

PEABODY ENERGY CORP
Form 10-K/A
July 10, 2017
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A
(Amendment No. 1)
 ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 31, 2016
or
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
Commission File Number 1-16463

PEABODY ENERGY CORPORATION
(Exact name of registrant as specified in its charter)
Delaware 13-4004153
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)
701 Market Street, St. Louis, Missouri 63101
(Address of principal executive offices) (Zip Code)
(314) 342-3400
Registrant's telephone number, including area code
Securities Registered Pursuant to Section 12(b) of the Act:
Title of Each Class
Common Stock, par value \$0.01 per share

Securities Registered Pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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Large accelerated filer <input type="radio"/>	Accelerated filer <input type="radio"/>	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="radio"/>	Emerging growth company <input type="radio"/>
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(Do not check if a smaller reporting 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

Aggregate market value of the voting stock held by non-affiliates (stockholders who are not directors or executive officers) of the Registrant, calculated using the closing price on June 30, 2016: Common Stock, par value \$0.01 per share, \$25.3 million.

Number of shares outstanding of each of the Registrant's classes of Common Stock, as of March 15, 2017: Common Stock, par value \$0.01 per share, 18,491,188 shares outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None.

Explanatory Note

Peabody Energy Corporation (Peabody or the Company) is filing this Amendment No. 1 on Form 10-K/A (Amended Filing) in order to amend our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, originally filed March 22, 2017 (Original Filing), to provide additional disclosures in response to correspondence with the Securities and Exchange Commission (SEC) in conjunction with the SEC's review of our Original Filing. The following items were impacted by these expanded disclosures:

Part I. Item 1. Business - We added maps showing the location of our mines and the primary ports that we use in Australia for coal exports.

Part I. Item 1A. Risk Factors - We added an additional risk factor on page 37 labeled "We face numerous uncertainties in estimating our economically recoverable coal reserves and inaccuracies in our estimates could result in lower than expected revenues, higher than expected costs and decreased profitability."

Part I. Item 2. Properties - We added disclosure regarding the various factors that impact our assessment of the economic recoverability of coal reserves, the treatment of dilution in the Company's reserve estimates, and the yield of saleable coal after processing for each of our active mines.

Part II. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Results of Operations - We added additional historical pricing data for the years ended December 31, 2016, 2015 and 2014 and disclosure regarding factors that may affect pricing under our long-term sales contracts.

Other than as expressly set forth above and except with respect to certain conforming changes made to our Exhibit Index and Cautionary Notice Regarding Forward-Looking Statements, this Amended Filing does not, and does not purport to, update or restate the information in the Original Filing or reflect any events that have occurred after the Original Filing was filed. See our Quarterly Report on Form 10-Q and Current Reports on Form 8-K filed with the SEC subsequent to our Original Filing for updated information.

We are including currently dated certifications by our Principal Executive Officer and Principal Accounting and Financial Officer as Exhibits 31.3 and 31.4 under Section 302 of the Sarbanes-Oxley Act of 2002, as required by Rule 12b-15 under the Securities Exchange Act of 1934, as amended (Exchange Act). Because no financial statements have been included in this Amended Filing and because this Amended Filing does not contain or amend any disclosure with respect to Items 307 and 308 of Regulation S-K under the Exchange Act, paragraphs 3, 4 and 5 of these certifications have been omitted. Additionally, we are not including updated certifications under Section 906 of the Sarbanes-Oxley Act of 2002, as there are no financial statements included in the Amended Filing.

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This report includes statements of our expectations, intentions, plans and beliefs that constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and are intended to come within the safe harbor protection provided by those sections. These statements relate to future events or our future financial performance, including, without limitation, the section captioned “Outlook” in Management’s Discussion and Analysis of Financial Condition and Results of Operations. We use words such as “anticipate,” “believe,” “expect,” “may,” “forecast,” “project,” “should,” “estimate,” “plan,” “outlook,” “target,” “likely,” “will,” “to be” or other similar words to identify forward-looking statements.

Without limiting the foregoing, all statements relating to our future operating results, anticipated capital expenditures, future cash flows and borrowings and sources of funding are forward-looking statements and speak only as of the date of this report. These forward-looking statements are based on numerous assumptions that we believe are reasonable, but are subject to a wide range of uncertainties and business risks and actual results may differ materially from those discussed in these statements. These factors are difficult to accurately predict and may be beyond our control. Factors that could affect our results or an investment in our securities include, but are not limited to:

Factors related to our Chapter 11 Cases (as defined herein)

our ability to consummate the Second Amended Joint Plan of Reorganization of Debtors and Debtors in Possession, dated January 27, 2017 (as further modified, the Plan) as confirmed by an order of the Bankruptcy Court entered on March 17, 2017;

the effects of the Chapter 11 Cases on our operations, including customer, supplier, banking, insurance and other relationships and agreements;

- Bankruptcy Court rulings in the Chapter 11 Cases as well as the outcome of all other pending litigation and the outcome of the Chapter 11 Cases in general;

the length of time that we will operate under Chapter 11 protection and the continued availability of operating capital during the pendency of the proceedings;

the risks associated with third-party motions in the Chapter 11 Cases, which may interfere with our ability to consummate the Plan and restructuring generally;

increased advisory costs to execute a plan of reorganization;

the volatility of the trading price of our common stock and the absence of correlation between any increases in the trading price and our expectation that the common stock will be canceled and extinguished upon the Plan's effective date (Plan Effective Date);

the risk that the Plan does not become effective, in which case there can be no assurance that the Chapter 11 Cases will continue rather than be converted to Chapter 7 liquidation cases or that any alternative plan of reorganization would be on terms as favorable to holders of claims and interests as the terms of the Plan;

Peabody Energy’s ability to use cash collateral and the possibility that Peabody Energy may be required to post additional cash collateral to secure its obligations;

the effect of the Chapter 11 Cases on our relationships with third parties, regulatory authorities and employees;

the potential adverse effects of the Chapter 11 Cases on our liquidity, results of operations, or business prospects;

our ability to execute our business and restructuring plan;

increased administrative and legal costs related to the Chapter 11 Cases and other litigation and the inherent risks involved in a bankruptcy process;

the cost, availability and access to capital and financial markets, including the ability to secure new financing after emerging from the Chapter 11 Cases; and

the risk that the Chapter 11 Cases will disrupt or impede our international operations, including our business operations in Australia.

Other factors

• competition in the energy market and supply and demand for our coal products, including the impact of alternative energy sources, such as natural gas and renewables;

• global steel demand and the downstream impact on metallurgical coal prices, and lower demand for our products by electric power generators;

• our ability to successfully consummate planned divestitures, including the planned sale of all of our equity interests in Metropolitan Collieries Pty Ltd, the entity that owns the Metropolitan coal mine in New South Wales, Australia (the Metropolitan Mine);

• our ability to appropriately secure our requirements for reclamation, federal and state workers' compensation, federal coal leases and other obligations related to our operations, including our ability to utilize self-bonding and/or successfully access the commercial surety bond market;

• customer procurement practices and contract duration;

• the impact of weather and natural disasters on demand, production and transportation;

• reductions and/or deferrals of purchases by major customers and our ability to renew sales contracts;

• credit and performance risks associated with customers, suppliers, contract miners, co-shippers, and trading, bank and other financial counterparties;

• geologic, equipment, permitting, site access, operational risks and new technologies related to mining;

• transportation availability, performance and costs;

• availability, timing of delivery and costs of key supplies, capital equipment or commodities such as diesel fuel, steel, explosives and tires;

• impact of take-or-pay arrangements for rail and port commitments for the delivery of coal;

• successful implementation of business strategies, including, without limitation, the actions we are implementing to improve our organization and respond to current market conditions;

• negotiation of labor contracts, employee relations and workforce availability, including, without limitation, attracting and retaining key personnel;

• changes in postretirement benefit and pension obligations and their related funding requirements;

• replacement and development of coal reserves;

• effects of changes in interest rates and currency exchange rates (primarily the Australian dollar);

• uncertainties in estimating our coal reserves;

• effects of acquisitions or divestitures;

• economic strength and political stability of countries in which we have operations or serve customers;

- legislation, regulations and court decisions or other government actions, including, but not limited to, new environmental and mine safety requirements, changes in income tax regulations, sales-related royalties, or other regulatory taxes and changes in derivative laws and regulations;

• our ability to obtain and renew permits necessary for our operations;

• litigation or other dispute resolution, including, but not limited to, claims not yet asserted;

- terrorist attacks or security threats, including, but not limited to, cybersecurity breaches;
- and

• impacts of pandemic illnesses.

Factors related to our indebtedness and expected post-emergence capital structure under the Plan

• the fact that our common stock will be canceled and extinguished upon the Plan Effective Date, if the Plan becomes effective, with no payments made to the holders of our common stock;

• the lack of an established market for the shares of new common stock (Reorganized PEC Common Stock) or the preferred stock (Preferred Equity) to be issued pursuant to the Plan on the Plan Effective Date, and potential dilution of Reorganized PEC Common Stock due to future issuances of equity securities;

• our ability to generate sufficient cash to service all of our expected post-emergence indebtedness;

• our post-emergence debt instruments and capital structure will place certain limits on our ability to pay dividends and repurchase common stock;

• our ability to comply with financial and other restrictive covenants in various agreements, including the credit facility contemplated by the Plan; and

other risks and factors, including those discussed in "Legal Proceedings," set forth Part I, Item 3 of this report and "Risk Factors," set forth in Part I, Item 1A of this report.

Peabody Energy Corporation 2016
Form ii
10-K

When considering these forward-looking statements, you should keep in mind the cautionary statements in this document and in our other Securities and Exchange Commission (SEC) filings. These forward-looking statements speak only as of the date on which such statements were made, and we undertake no obligation to update these statements, except as required by the federal securities laws.

Peabody Energy Corporation 2016 Form 10-K iii

TABLE OF CONTENTS

	Page
<u>PART I.</u>	
<u>Item 1. Business</u>	<u>2</u>
<u>Item 1A. Risk Factors</u>	<u>25</u>
<u>Item 2. Properties</u>	<u>43</u>
 <u>PART II.</u>	
<u>Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>53</u>
 <u>PART IV.</u>	
<u>Item 15. Exhibits and Financial Statement Schedules</u>	<u>82</u>

Peabody Energy Corporation 2016
Form 1
10-K

Table of Contents

The words “we,” “our,” “Peabody” or “the Company” as used in this report, refer to Peabody Energy Corporation or its applicable subsidiary or subsidiaries. Unless otherwise noted herein, disclosures in this Annual Report on Form 10-K relate only to our continuing operations.

When used in this filing, the term "ton" refers to short or net tons, equal to 2,000 pounds (907.18 kilograms), while "tonne" refers to metric tons, equal to 2,204.62 pounds (1,000 kilograms).

PART I

Item 1. Business.

Overview

We are the world’s largest private-sector coal company by volume. We own interests in 23 coal mining operations located in the United States (U.S.) and Australia. We have previously reported owning interests in 25 mining operations, but have combined the Somerville North Mine with the Somerville Central Mine, and the Somerville South Mine with the Wild Boar Mine (all part of our Midwestern operating segment) to create more efficient mining complexes, which reduces our reported number of operations by two. We have a majority interest in 22 of those mining operations and a 50% equity interest in Middlemount Coal Pty Ltd. (Middlemount), which owns the Middlemount Mine in Queensland, Australia. In addition to our mining operations, we market and broker coal from other coal producers, both as principal and agent, and trade coal and freight-related contracts through trading and business offices in Australia, China, Germany, the United Kingdom and the U.S. (listed alphabetically).

History and Development

We were incorporated in Delaware in 1998 and became a publicly traded company in 2001. Our history in the coal business dates back to 1883. In 2016, we achieved a global safety incidence rate of 1.22 incidents per 200,000 hours worked, marking a new company record, and a 35% improvement in our global safety performance over the past five years. We were also recognized by the U.S. National Mining Association as the first in the industry to achieve independent certification under the CORESafety® system.

Filing Under Chapter 11 of the United States Bankruptcy Code

On April 13, 2016 (the Petition Date), Peabody and a majority of its wholly owned domestic subsidiaries as well as one international subsidiary in Gibraltar (the Filing Subsidiaries, and together with Peabody, the Debtors) filed voluntary petitions for reorganization (the petitions collectively, the Bankruptcy Petitions) under Chapter 11 of Title 11 of the U.S. Code (the Bankruptcy Code) in the United States Bankruptcy Court for the Eastern District of Missouri (the Bankruptcy Court). The Company’s Australian operations and other international subsidiaries are not included in the filings. The Debtors' Chapter 11 cases (collectively, the Chapter 11 Cases) are being jointly administered under the caption *In re Peabody Energy Corporation, et al.*, Case No. 16-42529 (Bankr. E.D. Mo.). The Debtors continue to operate their business as “debtors-in-possession” under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court. In general, as debtors-in-possession, the Debtors are authorized under Chapter 11 to continue to operate as an ongoing business, but may not engage in transactions outside the ordinary course of business without the prior approval of the Bankruptcy Court.

On January 27, 2017, we filed with the Bankruptcy Court the Second Amended Joint Plan of Reorganization of Debtors and Debtors in Possession (as further modified, the Plan). Subsequently, the Debtors solicited votes on the Plan. On March 15, 2017, the Debtors filed a revised version of the Plan. On March 16, 2017, the Bankruptcy Court held a hearing to determine whether the Plan should be confirmed. On March 17, 2017, the Bankruptcy Court entered an order confirming the Plan.

Although the Bankruptcy Court has confirmed the Plan, the Debtors have not yet consummated all of the transactions that are contemplated by the Plan. Rather, the Debtors intend to consummate these transactions in the near future, on or before the Plan Effective Date. As set forth in the Plan, there are certain conditions precedent to the occurrence of the Plan Effective Date, which must be satisfied or waived in accordance with the Plan in order for the Plan to become effective and the Debtors to emerge from the Chapter 11 Cases. The Debtors anticipate that each of these conditions will be either satisfied or waived by early April 2017, which is the target for the Debtors' emergence from the Chapter 11 Cases. On the Plan Effective Date, the Debtors will, generally, no longer be governed by the Bankruptcy Court's oversight.

Peabody Energy Corporation 2016
Form 2
10-K

Table of Contents

Under the Plan, current holders of our equity securities will not receive any distributions, and the equity securities will be canceled upon the Plan Effective Date. Accordingly, we urge that caution be exercised with respect to existing and future investments in our equity or other securities. Additional information about our Chapter 11 Cases is available on the Internet at www.peabodyenergy.com. Bankruptcy Court filings, claims information and our Plan are available at www.kccllc.net/peabody. Information contained on these websites is not part of, and is not incorporated by reference in, this Form 10-K.

Segment and Geographic Information

We conduct business through six operating segments: Powder River Basin Mining, Midwestern U.S. Mining, Western U.S. Mining, Australian Metallurgical Mining, Australian Thermal Mining and Trading and Brokerage. Segment and geographic financial information is contained in Note 29. "Segment and Geographic Information" to our consolidated financial statements and is incorporated herein by reference.

Mining Segments

The maps that follow display our active mine locations as of December 31, 2016. Also shown are the primary ports that we use in Australia for coal exports and our corporate headquarters in St. Louis, Missouri.

U.S. Mining Operations - Powder River Basin, Midwestern, Western

The principal business of our mining segments in the U.S. is the mining, preparation and sale of thermal coal, sold primarily to electric utilities in the U.S. under long-term contracts, with a portion sold as international exports as conditions warrant. Our Powder River Basin Mining operations consist of our mines in Wyoming. The mines in that segment are characterized by surface mining extraction processes, coal with a lower sulfur content and Btu and higher customer transportation costs (due to longer shipping distances). Our Midwestern U.S. Mining operations include our Illinois and Indiana mining operations, which are characterized by a mix of surface and underground mining extraction processes, coal with a higher sulfur content and Btu and lower customer transportation costs (due to shorter shipping distances). Our Western U.S. Mining operations reflect the aggregation of our New Mexico, Arizona and Colorado mining operations. The mines in that segment are characterized by a mix of surface and underground mining extraction processes, coal with a mid-range sulfur content and Btu. Geologically, our Powder River Basin Mining operations mine sub-bituminous coal deposits, our Midwestern U.S. Mining operations mine bituminous coal deposits and our Western U.S. Mining operations mine both bituminous and sub-bituminous coal deposits.

	2016	
Peabody Energy Corporation	Form	3
	10-K	

Table of Contents

As described more fully in Part 1, Item 1 under the heading “Transportation”, coal consumed in the U.S. is usually sold at the mine with transportation costs borne by the purchaser. Our U.S. mine sites are typically adjacent to a rail loop; however in limited circumstances coal may be trucked to a barge site. Title predominately passes to the purchaser at the rail or barge, as applicable.

Our U.S. export coal is more typically sold on a delivered basis into the unloading port, and we pay ocean freight. In each case, exporters usually pay shipping costs from the mine to the port, including any demurrage costs (fees paid to third-party shipping companies for loading time that exceeded the stipulated time). The primary ports used for U.S. exports are the United Bulk Terminal near New Orleans, Louisiana, the St. James Stevedoring Anchorages terminal in Convent, Louisiana and the Kinder Morgan terminal near Houston, Texas. In connection with our Trading and Brokerage operations, we also utilize the Dominion Terminal Associates coal terminal in Newport News, Virginia to export coal sourced from domestic third-party producers.

Peabody Energy Corporation	2016 Form 10-K	4
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Table of Contents

Australian Mining Operations - Metallurgical, Thermal

Peabody Energy Corporation	2016 Form 10-K	5
----------------------------	----------------------	---

Table of Contents

The business of our Australian operating platform is primarily export focused with customers spread across several countries, while a portion of our metallurgical and thermal coal is sold within Australia. Generally, revenues from individual countries vary year by year based on electricity and steel demand, the strength of the global economy, governmental policies and several other factors, including those specific to each country. Our Australian Metallurgical Mining operations consist of mines in Queensland and one in New South Wales, Australia. The mines in that segment are characterized by both surface and underground extraction processes used to mine various qualities of metallurgical coal (low-sulfur, high Btu coal). The metallurgical coal qualities include hard coking coal, semi-hard coking coal, semi-soft coking coal and low-volatile pulverized coal injection (LV PCI) coal. Our Australian Thermal Mining operations consist of mines in New South Wales, Australia. The mines in that segment are characterized by both surface and underground extraction processes used to mine low-sulfur, high Btu thermal coal. We classify our Australian mines within the Australian Metallurgical Mining or Australian Thermal Mining segments based on the primary customer base and coal reserve type of each mining operation. A small portion of the coal mined by the Australian Metallurgical Mining segment is of a thermal grade. Similarly, a small portion of the coal mined by the Australian Thermal Mining segment is of a metallurgical grade. Additionally, we may market some of our metallurgical coal products as a thermal coal product from time to time depending on supply and demand conditions. As described more fully in Part 1, Item 1 under the heading “Transportation”, our Australian export coal is usually sold at the loading port, with purchasers paying ocean freight. We have generally secured our ability to transport coal in Australia through rail and port contracts and interests in five east coast coal export terminals. In Queensland, seaborne metallurgical and thermal coal from our mines is exported through the Dalrymple Bay Coal Terminal, in addition to the Abbot Point Coal Terminal used by our joint venture Middlemount Mine. In New South Wales, our primary ports for exporting metallurgical and thermal coal are at Port Kembla and Newcastle, which includes both the Port Waratah Coal Services terminal and the terminal operated by Newcastle Coal Infrastructure Group (NCIG).

Peabody Energy Corporation	2016 Form 10-K	6
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Table of Contents

The table below summarizes information regarding the operating characteristics of each of our mines that were active in 2016 in the U.S. and Australia. The mines are listed within their respective mining segment in descending order, as determined by tons sold in 2016.

Segment/Mining Complex	Location	Mine Type	Mining Method	Coal Type	Primary Transport Method	2016 Tons Sold (In millions)
Powder River Basin Mining						
North Antelope Rochelle	Wyoming	S	D, DL, T/S	T	R	92.9
Caballo	Wyoming	S	D, T/S	T	R	11.2
Rawhide	Wyoming	S	D, T/S	T	R	8.1
Third party ⁽¹⁾	—	—	—	—	—	0.9
Midwestern U.S. Mining						
Bear Run	Indiana	S	DL, D, T/S	T	Tr, R	7.4
Wild Boar	Indiana	S	D, T/S	T	Tr, R, R/B, T/B	2.7
Somerville Central	Indiana	S	DL, D, T/S	T		