

Verso Corp
Form 10-Q
November 07, 2018

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, 2018

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

For the transition period from _____ to _____

VERSO CORPORATION

(Exact name of registrant as specified in its charter)

Delaware 001-34056 75-3217389
(State of Incorporation (Commission File Number) (IRS Employer
or Organization) Identification Number)

8540 Gander Creek Drive
Miamisburg, Ohio 45342

(Address, including zip code, of principal executive offices)

(877) 855-7243

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

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller 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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed

by a court.

Yes No

As of October 31, 2018, Verso Corporation had 34,553,376 shares of Class A common stock, par value \$0.01 per share, and no shares of Class B common stock outstanding.

Entity Names and Organization

In this report, unless otherwise noted, the terms “Verso,” “the Company,” “we,” “us” and “our” refer to Verso Corporation and its subsidiaries. Verso Corporation is the ultimate parent entity and the issuer of Class A common stock listed on the New York Stock Exchange. In December 2016, Verso Corporation completed a consolidation and reorganization of its subsidiaries, or the “Internal Reorganization.” After the Internal Reorganization, Verso Corporation is the sole member of Verso Holding LLC, which is the sole member of Verso Paper Holding LLC. As used in this report, the term “Verso Paper” refers to Verso Paper Holding LLC. Prior to the Internal Reorganization, Verso Corporation was the sole member of Verso Paper Finance Holdings One LLC, which was the sole member of Verso Paper Finance Holdings LLC, which was the sole member of Verso Paper Holdings LLC. The term “VPH” refers to Verso Paper Holdings LLC. As a result of the Internal Reorganization, VPH no longer exists.

Forward-Looking Statements

In this quarterly report, all statements that are not purely historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or “Securities Act,” and Section 21E of the Securities Exchange Act of 1934, as amended, or “Exchange Act.” Forward-looking statements may be identified by the words “believe,” “expect,” “anticipate,” “project,” “plan,” “estimate,” “intend” and other similar expressions. They include, for example, statements relating to our business and operating outlook; assessment of market conditions; and the growth potential of the industry in which we operate. Forward-looking statements are based on currently available business, economic, financial and other information and reflect management’s current beliefs, expectations and views with respect to future developments and their potential effects on us. Actual results could vary materially depending on risks and uncertainties that may affect us and our business. The following factors, among others, could cause actual results to differ from those set forth in the forward-looking statements: the long-term structural decline and general softening of demand facing the paper industry; developments in alternative media, which are expected to adversely affect the demand for some of our key products, and the effectiveness of our responses to these developments; intense competition in the paper manufacturing industry; rising postal costs; our dependence on a small number of customers for a significant portion of our business; any additional closure and other restructuring costs; our limited ability to control the pricing of our products or pass through increases in our costs to our customers; changes in the costs of raw materials and purchased energy; negative publicity, even if unjustified; any failure to comply with environmental or other laws or regulations, even if inadvertent; legal proceedings or disputes; any labor disputes; and the potential risks and uncertainties described in Part I, Item 1A, “Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2017, Part I, Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and other sections of this Quarterly Report on Form 10-Q as such disclosures may be amended, supplemented or superseded from time to time by other reports we file with the Securities and Exchange Commission, including subsequent annual reports on Form 10-K and quarterly reports on Form 10-Q. We assume no obligation to update any forward-looking statement made in this Quarterly Report to reflect subsequent events or circumstances or actual outcomes.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

VERSO CORPORATION

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 2017	September 30, 2018
(Dollars in millions)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$7	\$ 7
Accounts receivable, net	208	255
Inventories	385	377
Prepaid expenses and other assets	14	11
Total current assets	614	650
Property, plant and equipment, net	1,062	1,026
Intangibles and other assets, net	56	53
Total assets	\$1,732	\$ 1,729
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$176	\$ 210
Accrued liabilities	129	122
Current maturities of long-term debt	60	—
Total current liabilities	365	332
Long-term debt	130	108
Pension benefit obligation	457	417
Other liabilities	34	34
Total liabilities	986	891
Commitments and contingencies (Note 11)		
Equity:		
Preferred stock -- par value \$0.01 (50,000,000 shares authorized, no shares issued)	—	—
Common stock -- par value \$0.01 (210,000,000 Class A shares authorized with 34,173,571 shares issued and 34,164,434 outstanding on December 31, 2017 and 34,569,917 shares issued and 34,553,376 outstanding on September 30, 2018; 40,000,000 Class B shares authorized with 291,039 shares issued and outstanding on December 31, 2017 and no shares issued and outstanding on September 30, 2018)	—	—
Treasury stock -- at cost (9,137 shares on December 31, 2017 and 16,541 shares on September 30, 2018)	—	—
Paid-in-capital (including Warrants of \$10 million)	676	682
Retained earnings (deficit)	(62) 16
Accumulated other comprehensive income	132	140
Total equity	746	838
Total liabilities and equity	\$1,732	\$ 1,729
See notes to Unaudited Condensed Consolidated Financial Statements.		

VERSO CORPORATION

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended September 30, 2017	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2018
(Dollars in millions, except per share amounts)				
Net sales	\$ 621	\$ 704	\$ 1,822	\$ 1,987
Costs and expenses:				
Cost of products sold (exclusive of depreciation and amortization)	554	580	1,690	1,742
Depreciation and amortization	27	28	87	83
Selling, general and administrative expenses	24	25	81	78
Restructuring charges	4			