

ALLIANCE ONE INTERNATIONAL, INC.
Form 10-Q
November 01, 2017

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, 2017.

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____.

Alliance One International, Inc.

(Exact name of registrant as specified in its charter)

Virginia

001-13684

54-1746567

(State or other jurisdiction of incorporation) (Commission File Number) (I.R.S. Employer Identification No.)

8001 Aerial Center Parkway
Morrisville, NC 27560-8417
(Address of principal executive offices)

(919) 379-4300
(Registrant's telephone number, including area code)

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 the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer Non-Accelerated filer (Do not check if a smaller reporting company)
Smaller Reporting Company Emerging Growth Company

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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transaction period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of October 27, 2017, the registrant had 9,001,255 shares outstanding of Common Stock (no par value) excluding 785,313 shares owned by a wholly owned subsidiary.

- 1 -

Alliance One International, Inc. and Subsidiaries

Table of Contents

	Page No.
Part I. <u>Financial Information</u>	
Item 1. Financial Statements (Unaudited)	
<u>Condensed Consolidated Statements of Operations</u> Three and Six Months Ended September 30, 2017 and 2016	3
<u>Condensed Consolidated Statements of Comprehensive Income (Loss)</u> Three and Six Months Ended September 30, 2017 and 2016	4
<u>Condensed Consolidated Balance Sheets</u> September 30, 2017 and 2016 and March 31, 2017	5
<u>Condensed Statements of Consolidated Stockholders' Equity</u> Six Months Ended September 30, 2017 and 2016	6
<u>Condensed Consolidated Statements of Cash Flows</u> Six Months Ended September 30, 2017 and 2016	7
<u>Notes to Condensed Consolidated Financial Statements</u>	8
Item 2. <u>Management's Discussion and Analysis</u> of Financial Condition and Results of Operations	22
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	31
Item 4. <u>Controls and Procedures</u>	31
Part II. <u>Other Information</u>	
Item 1. <u>Legal Proceedings</u>	32
Item 1A. <u>Risk Factors</u>	32
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	32
Item 3. <u>Defaults Upon Senior Securities</u>	32
Item 4. <u>Mine Safety Disclosures</u>	32

Item 5. <u>Other Information</u>	<u>32</u>
Item 6. <u>Exhibits</u>	<u>33</u>
<u>Signature</u>	<u>34</u>
<u>Index of Exhibits</u>	<u>35</u>

Part I. Financial Information

Item 1. Financial Statements

Alliance One International, Inc. and
Subsidiaries
CONDENSED CONSOLIDATED
STATEMENTS OF OPERATIONS
Three and Six Months Ended September 30,
2017 and 2016
(Unaudited)

	Three Months Ended September 30,	Six Months Ended September 30,		
(in thousands, except per share data)	2017	2016	2017	2016
Sales and other operating revenues	\$447,339	\$389,423	\$724,332	\$650,524
Cost of goods and services sold	378,008	339,142	626,366	566,192
Gross profit	69,331	50,281	97,966	84,332
Selling, general and administrative expenses	34,806	33,362	68,649	72,167
Other income	4,587	2,104	8,889	1,624
Restructuring and asset impairment charges	577	—	—	619
Operating income	39,112	18,446	38,206	13,170
Debt retirement	—	—	(2,975)	—

expense				
Interest				
expense				
(includes				
debt				
amortization				
of				
\$2,668				
and				
\$3,087				
for				
the				
three				
months	32,756	31,904	66,856	62,507
and				
\$4,892				
and				
\$6,197				
for				
the				
six				
months				
in				
2017				
and				
2016,				
respectively)				
Interest	727	2,204	1,694	4,042
income				
Income				
(loss)				
before				
income				
taxes	7,083	(11,254)	(23,981)	(45,295)
and				
other				
items				
Income				
tax	6,403	3,627	7,049	(204)
expense				
(benefit)				
Equity				
in				
net				
income	276	(732)	(649)	(2,061)
(loss)				
of				
investee				
companies				
Net	956	(15,613)	(31,679)	(47,152)
income				

(loss)
 Less:
 Net
 income
 (loss)
 attributable) 44 (159) 11
 to
 noncontrolling
 interests
 Net
 income
 (loss)
 attributable
 to \$1,024 \$(15,657) \$(31,520) \$(47,163)
 Alliance
 One
 International,
 Inc.

Earnings
 (loss)
 per
 share:
 Basic \$0.11 \$(1.75) \$(3.51) \$(5.29)
 Diluted \$0.11 \$(1.75) \$(3.51) \$(5.29)

Weighted
 average
 number
 of
 shares
 outstanding:
 Basic 8,923 8,923 8,973 8,914
 Diluted 8,923 8,923 8,973 8,914

See "Notes to Condensed Consolidated
 Financial Statements"

Alliance One International, Inc. and Subsidiaries
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
Three and Six Months Ended September 30, 2017 and 2016
(Unaudited)

(in thousands)	Three Months Ended September 30,		Six Months Ended September 30,	
	2017	2016	2017	2016
Net income (loss)	\$956	\$(15,613)	\$(31,679)	\$(47,152)
Other comprehensive income (loss), net of tax:				
Currency translation adjustment	2,349	(585)	6,091	(2,859)
Defined benefit pension amounts reclassified to income	459	460	918	921
Change in fair value of derivatives accounted for as hedges, net of tax	—	—	(562)	—
Amounts reclassified to income for derivatives	71	—	71	—
Total other comprehensive income (loss), net of tax	2,879	(125)	6,518	(1,938)
Total comprehensive income (loss)	3,835	(15,738)	(25,161)	(49,090)
Comprehensive income (loss) attributable to noncontrolling interests	(68)	44	(159)	11
Comprehensive income (loss) attributable to Alliance One International, Inc.	\$3,903	\$(15,782)	\$(25,002)	\$(49,101)

See "Notes to Condensed Consolidated Financial Statements"

Alliance One International, Inc. and Subsidiaries
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(in thousands)	September 30, 2017	September 30, 2016	March 31, 2017
ASSETS			
Current assets			
Cash and cash equivalents	\$ 188,936	\$ 159,297	\$473,110
Trade receivables, net	215,113	195,954	239,558
Other receivables	15,654	88,775	14,627
Accounts receivable, related parties	5,325	8,965	8,133
Inventories	928,931	944,012	678,325
Advances to tobacco suppliers	65,639	57,091	54,713
Recoverable income taxes	6,102	18,619	7,389
Prepaid expenses	24,439	26,005	17,924
Current derivative asset	64	—	943
Other current assets	18,448	16,162	15,354
Total current assets	1,468,651	1,514,880	1,510,076
Investments in unconsolidated affiliates	52,606	55,655	52,328
Goodwill	16,463	16,463	16,463
Other intangible assets	43,388	48,402	46,136
Long-term recoverable income taxes	—	8,990	—
Deferred income taxes, net	42,113	48,144	38,507
Other deferred charges	4,364	889	5,397
Other noncurrent assets	55,112	37,634	46,454
Property, plant and equipment, net	252,506	267,667	256,511
Total assets	\$ 1,935,203	\$ 1,998,724	\$ 1,971,872
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Notes payable to banks	\$ 549,045	\$ 581,891	\$475,863
Accounts payable	56,352	51,809	89,434
Due to related parties	21,117	17,357	9,773
Advances from customers	15,079	15,205	30,925
Accrued expenses and other current liabilities	83,513	72,857	91,332
Income taxes	—	6,114	5,377
Long-term debt current	142	10,355	10,046
Total current liabilities	725,248	755,588	712,750
Long-term debt	917,491	901,575	942,959
Deferred income taxes	21,549	25,349	17,608
Liability for unrecognized tax benefits	10,603	10,169	10,073
Pension, postretirement and other long-term liabilities	78,220	79,630	81,772
Total liabilities	1,753,111	1,772,311	1,765,162
Commitments and contingencies		—	
Stockholders' equity	September 30, 2017	September 30, 2016	March 31, 2017
Common Stock—no par value:			

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Authorized shares	250,000	250,000	250,000			
Issued shares	9,781	9,716	9,748	472,892	471,661	472,349
Retained deficit				(240,304)	(193,019)	(208,784)
Accumulated other comprehensive loss				(53,529)	(55,786)	(60,047)
Total stockholders' equity of Alliance One International, Inc.				179,059	222,856	203,518
Noncontrolling interests				3,033	3,557	3,192
Total stockholders' equity				182,092	226,413	206,710
Total liabilities and stockholders' equity				\$ 1,935,203	\$ 1,998,724	\$ 1,971,872
See "Notes to Condensed Consolidated Financial Statements"						

- 5 -

Alliance One International, Inc. and Subsidiaries
 CONDENSED STATEMENTS OF CONSOLIDATED STOCKHOLDERS' EQUITY
 (Unaudited)

(in thousands)	Attributable to Alliance One International, Inc.						Noncontrolling Interests	Total Equity
	Common Stock	Retained Deficit	Currency Translation Adjustment	Accumulated Other Comprehensive Loss Net of Tax	Pensions, Loss on Derivatives, Net of Tax	Loss on Derivatives, Net of Tax		
Balance, March 31, 2016	\$470,830	\$(145,856)	\$(14,046)	\$(39,802)	\$ —	\$ 3,546	\$274,672	
Net income (loss)	—	(47,163)	—	—	—	11	(47,152)	
Stock-based compensation	845	—	—	—	—	—	845	
Restricted stock surrendered	(14)	—	—	—	—	—	(14)	
Other comprehensive income (loss), net of tax	—	—	(2,859)	921	—	—	(1,938)	
Balance, September 30, 2016	\$471,661	\$(193,019)	\$(16,905)	\$(38,881)	\$ —	\$ 3,557	\$226,413	
Balance, March 31, 2017	\$472,349	\$(208,784)	\$(22,293)	\$(36,654)	\$(1,100)	\$ 3,192	\$206,710	
Net loss	—	(31,520)	—	—	—	(159)	(31,679)	
Stock-based compensation	545	—	—	—	—	—	545	
Restricted stock surrendered	(2)	—	—	—	—	—	(2)	
Other comprehensive income (loss), net of tax	—	—	6,091	918	(491)	—	6,518	
Balance, September 30, 2017	\$472,892	\$(240,304)	\$(16,202)	\$(35,736)	\$(1,591)	\$ 3,033	\$182,092	

See "Notes to Condensed Consolidated Financial Statements"

Alliance One International, Inc. and Subsidiaries
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 Six Months Ended September 30, 2017 and 2016
 (Unaudited)

(in thousands)	September 30, 2017	September 30, 2016
Operating activities		
Net loss	\$(31,679)	\$ (47,152)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	16,671	17,353
Debt amortization/interest	6,235	6,987
Debt retirement	(2,975)	—
Loss (gain) on foreign currency transactions	4,678	(4,536)
Restructuring and asset impairment charges	—	619
Equity in net loss of unconsolidated affiliates, net of dividends	2,745	2,252
Stock-based compensation	598	965
Changes in operating assets and liabilities, net	(289,285)	(110,833)
Other, net	919	79
Net cash used by operating activities	(292,093)	(134,266)