REX American Resources Corporation

# REX American Resources Reports Second Quarter Diluted EPS of $0.36

August 29, 2019

DAYTON, Ohio--(BUSINESS WIRE)--REX American Resources Corporation (NYSE: REX) ("REX" or "the Company") today reported financial results for its fiscal 2019 second quarter ("Q2 '19") ended July 31, 2019. REX management will host a conference call and webcast today at 11:00 a.m. ET.

**Conference Call:** 212/231-2930
**Webcast / Replay URL:** www.rexamerican.com/Corp/Page4.aspx
The webcast will be available for replay for 30 days.

REX American Resources' Q2 '19 results principally reflect its interests in six ethanol production facilities and its refined coal operation. The One Earth Energy, LLC ("One Earth") and NuGen Energy, LLC ("NuGen") ethanol production facilities are consolidated, as is the refined coal entity, while those of its four other ethanol plants are reported as equity in income of unconsolidated ethanol affiliates. The Company reports results for its two business segments as ethanol and by-products, and refined coal.

REX's Q2 '19 net sales and revenue were $105.9 million compared with $128.8 million in Q2 '18. While ethanol and corn oil pricing remained stable on a year-to-year basis, lower Q2 '19 ethanol production and lower distiller grain pricing led to the decline in year-over-year net sales and revenue. Primarily reflecting these factors and higher corn prices, the Company's Q2'19 gross profit for its ethanol and by-products segment was $6.2 million, compared with $13.7 million in Q2 '18. As a result, the ethanol and by-products segment income before income taxes was $3.1 million in Q2 '19, compared to $10.1 million in Q2 '18. The Company's refined coal operation incurred a $2.2 million gross loss and a $2.0 million loss before income taxes in Q2 '19, compared to a $4.3 million gross loss and a loss before income taxes of $4.8 million in Q2 '18. REX reported Q2 '19 income before income taxes and non-controlling interests of $0.7 million, compared with $4.9 million in the comparable year ago period. While the refined coal operation negatively impacted gross profit and income before income taxes, it contributed a tax benefit of $3.2 million and $7.6 million for Q2 '19 and Q2 '18, respectively. The year-over-year decline in the refined coal gross loss, loss before taxes and the lower year-over-year tax benefits are related to lower production levels.

Net income attributable to REX shareholders in Q2 '19 was $2.3 million, compared to $9.2 million in Q2 '18. Q2 '19 basic and diluted net income per share attributable to REX common shareholders was $0.36, compared to $1.43 per share in Q2 '18. Per share results in Q2 '19 and Q2 '18 are based on 6,318,000 and 6,466,000 diluted weighted average shares outstanding, respectively.

**Segment Income Statement Data:**

| ($ in thousands) | Three Months Ended July 31, | | Six Months Ended July 31, | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| **Net sales and revenue**: | | | | |
| Ethanol & By-Products (1) | $105,770 | $128,491 | $210,223 | $249,171 |
| Refined coal (2) (3) | 98 | 266 | 220 | 406 |
| **Total net sales and revenue** | $105,868 | $128,757 | $210,443 | $249,577 |
| | | | | |
| **Gross profit (loss):** | | | | |
| Ethanol & By-Products (1) | $ 6,169 | $ 13,669 | $ 12,284 | $ 27,215 |
| Refined coal (2) | (2,165) | (4,270) | (4,634) | (6,965) |
| **Total gross profit** | $ 4,004 | $ 9,399 | $ 7,650 | $ 20,250 |
| | | | | |
| **Income (loss) before income taxes:** | | | | |
| Ethanol & By-Products (1) | $ 3,111 | $ 10,077 | $ 6,313 | $ 21,086 |
| Refined coal (2) | (2,028) | (4,788) | (4,703) | (7,647) |
| Corporate and other | (352) | (430) | (712) | (931) |
| Total income before income taxes | $ 731 | $ 4,859 | $ 898 | $ 12,508 |
| | | | | |
| **Benefit (provision) for income taxes:** | | | | |
| Ethanol & By-Products | $ (619) | $ (2,029) | $ (1,105) | $ (3,449) |
| Refined coal | 3,155 | 7,597 | 7,101 | 11,596 |
| Corporate and other | 86 | 63 | 174 | 187 |
| Total benefit for income taxes | $ 2,622 | $ 5,631 | $ 6,170 | $ 8,334 |

| **Segment profit (loss):** | | | | |
|---|---|---|---|---|
| Ethanol & By-Products | $ 1,305 | $ 6,561 | $ 3,014 | $ 15,150 |
| Refined coal | 1,216 | 3,018 | 2,602 | 4,289 |
| Corporate and other | (265) | (362) | (539) | (726) |
| Net income attributable to REX common shareholders | $ 2,256 | $ 9,217 | $ 5,077 | $ 18,713 |

*(1) Includes results attributable to non-controlling interests of approximately 25% for One Earth and approximately 1% for NuGen.*

*(2) Includes results attributable to non-controlling interests of approximately 5%.*

*(3) Refined coal sales are reported net of the cost of coal.*

REX American Resources' Chief Executive Officer, Zafar Rizvi, commented, "Challenging industry conditions persisted in the fiscal 2019 second quarter as we began to be impacted by the rise in corn prices and tightening corn supply related to unfavorable spring planting conditions which led to lower ethanol production. Higher input expenses combined with the decline in DDG pricing and lower ethanol and refined coal production resulted in quarterly earnings per share of $0.36. The industry continues to face headwinds related to small refinery waivers decreasing the Refined Fuel Standard obligations as well as current crop conditions pacing behind historical trends.

"While conditions in fiscal 2019 to date have been challenging, we remain confident in our disciplined operating approach and the value of ethanol as a worldwide fuel supply. We remain focused on near- and long-term opportunities to enhance shareholder value as we seek to leverage our robust balance sheet, including cash, cash equivalents and short-term investments in excess of $212 million and working capital of $237 million."

**Balance Sheet**

At July 31, 2019, REX had cash and cash equivalents and short-term investments of $212.2 million, $59.8 million of which was at the parent company, and $152.4 million of which was at its consolidated production facilities. This compares with cash and cash equivalents at January 31, 2019, of $203.5 million, $54.8 million of which was at the parent company, and $148.7 million of which was at its consolidated ethanol production facilities.

**The following table summarizes select data related to REX's consolidated alternative energy interests:**

| | Three Months Ended July 31, | | Six Months Ended July 31, | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| Average selling price per gallon of ethanol | $ 1.38 | $ 1.38 | $ 1.32 | $ 1.35 |
| Average selling price per ton of dried distillers grains | $135.46 | $148.98 | $138.92 | $143.28 |
| Average selling price per pound of non-food grade corn oil | $ 0.25 | $ 0.24 | $ 0.25 | $ 0.24 |
| Average selling price per ton of modified distillers grains | $ 53.01 | $ 63.72 | $ 60.12 | $ 67.81 |
| Average cost per bushel of grain | $ 3.80 | $ 3.60 | $ 3.65 | $ 3.55 |
| Average cost of natural gas (per mmbtu) | $ 2.63 | $ 2.86 | $ 3.16 | $ 3.16 |

**Supplemental data related to REX's alternative energy interests:**

**REX American Resources Corporation**
**Ethanol Ownership Interests/Effective Annual Gallons Shipped as of July 31, 2019**
**(gallons in millions)**

| **Entity** | **Trailing Twelve Months Gallons Shipped** | **Current REX Ownership Interest** | **REX's Current Effective Ownership of Trailing Twelve Month Gallons Shipped** |
|---|---|---|---|
| **One Earth Energy, LLC** (Gibson City, IL) | 141.5 | 75.2% | 106.4 |
| **NuGen Energy, LLC** (Marion, SD) | 124.2 | 99.5% | 123.6 |
| **Big River Resources West Burlington, LLC** (West Burlington, IA) | 109.1 | 10.3% | 11.2 |
| **Big River Resources Galva, LLC** (Galva, IL) | 127.6 | 10.3% | 13.1 |
| **Big River United Energy, LLC** (Dyersville, IA) | 132.3 | 5.7% | 7.5 |
| **Big River Resources Boyceville, LLC** (Boyceville, WI) | 58.2 | 10.3% | 6.0 |
| **Total** | **692.9** | **n/a** | **267.8** |

**Second Quarter Conference Call**

REX will host a conference call at 11:00 a.m. ET today. Senior management will discuss the quarterly financial results and host a question and answer session. The dial in number for the audio conference call is 212/231-2930 (domestic and international callers).

Participants can also listen to a live webcast of the call on the Company's website, www.rexamerican.com/Corp/Page4.aspx. A webcast replay will be available for 30 days following the live event at www.rexamerican.com/Corp/Page4.aspx.

**About REX American Resources Corporation**

REX American Resources has interests in six ethanol production facilities, which in aggregate shipped approximately 693 million gallons of ethanol over the twelve month period ended July 31, 2019. REX's effective ownership of the trailing twelve month gallons shipped (for the twelve months ended July 31, 2019) by the ethanol production facilities in which it has ownership interests was approximately 268 million gallons. In addition, the Company acquired a refined coal operation on August 10, 2017. Further information about REX is available at www.rexamerican.com.

This news announcement contains or may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements can be identified by use of forward-looking terminology such as "may," "expect," "believe," "estimate," "anticipate" or "continue" or the negative thereof or other variations thereon or comparable terminology. Readers are cautioned that there are risks and uncertainties that could cause actual events or results to differ materially from those referred to in such forward-looking statements. These risks and uncertainties include the risk factors set forth from time to time in the Company's filings with the Securities and Exchange Commission and include among other things: the impact of legislative and regulatory changes, the price volatility and availability of corn, distillers grains, ethanol, non-food grade corn oil, gasoline and natural gas, ethanol and refined coal plants operating efficiently and according to forecasts and projections, changes in the international, national or regional economies, weather, results of income tax audits, changes in income tax laws or regulations, the impact of U.S. foreign trade policy, changes in foreign currency exchange rates and the effects of terrorism or acts of war. The Company does not intend to update publicly any forward-looking statements except as required by law.

- statements of operations follow -

**REX AMERICAN RESOURCES CORPORATION AND SUBSIDIARIES**
**Consolidated Statements of Operations**
***(in thousands, except per share amounts)***
***Unaudited***

| | Three Months Ended July 31, | | Six Months Ended July 31, | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| Net sales and revenue | $105,868 | $128,757 | $210,443 | $249,577 |
| Cost of sales | 101,864 | 119,358 | 202,793 | 229,327 |
| Gross profit | 4,004 | 9,399 | 7,650 | 20,250 |
| Selling, general and administrative expenses | (4,764) | (6,110) | (9,496) | (10,663) |
| Equity in (loss) income of unconsolidated ethanol affiliates | 239 | 874 | 365 | 1,571 |
| Interest and other income, net | 1,252 | 696 | 2,379 | 1,350 |
| Income before income taxes and non-controlling interests | 731 | 4,859 | 898 | 12,508 |
| Benefit for income taxes | 2,622 | 5,631 | 6,170 | 8,334 |
| Net income including non-controlling interests | 3,353 | 10,490 | 7,068 | 20,842 |
| Net income attributable to non-controlling interests | (1,097) | (1,273) | (1,991) | (2,129) |
| Net income attributable to REX common shareholders | $2,256 | $9,217 | $5,077 | $18,713 |
| | | | | |
| Weighted average shares outstanding – basic and diluted | 6,318 | 6,466 | 6,317 | 6,517 |
| | | | | |
| Basic and diluted net income per share attributable to REX common shareholders | $0.36 | $1.43 | $0.80 | $2.87 |

- balance sheets follow -

**REX AMERICAN RESOURCES CORPORATION AND SUBSIDIARIES**
**Consolidated Balance Sheets**
***(in thousands)***
***Unaudited***

| ASSETS | July 31, 2019 | January 31, 2019 |
|---|---|---|
| CURRENT ASSETS: | | |
| Cash and cash equivalents | $ 212,232 | $ 188,531 |
| Restricted cash | 222 | 281 |
| Short-term investments | - | 14,975 |
| Accounts receivable | 7,682 | 11,378 |
| Inventory | 22,071 | 18,477 |
| Refundable income taxes | 7,683 | 7,695 |
| Prepaid expenses and other | 9,102 | 9,284 |
| Total current assets | 258,992 | 250,621 |
| Property and equipment-net | 171,550 | 182,521 |
| Operating lease right-of-use assets | 18,974 | - |
| Other assets | 12,749 | 6,176 |
| Equity method investment | 32,440 | 32,075 |

| | | |
|---|---|---|
| TOTAL ASSETS | $ 494,705 | $ 471,393 |
| LIABILITIES AND EQUITY | | |
| CURRENT LIABILITIES: | | |
| Accounts payable – trade | $ 8,877 | $ 7,463 |
| Current operating lease liabilities | 5,275 | - |
| Accrued expenses and other current liabilities | 8,115 | 9,546 |
| Total current liabilities | 22,267 | 17,009 |
| LONG TERM LIABILITIES: | | |
| Deferred taxes | 4,141 | 4,185 |
| Long-term operating lease liabilities | 13,137 | - |
| Other long-term liabilities | 4,670 | 4,928 |
| Total long-term liabilities | 21,948 | 9,113 |
| COMMITMENTS AND CONTINGENCIES EQUITY: | | |
| REX shareholders' equity: | | |
| Common stock, 45,000 shares authorized, 29,853 shares issued at par | 299 | 299 |
| Paid in capital | 148,724 | 148,273 |
| Retained earnings | 584,635 | 579,558 |
| Treasury stock, 23,561 and 23,580 shares, respectively | (335,080) | (335,193) |
| Total REX shareholders' equity | 398,578 | 392,937 |
| Non-controlling interests | 51,912 | 52,334 |
| Total equity | 450,490 | 445,271 |
| TOTAL LIABILITIES AND EQUITY | $ 494,705 | $ 471,393 |

- statements of cash flows follow -

**REX AMERICAN RESOURCES CORPORATION AND SUBSIDIARIES**
**Consolidated Statements of Cash Flows**
***(in thousands)***
***Unaudited***

| | Six Months Ended July 31, | |
|---|---|---|
| | **2019** | **2018** |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | $ 7,068 | $ 20,842 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 12,425 | 12,033 |
| Amortization of operating lease right-of-use assets | 2,992 | - |
| Income from equity method investments | (365) | (1,571) |
| Dividends received from equity method investments | - | 1,003 |
| Interest income from investments | (25) | (815) |
| Deferred income tax | (6,294) | (7,938) |
| Stock based compensation expense | 248 | 443 |
| Loss on disposal of property and equipment | - | 104 |
| Changes in assets and liabilities: | | |
| Accounts receivable | 3,696 | (1,735) |
| Inventory | (3,594) | (4,416) |
| Other assets | (141) | (2,443) |
| Accounts payable-trade | 1,409 | 4,002 |
| Other liabilities | (4,927) | (1,262) |
| Net cash provided by operating activities | 12,492 | 18,247 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Capital expenditures | (1,449) | (5,813) |
| Purchases of short-term investments | - | (111,154) |
| Sales of short-term investments | 15,000 | - |
| Other | 12 | 18 |
| Net cash provided by (used in) investing activities | 13,563 | (116,949) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Treasury stock acquired | - | (16,648) |
| Payments to noncontrolling interests holders | (2,598) | (1,699) |
| Capital contributions from minority investor | 185 | 246 |

| | | |
|---|---|---|
| Net cash used in financing activities | (2,413) | (18,101) |
| NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH | 23,642 | (116,803) |
| CASH, CASH EQUIVALENTS AND RESTRICTED CASH-Beginning of year | 188,812 | 191,342 |
| CASH, CASH EQUIVALENTS AND RESTRICTED CASH-End of year | $212,454 | $ 74,539 |
| Non cash financing activities – Equity awards issued | $ 487 | $ 1,473 |
| Non cash financing activities – Equity awards accrued | $ 171 | $ 335 |
| Non cash investing activities – Accrued capital expenditures | $ 5 | $ 469 |
| Initial right-of-use assets and liabilities recorded upon adoption of ASC 842 | $ 20,918 | $ - |
| Right-of-use assets acquired and liabilities assumed upon lease execution | $ 432 | $ - |

Douglas Bruggeman
Chief Financial Officer
(937) 276-3931

Joseph Jaffoni, Norberto Aja
JCIR
(212) 835-8500
rex@jcir.com