

ADAMS RESOURCES & ENERGY, INC.

Form 10-Q

November 07, 2018

ADAMS RESOURCES & ENERGY, INC.000000217812/31Accelerated

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[Table of Contents](#)

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549**

FORM 10-Q

(Mark one)

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

For the quarterly period ended September 30, 2018

OR

**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: 1-07908

ADAMS RESOURCES & ENERGY, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware 74-1753147

(State or Other (I.R.S.
Jurisdiction of Employer
Incorporation or Identification
Organization) No.)

**17 South
Briar
Hollow
Lane,
Suite 100
Houston,
Texas
77027**

(Address of
Principal
Executive
Offices,

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including
Zip Code)

(713) 881-3600

(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 every Interactive Data File required to be submitted 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 such files). Yes No

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

Large accelerated Accelerated
filer filer

Non-accelerated Smaller
filer reporting
company

Emerging growth
company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition 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

A total of 4,217,596 shares of Common Stock were outstanding at November 1, 2018. Our Common Stock trades on the NYSE American (formerly the NYSE MKT) under the ticker symbol "AE."

Table of Contents**ADAMS RESOURCES & ENERGY, INC. AND SUBSIDIARIES
TABLE OF CONTENTS**

	Page No.
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1. <i>Financial Statements</i></u>	
<u>Unaudited Condensed Consolidated Balance Sheets</u>	2
<u>Unaudited Condensed Consolidated Statements of Operations</u>	3
<u>Unaudited Condensed Consolidated Statements Cash Flows</u>	4
<u>Unaudited Condensed Consolidated Statements of Shareholders' Equity</u>	5
<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	6
<u><i>Management's Discussion and Analysis of</i></u>	
<u>Item 2. <i>Financial Condition and Results of Operations</i></u>	26
<u>Item 3. <i>Quantitative and Qualitative Disclosures</i></u>	37

*About Market
Risk*

Item 4. *Controls and
Procedures* 37

**PART II. OTHER
INFORMATION**

Item 1. *Legal
Proceedings* 37

**Item
1A.** *Risk Factors* 38

Item 2. *Unregistered
Sales of Equity
Securities and
Use of Proceeds* 38

Item 3. *Defaults Upon
Senior
Securities* 38

Item 4. *Mine Safety
Disclosures* 38

Item 5. *Other
Information* 38

Item 6. *Exhibits* 39

Signatures 40

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements**

ADAMS RESOURCES & ENERGY, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	September 30, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 130,774	\$ 109,393
Accounts receivable, net of allowance for doubtful accounts of \$208 and \$303, respectively	108,662	121,353
Inventory	34,760	12,192
Derivative assets	263	166
Income tax receivable	—	1,317
Prepayments and other current assets	1,271	1,264
Total current assets	275,730	245,685
Property and equipment, net	30,918	29,362
Investment in unconsolidated affiliate	425	425
Cash deposits and other assets	6,239	7,232
Total assets	\$ 313,312	\$ 282,704
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 146,895	\$ 124,706
Accounts payable – related party	6	5
Derivative liabilities	247	145
Current portion of capital lease obligations	568	338

Other current liabilities	8,219	4,404
Total current liabilities	155,935	129,598
Other long-term liabilities:		
Asset retirement obligations	1,414	1,273
Capital lease obligations	2,041	1,351
Deferred taxes and other liabilities	2,655	3,363
Total liabilities	162,045	135,585
Commitments and contingencies (Note 12)		
Shareholders' equity:		
Preferred stock – \$1.00 par value, 960,000 shares authorized, none outstanding	—	—
Common stock – \$0.10 par value, 7,500,000 shares authorized, 4,217,596 shares outstanding	422	422
Contributed capital	11,837	11,693
Retained earnings	139,008	135,004
Total shareholders' equity	151,267	147,119
Total liabilities and shareholders' equity	\$ 313,312	\$ 282,704

See Notes to Unaudited Condensed Consolidated Financial Statements.

Table of Contents

ADAMS RESOURCES & ENERGY, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenues:				
Marketing	\$ 453,626	\$ 282,229	\$ 1,266,055	\$ 872,020
Transportation	14,265	13,082	41,509	40,153
Oil and natural gas	—	—	—	1,427
Total revenues	467,891	295,311	1,307,564	913,600
Costs and expenses:				
Marketing	449,367	277,906	1,250,233	860,567
Transportation	12,412	12,668	36,603	36,681
Oil and natural gas	—	—	—	951
General and administrative	1,533	2,787	6,100	6,884
Depreciation, depletion and amortization	2,340	3,240	7,014	10,772
Total costs and expenses	465,652	296,601	1,299,950	915,855
Operating earnings (losses)	2,239	(1,290)	7,614	(2,255)
Other income (expense):				
Loss on deconsolidation of subsidiary	—	(1,870)	—	(3,505)
Impairment of investment in unconsolidated affiliate	—	(2,500)	—	(2,500)
Interest income	601	370	1,486	789
Interest expense	(26)	(8)	(60)	(10)
Total other income (expense), net	575	(4,008)	1,426	(5,226)

(Losses)					
earnings before income taxes	2,814	(5,298)	9,040	(7,481)	
Income tax benefit (provision)	(779)	2,265	(2,247)	3,306	
Net (losses) earnings	\$ 2,035	\$ (3,033)	\$ 6,793	\$ (4,175)	
Earnings (losses) per share:					
Basic net (losses) earnings per common share	\$ 0.48	\$ (0.72)	\$ 1.61	\$ (0.99)	
Diluted net (losses) earnings per common share	\$ 0.48	\$ (0.72)	\$ 1.61	\$ (0.99)	
Dividends per common share	\$ 0.22	\$ 0.22	\$ 0.66	\$ 0.66	

See Notes to Unaudited Condensed Consolidated Financial Statements.

3

Table of Contents

ADAMS RESOURCES & ENERGY, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Nine Months Ended September 30,	
	2018	2017
Operating activities:		
Net (losses) earnings	\$ 6,793	\$ (4,175)
Adjustments to reconcile net (losses) earnings to net cash provided by operating activities:		
Depreciation, depletion and amortization	7,014	10,772
Gains on sales of property	(890)	(347)
Impairment of oil and natural gas properties	—	3
Provision for doubtful accounts	(95)	(9)
Stock-based compensation expense	144	—
Deferred income taxes	(685)	(1,198)
Net change in fair value contracts	5	48
Impairment of investment in unconsolidated affiliate	—	2,500
Loss on deconsolidation of subsidiary	—	3,505
Changes in assets and liabilities:		
Accounts receivable	12,830	5,228
Accounts receivable/payable,	1	266

affiliates		
Inventories	(22,568)	(9,328)
Income tax receivable	1,317	(1,412)
Prepayments and other current assets	(7)	927
Accounts payable	22,254	9,482
Accrued liabilities	3,815	465
Other	(103)	(240)
Net cash provided by operating activities	29,825	16,487
Investing activities:		
Property and equipment additions	(7,756)	(2,465)
Proceeds from property sales	1,314	430
Insurance and state collateral (deposits) refunds	1,070	439
Net cash used in investing activities	(5,372)	(1,596)
Financing activities:		
Principal repayments of capital lease obligations	(288)	—
Dividends paid on common stock	(2,784)	(2,784)
Net cash used in financing activities	(3,072)	(2,784)
Increase in cash and cash equivalents	21,381	12,107
Cash and cash equivalents at beginning of period	109,393	87,342
Cash and cash equivalents at end of period	\$ 130,774	\$ 99,449

See Notes to Unaudited Condensed Consolidated Financial Statements.

Table of Contents

ADAMS RESOURCES & ENERGY, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands)

	Common Stock	Contributed Capital	Retained Earnings	Total Shareholders' Equity
Balance, January 1, 2018	\$ 422	\$ 11,693	\$ 135,004	\$ 147,119
Net earnings	—	—	1,138	1,138
Dividends declared:				
Common stock, \$0.22/share	—	—	(928)	(928)
Balance, March 31, 2018	422	11,693	135,214	147,329
Net earnings	—	—	3,620	3,620
Stock-based compensation expense	—	3	—	3
Dividends declared:				
Common stock, \$0.22/share	—	—	(928)	