property, plant and equipment was \$12.0 million and \$11.9 million for the three months ended September 30, 2016 and 2015, respectively. Capitalized software has been reclassified from property, plant, and equipment, and is now presented as a component of other intangible assets. Prior year balance sheets have been recast to conform with the current period presentation.

### Rail Group Assets

The components of Rail Group assets leased to others are as follows:



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(in thousands)	September 30, 2016	December 31, 2015	September 30, 2015
Rail Group assets leased to others	\$ 438,211	\$ 434,051	\$ 441,267
Less: accumulated depreciation	103,810	95,940	94,167
	\$ 334,401	\$ 338,111	\$ 347,100

Depreciation expense on Rail Group assets leased to others amounted to \$14.0 million and \$12.9 million for the nine months ended September 30, 2016 and 2015, respectively. Additionally, depreciation expense on Rail Group assets leased to others amounted to \$4.7 million and \$4.6 million for the three months ended September 30, 2016 and 2015, respectively.

## 4. Debt

The Company is party to borrowing arrangements with a syndicate of banks. See Note 5 in the Company's 2015 Form 10-K for a description of these arrangements. Total borrowing capacity for the Company under all lines of credit is currently at \$872.5 million, including \$22.5 million of debt of The Andersons Denison Ethanol LLC ("TADE"), which is non-recourse to the Company. At September 30, 2016, the Company had a total of \$809.9 million available for borrowing under its lines of credit. Our borrowing capacity is reduced by a combination of outstanding borrowings and letters of credit. The Company was in compliance with all financial covenants as of September 30, 2016.

The Company's short-term and long-term debt at September 30, 2016, December 31, 2015 and September 30, 2015 consisted of the following:

(in thousands)	September 30, 2016	December 31, 2015	September 30, 2015
Short-term Debt - Recourse	\$ —	\$ 16,990	\$ 82,801
Total Short-term Debt	—	16,990	82,801
Current Maturities of Long-term Debt – Recourse	51,520	27,786	26,989
Total Current Maturities of Long-term Debt	51,520	27,786	26,989
Long-term Debt, Less: Current Maturities – Recourse	395,559	436,208	413,561
Total Long-term Debt, Less: Current Maturities	\$ 395,559	\$ 436,208	\$ 413,561

## 5. Derivatives

The Company's operating results are affected by changes to commodity prices. The Grain and Ethanol businesses have established "unhedged" position limits (the amount of a commodity, either owned or contracted for, that does not have an offsetting derivative contract to lock in the price). To reduce the exposure to market price risk on commodities owned and forward grain and ethanol purchase and sale contracts, the Company enters into exchange traded commodity futures and options contracts and over the counter forward and option contracts with various counterparties. These contracts are primarily traded via the regulated Chicago Mercantile Exchange ("CME"). The Company's forward purchase and sales contracts are for physical delivery of the commodity in a future period. Contracts to purchase commodities from producers generally relate to the current or future crop years for delivery periods quoted by regulated commodity exchanges. Contracts for the sale of commodities to processors or other commercial consumers generally do not extend beyond one year.

All of these contracts meet the definition of derivatives. While the Company considers its commodity contracts to be effective economic hedges, the Company does not designate or account for its commodity contracts as hedges as defined under current accounting standards. The Company accounts for its commodity derivatives at estimated fair value. The estimated fair value of the commodity derivative contracts that require the receipt or posting of cash collateral is recorded on a net basis (offset against cash collateral posted or received, also known as margin deposits) within commodity derivative assets or liabilities. Management determines fair value based on exchange-quoted prices

and in the case of its forward purchase and sale contracts, estimated fair value is adjusted for differences in local markets and non-performance risk. For contracts for which physical delivery occurs, balance sheet classification is based on estimated delivery date. For futures, options and over-the-counter contracts in which physical delivery is not expected to occur but, rather, the contract is expected to be net settled, the Company classifies these contracts as current or noncurrent assets or liabilities, as appropriate, based on the Company's expectations as to when such contracts will be settled.



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Realized and unrealized gains and losses in the value of commodity contracts (whether due to changes in commodity prices, changes in performance or credit risk, or due to sale, maturity or extinguishment of the commodity contract) and grain inventories are included in cost of sales and merchandising revenues. These amounts were previously classified in sales and merchandising revenues but were reclassified starting in the fourth quarter of 2015.

Generally accepted accounting principles permit a party to a master netting arrangement to offset fair value amounts recognized for derivative instruments against the right to reclaim cash collateral or obligation to return cash collateral under the same master netting arrangement. The Company has master netting arrangements for its exchange traded futures and options contracts and certain over-the-counter contracts. When the Company enters into a future, option or an over-the-counter contract, an initial margin deposit may be required by the counterparty. The amount of the margin deposit varies by commodity. If the market price of a future, option or an over-the-counter contract moves in a direction that is adverse to the Company's position, an additional margin deposit, called a maintenance margin, is required. The margin deposit assets and liabilities are included in short-term commodity derivative assets or liabilities, as appropriate, in the Condensed Consolidated Balance Sheets.

The following table presents at September 30, 2016, December 31, 2015 and September 30, 2015, a summary of the estimated fair value of the Company's commodity derivative instruments that require cash collateral and the associated cash posted/received as collateral. The net asset or liability positions of these derivatives (net of their cash collateral) are determined on a counterparty-by-counterparty basis and are included within current or noncurrent commodity derivative assets (or liabilities) on the Condensed Consolidated Balance Sheets:

	September 30, 2016		December 31, 2015		September 30, 2015	
	Net	Net	Net	Net	Net	Net
(in thousands)	derivative asset position	derivative liability position	derivative asset position	derivative liability position	derivative asset position	derivative liability position
Collateral paid (received)	\$ 13,358	\$ —	—\$ 3,008	\$ —	—\$ 28,585	\$ —
Fair value of derivatives	16,258	—	25,356	—	5,733	—
Balance at end of period	\$ 29,616	\$ —	—\$ 28,364	\$ —	—\$ 34,318	\$ —

The following table presents, on a gross basis, current and noncurrent commodity derivative assets and liabilities:

	September 30, 2016				
(in thousands)	Commodity derivative assets - current	Commodity derivative assets - noncurrent	Commodity derivative liabilities - current	Commodity derivative liabilities - noncurrent	Total
Commodity derivative assets	\$60,372	\$ 1,356	\$ 3,318	\$ 58	\$65,104
Commodity derivative liabilities	(13,893 )	(10 )	(63,088 )	(2,012 )	(79,003 )
Cash collateral	13,358	—	—	—	13,358
Balance sheet line item totals	\$59,837	\$ 1,346	\$(59,770 )	\$(1,954 )	\$(541 )
	December 31, 2015				
(in thousands)	Commodity derivative assets - current	Commodity derivative assets - noncurrent	Commodity derivative liabilities - current	Commodity derivative liabilities - noncurrent	Total
Commodity derivative assets	\$51,647	\$ 412	\$ 371	\$ 2	\$52,432
Commodity derivative liabilities	(4,829 )	—	(37,758 )	(1,065 )	(43,652 )
Cash collateral	3,008	—	—	—	3,008
Balance sheet line item totals	\$49,826	\$ 412	\$(37,387 )	\$(1,063 )	\$11,788



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(in thousands)	September 30, 2015				Total
	Commodity derivative assets - current	Commodity derivative assets - noncurrent	Commodity derivative liabilities - current	Commodity derivative liabilities - noncurrent	
Commodity derivative assets	\$43,892	\$ 1,591	\$ 2,306	\$ 32	\$47,821
Commodity derivative liabilities	(11,512 )	(7 )	(52,217 )	(2,944 )	(66,680 )
Cash collateral	28,585	—	—	—	28,585
Balance sheet line item totals	\$60,965	\$ 1,584	\$(49,911 )	\$(2,912 )	\$9,726

The gains (losses) included in the Company's Condensed Consolidated Statements of Operations and the line items in which they are located are as follows:

(in thousands)	Three months ended		Nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Gains (losses) on commodity derivatives included in cost of sales and merchandising revenues	\$(48,620)	\$(16,910)	\$(22,679)	\$34,902

The Company had the following volume of commodity derivative contracts outstanding (on a gross basis) at September 30, 2016, December 31, 2015 and September 30, 2015:

Commodity (in thousands)	September 30, 2016			
	Number of Bushels	Gallons	Number of Pounds	Number of Tons
Non-exchange traded:				
Corn	226,492	—	—	—
Soybeans	60,614	—	—	—
Wheat	7,933	—	—	—
Oats	28,939	—	—	—
Ethanol	—	191,906	—	—
Corn oil	—	—	7,153	—
Other	129	—	—	251
Subtotal	324,107	191,906	7,153	251
Exchange traded:				
Corn	105,395	—	—	—
Soybeans	35,245	—	—	—
Wheat	39,715	—	—	—
Oats	2,800	—	—	—
Ethanol	—	74,046	—	—
Subtotal	183,155	74,046	—	—
Total	507,262	265,952	7,153	251

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		December 31, 2015			
Commodity (in thousands)	Number of Bushels	Number of Gallons	Number of Pounds	Number of Tons	
Non-exchange traded:					
Corn	227,248	—	—	—	
Soybeans	13,357	—	—	—	
Wheat	13,710	—	—	—	
Oats	15,019	—	—	—	
Ethanol	—	138,660	—	—	
Corn oil	—	—	11,532	—	
Other	297	—	—	116	
Subtotal	269,631	138,660	11,532	116	
Exchange traded:					
Corn	106,260	—	—	—	
Soybeans	17,255	—	—	—	
Wheat	28,135	—	—	—	
Oats	3,480	—	—	—	
Ethanol	—	840	—	—	
Other	—	840	—	—	
Subtotal	155,130	1,680	—	—	
Total	424,761	140,340	11,532	116	
		September 30, 2015			
Commodity (in thousands)	Number of Bushels	Number of Gallons	Number of Pounds	Number of Tons	
Non-exchange traded:					
Corn	331,740	—	—	—	
Soybeans	47,208	—	—	—	
Wheat	12,631	—	—	—	
Oats	19,449	—	—	—	
Ethanol	—	131,789	—	—	
Corn oil	—	—	10,063	—	
Other	572	—	—	123	
Subtotal	411,600	131,789	10,063	123	
Exchange traded:					
Corn	129,810	—	—	—	
Soybeans	24,860	—	—	—	
Wheat	28,360	—	—	—	
Oats	3,285	—	—	—	
Ethanol	—	3,192	—	—	
Subtotal	186,315	3,192	—	—	
Total	597,915	134,981	10,063	123	

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At September 30, 2016, December 31, 2015 and September 30, 2015, the Company had recorded the following amounts for the fair value of the Company's interest rate derivatives:

(in thousands)	September 30, 2016	December 31, 2015	September 30, 2015
Derivatives not designated as hedging instruments			
Interest rate contracts included in other long term liabilities	\$ (4,774 )	\$ (3,133 )	\$ —
Total fair value of interest rate derivatives not designated as hedging instruments	\$ (4,774 )	\$ (3,133 )	\$ —
Derivatives designated as hedging instruments			
Interest rate contract included in other short term liabilities	\$ —	\$ (191 )	\$ —
Total fair value of interest rate derivatives designated as hedging instruments	\$ —	\$ (191 )	\$ —

The gains and losses included in the Company's Consolidated Statements of Operations and the line item in which they are located for interest rate derivatives not designated as hedging instruments are as follows:

(in thousands)	Three months ended September 30, 2016	September 30, 2015	Nine months ended September 30, 2016	September 30, 2015
Interest expense	\$ 652	\$ —	—\$(1,642)	\$ —

The Company also has foreign currency derivatives which are considered effective economic hedges of specified economic risks but which are not designated as accounting hedges. At September 30, 2016, December 31, 2015 and September 30, 2015, the Company had recorded the following amounts for the fair value of the Company's foreign currency derivatives:

(in thousands)	September 30, 2016	December 31, 2015	September 30, 2015
Derivatives not designated as hedging instruments			

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Foreign currency contracts included in short term assets	\$ 1,130	\$	—\$	—
Total fair value of foreign currency contract derivatives not designated as hedging instruments	\$ 1,130	\$	—\$	—

The gains and losses included in the Company's Consolidated Statements of Operations and the line item in which they are located for foreign currency contract derivatives not designated as hedging instruments are as follows:

	Three months ended		Nine months ended		
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015	
(in thousands)					
Foreign currency derivative gains (losses) included in Other income, net	\$ (261 )	\$	—\$ 1,130	\$	—

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## 6. Employee Benefit Plans

The following are components of the net periodic benefit cost for the pension and post-retirement benefit plans maintained by the Company for the three and nine months ended September 30, 2016 and 2015:

(in thousands)	Pension Benefits			
	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Service cost	\$—	\$59	\$—	\$177
Interest cost	49	45	145	136
Recognized net actuarial loss	36	379	109	1,137
Benefit cost	\$85	\$483	\$254	\$1,450
(in thousands)	Post-retirement Benefits			
	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Service cost	\$190	\$225	\$570	\$675
Interest cost	387	396	1,162	1,188
Amortization of prior service cost	(88 )	(136 )	(266 )	(408 )
Recognized net actuarial loss	192	379	576	1,138
Benefit cost	\$681	\$864	\$2,042	\$2,593

## 7. Income Taxes

On a quarterly basis, the Company estimates the effective tax rate expected to be applicable for the full year and makes changes if necessary based on new information or events. The estimated annual effective tax rate is forecast based on actual historical information and forward-looking estimates and is used to provide for income taxes in interim reporting periods. The Company also recognizes the tax impact of certain unusual or infrequently occurring items, such as the effects of changes in tax laws or rates and impacts from settlements with tax authorities, discretely in the quarter in which they occur. Additionally, the annual effective tax rate differs from the statutory U.S. Federal tax rate of 35% primarily due to the impact of state income taxes, the tax benefit related to railroad track maintenance credit transactions, and to benefits or costs related to various permanent book to tax differences and tax credits.

For the three months ended September 30, 2016, the Company recorded income tax expense of \$1.1 million at an effective tax rate of 24.8%, which varied from the U.S. Federal tax rate of 35% primarily due to 5.8% in discrete tax benefits related to prior years and a 3.4% tax benefit related to railroad track maintenance credit transactions. For the three months ended September 30, 2015, the Company recorded an income tax benefit of \$1.5 million at an effective tax rate of 61.3%. The higher effective tax rate in the prior year was primarily due to the cumulative impact of revised full year earnings expectations, driven by the inclusion of a one-time charge which occurred in the fourth quarter related to the termination of the Company's pension plan, and relatively low third quarter earnings.

For the nine months ended September 30, 2016, the Company recorded income tax expense of \$1.5 million at an effective tax rate of 32.0%, which varied from the U.S. Federal tax rate of 35% primarily due to a 3.3% tax benefit related to railroad track maintenance credit transactions. The discrete tax benefits related to prior years that impacted

the third quarter tax rate did not have a significant impact on the nine month effective tax rate due to an offsetting discrete tax charge related to prior years that was recorded in the first quarter. For the nine months ended September 30, 2015, the Company recorded income tax expense of \$17.6 million at an effective tax rate of 33.2%.

There have been no material changes to the balance of unrecognized tax benefits reported at December 31, 2015. During the quarter ended March 31, 2016, the IRS completed its audit of the Company's 2011 and 2012 consolidated Federal income tax returns. The results of the examination will not have a material effect on the Company's 2016 effective tax rate.



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## 8. Accumulated Other Comprehensive Loss

The following tables summarize the after-tax components of accumulated other comprehensive income (loss) attributable to the Company for the three and nine months ended September 30, 2016 and 2015:

(in thousands)	Changes in Accumulated Other Comprehensive Income (Loss) by Component (a)									
	For the three months ended September 30, 2016					For the nine months ended September 30, 2016				
	Losses on Cash Flow Hedges	Foreign Currency Translation Adjustment	Investment in Debt Securities	Defined Benefit Plans	Total	Losses on Cash Flow Hedges	Foreign Currency Translation Adjustment	Investment in Debt Securities	Defined Benefit Plans	Total
Beginning Balance	\$9	\$(9,484)	\$—	\$(7,619)	\$(17,094)	\$(111)	\$(12,041)	\$126	\$(8,913)	\$(20,939)
Other comprehensive income (loss) before reclassifications	—	(298)	—	143	(155)	120	2,259	—	1,547	3,926
Amounts reclassified from accumulated other comprehensive loss	—	—	—	(56)	(56)	—	—	(126)	(166)	(292)
Net current-period other comprehensive income (loss)	—	(298)	—	87	(211)	120	2,259	(126)	1,381	3,634
Ending balance	\$9	\$(9,782)	\$—	\$(7,532)	\$(17,305)	\$9	\$(9,782)	\$—	\$(7,532)	\$(17,305)
(in thousands)	Changes in Accumulated Other Comprehensive Income (Loss) by Component (a)									
	For the three months ended September 30, 2015					For the nine months ended September 30, 2015				
	Losses on Cash Flow Hedges	Foreign Currency Translation Adjustment	Investment in Debt Securities	Defined Benefit Plans	Total	Losses on Cash Flow Hedges	Foreign Currency Translation Adjustment	Investment in Debt Securities	Defined Benefit Plans	Total
Beginning Balance	\$(242)	\$(7,913)	\$126	\$(47,130)	\$(55,159)	\$(364)	\$(4,709)	\$126	\$(49,648)	\$(54,595)
Other comprehensive income (loss) before reclassifications	62	(2,750)	—	473	(2,215)	184	(5,954)	—	3,161	(2,609)
Amounts reclassified from accumulated other comprehensive loss	—	—	—	(85)	(85)	—	—	—	(255)	(255)
Net current-period other comprehensive income (loss)	62	(2,750)	—	388	(2,300)	184	(5,954)	—	2,906	(2,864)

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income (loss)

Ending balance    \$(180) \$(10,663 ) \$ 126    \$(46,742) \$(57,459) \$(180) \$(10,663 ) \$