PEABODY ENERGY CORP
Form 10-Q
November 03, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
(Mark One)
þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2017
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: 1-16463

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	63101-1826
(Address of principal executive offices)	(Zip Code)

(314) 342-3400
(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 þ 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 þ 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 Securities Exchange Act of 1934. (Check one):

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company þ
	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 þ

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 Exchange Act subsequent to the distribution of securities under a plan confirmed by a court. Yes þ No ¨

There were 104.5 million shares of the registrant's common stock (par value of $0.01 per share) outstanding at October 30, 2017.
There were 14.3 million shares of the registrant's Series A convertible preferred stock (par value of $0.01 per share) outstanding at October 30, 2017.

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PART I - FINANCIAL INFORMATION
Item 1. Financial Statements.
PEABODY ENERGY CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Successor	Predecessor	Successor	Predecessor	
	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	April 2 through September 30, 2017	January 1 through April 1, 2017	Nine Months Ended September 30, 2016
	(Dollars in millions, except per share data)				
Revenues					
Sales	$1,264.2	$1,064.0	$2,323.8	$1,081.4	$2,835.9
Other revenues	213.0	143.1	411.7	244.8	438.6
Total revenues	1,477.2	1,207.1	2,735.5	1,326.2	3,274.5
Costs and expenses					
Operating costs and expenses (exclusive of items shown separately below)	1,044.9	1,064.8	1,979.7	963.7	2,981.2
Depreciation, depletion and amortization	194.5	117.8	342.8	119.9	345.5
Asset retirement obligation expenses	11.3	12.7	22.3	14.6	37.3
Selling and administrative expenses	33.4	32.1	67.8	37.2	114.6
Restructuring charges	1.1	0.3	1.1	—	15.5
Other operating (income) loss:					
Net gain on disposal of assets	(0.4)	(1.9)	(0.9)	(22.8)	(17.4)
Asset impairment	—	—	—	30.5	17.2
(Income) loss from equity affiliates	(10.5)	2.9	(26.2)	(15.0)	12.6
Operating profit (loss)	202.9	(21.6)	348.9	198.1	(232.0)
Interest expense	42.4	58.5	83.8	32.9	243.7
Loss on early debt extinguishment	12.9	—	12.9	—	—
Interest income	(2.0)	(1.3)	(3.5)	(2.7)	(4.0)
Reorganization items, net	—	29.7	—	627.2	125.1
Income (loss) from continuing operations before income taxes	149.6	(108.5)	255.7	(459.3)	(596.8)
Income tax benefit	(84.1)	(10.8)	(79.4)	(263.8)	(108.2)
Income (loss) from continuing operations, net of income taxes	233.7	(97.7)	335.1	(195.5)	(488.6)
Loss from discontinued operations, net of income taxes	(3.7)	(38.1)	(6.4)	(16.2)	(44.5)
Net income (loss)	230.0	(135.8)	328.7	(211.7)	(533.1)
Less: Series A Convertible Preferred Stock dividends	23.5	—	138.6	—	—
Less: Net income attributable to noncontrolling interests	5.1	1.8	8.9	4.8	3.5
Net income (loss) attributable to common stockholders	$201.4	$(137.6)	$181.2	$(216.5)	$(536.6)
Income (loss) from continuing operations:					
Basic income (loss) per share	$1.51	$(5.44)	$1.38	$(10.93)	$(26.91)
Diluted income (loss) per share	$1.49	$(5.44)	$1.37	$(10.93)	$(26.91)
Net income (loss) attributable to common stockholders:					

Basic income (loss) per share	$1.48	$(7.53)	$1.33	$(11.81)	$(29.34)
Diluted income (loss) per share	$1.47	$(7.53)	$1.32	$(11.81)	$(29.34)
Dividends declared per share	$—	$—	$—	$—	$—

See accompanying notes to unaudited condensed consolidated financial statements.

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PEABODY ENERGY CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Successor	Predecessor	Successor	Predecessor	
	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	April 2 through September 30, 2017	January 1 through April 1, 2017	Nine Months Ended September 30, 2016
	(Dollars in millions)				
Net income (loss)	$230.0	$ (135.8)	$ 328.7	$(211.7)	$ (533.1)
Reclassification for realized losses on cash flow hedges (net of respective net tax provision of $0.0, $17.6, $0.0, $9.1 and $69.9) included in net income (loss)	—	29.9	—	18.6	119.0
Postretirement plans and workers' compensation obligations (net of respective net tax provision of $0.0, $2.1, $0.0, $2.5 and $6.3)	—	3.6	—	4.4	10.8
Foreign currency translation adjustment	1.3	1.5	1.8	5.5	2.4
Other comprehensive income, net of income taxes	1.3	35.0	1.8	28.5	132.2
Comprehensive income (loss)	231.3	(100.8)	330.5	(183.2)	(400.9)
Less: Series A Convertible Preferred Stock dividends	23.5	—	138.6	—	—
Less: Comprehensive income attributable to noncontrolling interests	5.1	1.8	8.9	4.8	3.5
Comprehensive income (loss) attributable to common stockholders	$202.7	$ (102.6)	$ 183.0	$(188.0)	$ (404.4)

See accompanying notes to unaudited condensed consolidated financial statements.

PEABODY ENERGY CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

	(Unaudited) Successor September 30, 2017	Predecessor December 31, 2016
	(Amounts in millions, except per share data)	
ASSETS		
Current assets		
Cash and cash equivalents	$925.0	$ 872.3
Restricted cash	7.8	54.3
Accounts receivable, net of allowance for doubtful accounts of $4.6 at September 30, 2017 and $13.1 at December 31, 2016	431.0	473.0
Inventories	307.7	203.7
Assets from coal trading activities, net	2.5	0.7
Other current assets	268.6	486.6
Total current assets	1,942.6	2,090.6
Property, plant, equipment and mine development, net	5,082.6	8,776.7
Restricted cash collateral	530.3	529.3
Investments and other assets	517.9	381.1
Total assets	$8,073.4	$ 11,777.7
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current portion of long-term debt	$47.1	$ 20.2
Liabilities from coal trading activities, net	1.0	1.2
Accounts payable and accrued expenses	1,065.0	990.4
Total current liabilities	1,113.1	1,011.8
Long-term debt, less current portion	1,612.0	—
Deferred income taxes	2.2	173.9
Asset retirement obligations	636.0	717.8
Accrued postretirement benefit costs	745.8	756.3
Other noncurrent liabilities	573.7	496.2
Total liabilities not subject to compromise	4,682.8	3,156.0
Liabilities subject to compromise	—	8,440.2
Total liabilities	4,682.8	11,596.2
Stockholders' equity		
Predecessor Preferred Stock — $0.01 per share par value; 10.0 shares authorized, no shares issued or outstanding as December 31, 2016	—	—
Predecessor Perpetual Preferred Stock — 0.8 shares authorized, no shares issued or outstanding as of December 31, 2016	—	—
Predecessor Series Common Stock — $0.01 per share par value; 40.0 shares authorized, no shares issued or outstanding as of December 31, 2016	—	—
Predecessor Common Stock — $0.01 per share par value; 53.3 shares authorized,19.3 shares issued and 18.5 shares outstanding as of December 31, 2016	—	0.2
Successor Series A Convertible Preferred Stock — $0.01 per share par value; 50.0 shares authorized, 30.0 shares issued and 15.9 shares outstanding as of September 30, 2017	691.7	—

Successor Preferred Stock — $0.01 per share par value; 50.0 shares authorized, no shares issued or outstanding as of September 30, 2017	—	—
Successor Series Common Stock — $0.01 per share par value; 50.0 shares authorized, no shares issued or outstanding as of September 30, 2017	—	—
Successor Common Stock — $0.01 per share par value; 450.0 shares authorized, 106.0 shares issued and 102.7 shares outstanding as of September 30, 2017	1.0	—
Additional paid-in capital	2,425.9	2,422.0
Treasury stock, at cost — 2.5 Successor common shares as of September 30, 2017 and 0.8 Predecessor common shares as of December 31, 2016	(69.2)	(371.8)
Retained earnings (accumulated deficit)	296.3	(1,399.5)
Accumulated other comprehensive income (loss)	1.8	(477.0)
Peabody Energy Corporation stockholders’ equity	3,347.5	173.9
Noncontrolling interests	43.1	7.6
Total stockholders’ equity	3,390.6	181.5
Total liabilities and stockholders’ equity	$8,073.4	$ 11,777.7

See accompanying notes to unaudited condensed consolidated financial statements.

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PEABODY ENERGY CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Successor	Predecessor	
	April 2 through September 30, 2017	January 1 through April 1, 2017	Nine Months Ended September 30, 2016
	(Dollars in millions)		
Cash Flows From Operating Activities			
Net income (loss)	$328.7	$(211.7)	$(533.1)
Loss from discontinued operations, net of income taxes	6.4	16.2	44.5
Income (loss) from continuing operations, net of income taxes	335.1	(195.5)	(488.6)
Adjustments to reconcile income (loss) from continuing operations, net of income taxes to net cash provided by (used in) operating activities:			
Depreciation, depletion and amortization	342.8	119.9	345.5
Noncash coal inventory revaluation	67.3	—	—
Noncash interest expense including loss on early debt extinguishment	21.8	0.5	30.0
Deferred income taxes	1.6	(252.2)	(39.4)
Noncash share-based compensation	14.1	1.9	8.9
Asset impairment	—	30.5	17.2
Net gain on disposal of assets	(0.9)	(22.8)	(17.4)
(Income) loss from equity affiliates	(26.2)	(15.0)	12.6
Gain on voluntary employee beneficiary association settlement	—	—	(68.1)
Foreign currency option contracts	(5.1)	—	—
Reclassification from other comprehensive earnings for terminated hedge contracts	—	27.6	82.0
Settlement of hedge positions	—	—	(25.0)
Noncash reorganization items, net	—	569.3	96.5
Changes in current assets and liabilities:			
Accounts receivable	(118.9)	159.3	24.4
Change in receivable from accounts receivable securitization program	—	—	(168.5)
Inventories	(54.1)	(47.2)	47.8
Net assets from coal trading activities	(1.6)	(0.5)	7.5
Other current assets	(23.4)	0.1	(28.6)
Accounts payable and accrued expenses	(261.0)	(64.9)	5.2
Restricted cash	99.4	(94.1)	(94.8)
Asset retirement obligations	7.6	10.2	19.0
Workers’ compensation obligations	(1.1)	(3.1)	(8.7)
Accrued postretirement benefit costs	(1.2)	0.8	(0.6)
Accrued pension costs	(32.7)	5.4	16.4
Take-or-pay obligation settlement	—	(5.5)	(15.5)
Other, net	(18.8)	(2.5)	(15.7)
Net cash provided by (used in) continuing operations	344.7	222.2	(257.9)
Net cash used in discontinued operations	(14.4)	(8.2)	(18.9)
Net cash provided by (used in) operating activities	330.3	214.0	(276.8)
Cash Flows From Investing Activities			
Additions to property, plant, equipment and mine development	(68.6)	(32.8)	(56.6)

Changes in accrued expenses related to capital expenditures	1.8	(1.4)	(5.5)
Federal coal lease expenditures	—	(0.5)	(249.0)
Proceeds from disposal of assets	5.2	24.3	134.7
Contributions to joint ventures	(210.0)	(95.4)	(241.7)
Distributions from joint ventures	208.0	90.5	236.7
Advances to related parties	(4.1)	(0.4)	(23.3)
Repayments of loans from related parties	35.2	31.1	13.2
Other, net	(2.4)	(0.3)	(8.2)
Net cash (used in) provided by investing activities	(34.9)	15.1	(199.7)
Cash Flows From Financing Activities			
Proceeds from long-term debt	—	1,000.0	1,429.8
Successor Notes issuance proceeds into escrow	—	(1,000.0)	—
Repayments of long-term debt	(332.1)	(2.1)	(11.2)
Payment of deferred financing costs	(6.1)	(45.4)	(29.8)
Common stock repurchases	(69.2)	—	—
Distributions to noncontrolling interests	(16.7)	(0.1)	(3.9)
Other, net	—	(0.1)	(1.9)
Net cash (used in) provided by financing activities	(424.1)	(47.7)	1,383.0
Net change in cash and cash equivalents	(128.7)	181.4	906.5
Cash and cash equivalents at beginning of period	1,053.7	872.3	261.3
Cash and cash equivalents at end of period	$925.0	$1,053.7	$ 1,167.8

See accompanying notes to unaudited condensed consolidated financial statements.

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PEABODY ENERGY CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	Peabody Energy Corporation Stockholders' Equity							
	Series A Convertible Preferred Stock	Common Stock	Additional Paid-in Capital	Treasury Stock	(Accumulated Deficit) Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Noncontrolling Interests	Total Stockholders' Equity
	(Dollars in millions)							
December 31, 2016 - Predecessor	$—	$0.2	$2,422.0	$(371.8)	$(1,399.5)	$(477.0)	$7.6	$181.5
Net (loss) income	—	—	—	—	(216.5)	—	4.8	(211.7)
Net realized losses on cash flow hedges (net of $9.1 net tax provision)	—	—	—	—	—	18.6	—	18.6
Postretirement plans and workers' compensation obligations (net of $2.5 net tax provision)	—	—	—	—	—	4.4	—	4.4
Foreign currency translation adjustment	—	—	—	—	—	5.5	—	5.5
Share-based compensation for equity-classified awards	—	—	1.9	—	—	—	—	1.9
Repurchase of employee common stock relinquished for tax withholding	—	—	—	(0.1)	—	—	—	(0.1)
Distributions to noncontrolling interests	—	—	—	—	—	—	(0.1)	(0.1)
Elimination of Predecessor equity	—	(0.2)	(2,423.9)	371.9	1,616.0	448.5	(12.3)	—
April 1, 2017 - Predecessor	$—	$—	$—	$—	$—	$—	$—	$—
Issuance of Successor equity	1,305.4	0.7	1,774.9	—	—	—	50.9	3,131.9
April 2, 2017 - Successor	$1,305.4	$0.7	$1,774.9	$—	$—	$—	$50.9	$3,131.9
Net income	—	—	—	—	319.8	—	8.9	328.7
Foreign currency translation adjustment	—	—	—	—	—	1.8	—	1.8
Warrant conversions	—	0.1	(0.1)	—	—	—	—	—
Series A Convertible Preferred Stock conversions	(616.7)	0.2	640.0	—	(23.5)	—	—	—
Series A Convertible Preferred Stock dividends	3.0	—	(3.0)	—	—	—	—	—
Share-based compensation for equity-classified awards	—	—	14.1	—	—	—	—	14.1
Common stock repurchases	—	—	—	(69.2)	—	—	—	(69.2)

Distributions to noncontrolling interests	—	—	—	—	—	—	(16.7)	(16.7)
September 30, 2017 - Successor	$ 691.7	$ 1.0	$ 2,425.9	$ (69.2)	$ 296.3	$ 1.8	$ 43.1	$ 3,390.6

See accompanying notes to unaudited condensed consolidated financial statements.

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PEABODY ENERGY CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(1) Basis of Presentation
The condensed consolidated financial statements include the accounts of Peabody Energy Corporation (PEC) and its consolidated subsidiaries and affiliates (along with PEC, the Company or Peabody). Interests in subsidiaries controlled by the Company are consolidated with any outside stockholder interests reflected as noncontrolling interests, except when the Company has an undivided interest in an unincorporated joint venture. In those cases, the Company includes its proportionate share in the assets, liabilities, revenues and expenses of the jointly controlled entities within each applicable line item of the unaudited condensed consolidated financial statements. All intercompany transactions, profits and balances have been eliminated in consolidation.
The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements and should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016, as amended on July 10, 2017 and August 14, 2017. In the opinion of management, these financial statements reflect all normal, recurring adjustments necessary for a fair presentation and certain prior year amounts have been reclassified for consistency with the current period presentation. Balance sheet information presented herein as of December 31, 2016 has been derived from the Company's audited consolidated balance sheet at that date. The Company's results of operations for the three months ended September 30, 2017 and the period April 2, 2017 through September 30, 2017 are not necessarily indicative of the results that may be expected for future quarters.
The Company has classified items within discontinued operations in the unaudited condensed consolidated financial statements for disposals (by sale or otherwise) that have occurred prior to January 1, 2015 when the operations and cash flows of a disposed component of the Company were eliminated from the ongoing operations of the Company as a result of the disposal and the Company no longer had any significant continuing involvement in the operation of that component.
Plan of Reorganization and Emergence from Chapter 11 Cases
On April 13, 2016, (the Petition Date), PEC and a majority of its wholly owned domestic subsidiaries, as well as one international subsidiary in Gibraltar (collectively with PEC, the Debtors), filed voluntary petitions (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 Debtors' Chapter 11 cases (the Chapter 11 Cases) were jointly administered under the caption In re Peabody Energy Corporation, et al., Case No. 16-42529.
For periods subsequent to filing the Bankruptcy Petitions, the Company applied the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 852, "Reorganizations", in preparing its consolidated financial statements. ASC 852 requires that financial statements distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Accordingly, certain revenues, expenses, realized gains and losses and provisions for losses that were realized or incurred in the bankruptcy proceedings were recorded in "Reorganization items, net" in the unaudited condensed consolidated statements of operations. In addition, the pre-petition obligations that were impacted by the bankruptcy reorganization process were classified as "Liabilities subject to compromise" in the accompanying condensed consolidated balance sheet at December 31, 2016.
On January 27, 2017, the Debtors filed with the Bankruptcy Court the Second Amended Joint Plan of Reorganization of Debtors and Debtors in Possession (as further modified, the Plan) and the Second Amended Disclosure Statement with Respect to the Second Amended Joint Plan of Reorganization of Debtors and Debtors in Possession (previous versions of the Plan and Disclosure Statement were filed with the Bankruptcy Court on December 22, 2016, January 25, 2017 and January 27, 2017). Subsequently, the Debtors solicited votes on the Plan. On March 15, 2017, the Debtors filed a revised version of the Plan and 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, Docket No. 2763 (the Confirmation Order), confirming the Plan. On April 3, 2017, (the Effective Date), the Debtors satisfied the conditions to effectiveness set forth in the Plan, the Plan became effective in accordance with its terms and the Debtors emerged from the Chapter 11 Cases.

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On the Effective Date, in accordance with ASC 852, the Company applied fresh start reporting which requires the Company to allocate its reorganization value to the fair value of assets and liabilities in conformity with the guidance for the acquisition method of accounting for business combinations. The Company was permitted to use fresh start reporting because (i) the holders of existing voting shares of the Predecessor (as defined below) company received less than 50% of the voting shares of the emerging entity upon reorganization and (ii) the reorganization value of the Company's assets immediately prior to Plan confirmation was less than the total of all postpetition liabilities and allowed claims.

Upon adoption of fresh start reporting, the Company became a new entity for financial reporting purposes, reflecting the Successor (as defined below) capital structure. As a result, a new accounting basis in the identifiable assets and liabilities assumed was established with no retained earnings or accumulated other comprehensive income (loss) (OCI) for financial reporting purposes. The Company selected an accounting convenience date of April 1, 2017 for purposes of applying fresh start reporting as the activity between the convenience date and the Effective Date does not result in a material difference in the results. References to “Successor” in the financial statements and accompanying footnotes are in reference to reporting dates on or after April 2, 2017; references to “Predecessor” in the financial statements and accompanying footnotes are in reference to reporting dates through April 1, 2017 which includes the impact of the Plan provisions and the application of fresh start reporting. As such, the Company's financial statements for the Successor will not be comparable in many respects to its financial statements for periods prior to the adoption of fresh start reporting and prior to the accounting for the effects of the Plan. For further information on the Plan and fresh start reporting, see Note 3. “Emergence from the Chapter 11 Cases and Fresh Start Reporting.”

In connection with fresh start reporting, the Company made certain accounting policy elections that impact the Successor periods presented herein and will impact prospective periods. The Company will classify the amortization associated with its asset retirement obligation assets within “Depreciation, depletion and amortization” in its consolidated statements of operations, rather than within “Asset retirement obligation expenses”, as in Predecessor periods. With respect to its accrued postretirement benefit and pension obligations, the Company will prospectively record amounts attributable to prior service cost and actuarial valuation changes, as applicable, currently in earnings rather than recording such amounts within accumulated other comprehensive income and amortizing to expense over applicable time periods.

(2) Newly Adopted Accounting Standards and Accounting Standards Not Yet Implemented

Newly Adopted Accounting Standards

Inventory. In July 2015, the FASB issued guidance which requires entities to measure most inventory “at the lower of cost and net realizable value”, thereby simplifying the current guidance under which an entity must measure inventory at the lower of cost or market (market in this context is defined as one of three different measures, one of which is net realizable value). The guidance does not apply to inventories that are measured by using either the last-in, first-out method or the retail inventory method. The new guidance became effective prospectively for annual periods beginning after December 15, 2016 (January 1, 2017 for the Company). There was no material impact to the Company's results of operations, financial condition, cash flows or financial statement presentation in connection with the adoption of the guidance.

Compensation - Stock Compensation. In March 2016, the FASB issued accounting guidance which identifies areas for simplification involving several aspects of accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, an option to recognize gross stock compensation expense with actual forfeitures recognized as they occur, as well as certain classifications on the statement of cash flows. The new guidance was effective prospectively for annual periods beginning after December 15, 2016 and interim periods therein, with early adoption permitted. The Company elected early adoption of this guidance effective December 31, 2016. There was no material impact to the Company's results of operations, financial condition, cash flows or financial statement presentation in connection with the adoption of the guidance.

Accounting Standards Not Yet Implemented

Revenue Recognition. In May 2014, the FASB issued a comprehensive revenue recognition standard that will supersede nearly all existing revenue recognition guidance under U.S. GAAP. The new standard provides a single principles-based, five-step model to be applied to all contracts with customers, which steps are to (1) identify the contract(s) with the customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract and (5) recognize revenue when each performance obligation is satisfied. More specifically, revenue will be recognized when promised goods or services are transferred to the customer in an amount that reflects the consideration expected in exchange for those goods or services. The standard also requires entities to disclose sufficient qualitative and quantitative information to enable financial statement users to understand the nature, amount, timing and uncertainty of revenues and cash flows arising from contracts with customers.

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The new standard will be effective for interim and annual periods beginning after December 15, 2017 (January 1, 2018 for the Company), with early adoption permitted. The standard allows for either a full retrospective adoption or a modified retrospective adoption. The Company's primary source of revenue is from the sale of coal through both short-term and long-term contracts with utilities, industrial customers and steel producers whereby revenue is currently recognized when risk of loss has passed to the customer. Upon adoption of this new standard, the Company believes that the timing of revenue recognition related to its coal sales will remain consistent with its current practice. The Company has reviewed its portfolio of coal sales contracts and the various terms and clauses within each contract and believes it is unlikely that its revenue recognition policies for such contracts will be materially impacted by the standard. The Company is also evaluating other revenue streams to determine the potential impact related to the adoption of the standard, as well as potential disclosures required by the standard. The Company plans to adopt the standard under the modified retrospective approach.

Lease Accounting. In February 2016, the FASB issued accounting guidance that will require a lessee to recognize on its balance sheet a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term for leases with lease terms of more than 12 months. Consistent with current U.S. GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. Additional qualitative disclosures along with specific quantitative disclosures will also be required. The new guidance will take effect for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018 (January 1, 2019 for the Company), with early adoption permitted. Upon adoption, the Company will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The Company is in the process of evaluating the impact that the adoption of this guidance will have on its results of operations, financial condition, cash flows and financial statement presentation.

Financial Instruments - Credit Losses. In June 2016, the FASB issued accounting guidance related to the measurement of credit losses on financial instruments. The pronouncement replaces the incurred loss methodology to record credit losses with a methodology that reflects the expected credit losses for financial assets not accounted for at fair value with gains and losses recognized through net income. This standard is effective for fiscal years beginning after December 15, 2019 (January 1, 2020 for the Company) and interim periods therein, with early adoption permitted for fiscal years, and interim periods therein, beginning after December 15, 2018. The Company is in the process of evaluating the impact that the adoption of this guidance will have on its results of operations, financial condition, cash flows and financial statement presentation.

Classification of Certain Cash Receipts and Cash Payments. In August 2016, the FASB issued accounting guidance to amend the classification of certain cash receipts and cash payments in the statement of cash flows to reduce diversity in practice. The new guidance will be effective for fiscal years beginning after December 15, 2017 (January 1, 2018 for the Company) and interim periods therein, with early adoption permitted. The amendments in the classification should be applied retrospectively to all periods presented, unless deemed impracticable, in which case, prospective application is permitted. The Company is currently evaluating this guidance and its impact on classification of certain cash receipts and cash payments in the Company's statements of cash flows.

Restricted Cash. In November 2016, the FASB issued accounting guidance which will reduce diversity in the presentation of restricted cash and restricted cash equivalents in the statement of cash flows. The new guidance will be effective retrospectively for fiscal years beginning after December 15, 2017 (January 1, 2018 for the Company) and interim periods therein, with early adoption permitted. The Company is currently evaluating this guidance and its impact on the Company's statements of cash flows.

Compensation - Retirement Benefits. In March 2017, the FASB issued accounting guidance which requires employers that sponsor defined benefit pension and other postretirement plans to disaggregate the service cost component from other components of net periodic benefit costs and to disclose the amounts of net periodic benefit costs that are included in each income statement line item. The standard requires employers to report the service cost component in the same line item as other compensation costs and to report the other components of net periodic benefit costs (which include interest costs, expected return on plan assets, amortization of prior service cost or credits and actuarial gains and losses) separately and outside a subtotal of operating income. The new guidance will be effective retrospectively for fiscal years beginning after December 15, 2017 (January 1, 2018 for the Company) and interim periods therein, with early adoption permitted. The Company is currently evaluating the impact that the adoption of this guidance will have on its results of operations, financial condition, cash flows and financial statement presentation.

Derivatives and Hedging. In August 2017, the FASB issued accounting guidance to amend the hedge accounting rules to simplify the application of hedge accounting guidance and better align the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. The guidance expands the ability to hedge nonfinancial and financial risk components, reduces complexity in fair value hedges of interest rate risk, eliminates the requirement to separately measure and report hedge ineffectiveness, as well as eases certain hedge effectiveness assessment requirements. The new guidance will be effective for fiscal years beginning after December 15, 2018 (January 1, 2019 for the Company) and interim periods therein, with early adoption permitted. The amendments to cash flow and net investment hedge relationships that exist on the date of adoption will be applied using a modified retrospective approach. The presentation and disclosure requirements will be applied prospectively. The Company is currently evaluating the impact that the adoption of this guidance will have on its results of operations, financial condition, cash flows and financial statement presentation.

(3) Emergence from the Chapter 11 Cases and Fresh Start Reporting

The following is a summary of certain provisions of the Plan, as confirmed by the Bankruptcy Court pursuant to the Confirmation Order, and is not intended to be a complete description of the Plan, which is included in its entirety as Exhibit 2.2 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission (SEC) on March 20, 2017.

The consummation of the Plan resulted in the following capital structure on the Effective Date:

- Successor Notes - $1,000.0 million first lien senior secured notes
- Successor Credit Facility - a first lien credit facility of $950.0 million
- Series A Convertible Preferred Stock - $750.0 million for 30.0 million shares of Series A Convertible Preferred Stock
- Common Stock and Warrants - $750.0 million for common stock and warrants issued in connection with a Rights Offering (as defined below), resulting in, together with other issuances of common stock, the issuance of 70.9 million shares of a single class of common stock and warrants to purchase 6.2 million shares of common stock

The new debt and equity instruments comprising the Successor Company's capital structure are further described below.

Treatment of Classified Claims and Interests

The following summarizes the various classes of claimants' recoveries under the Plan. Undefined capitalized terms used in this section, Treatment of Classified Claims and Interests, are defined in the Plan.

PEABODY ENERGY CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

First Lien Lender Claims (Classes 1A - 1D)	Paid in full in cash.
Second Lien Notes Claims (Classes 2A - 2D)	A combination of (1) $450 million of cash, first lien debt and/or new second lien notes and (2)(a) new common stock, par value $0.01 per share, of the Reorganized Peabody (Common Stock) and (b) subscription rights in the Rights Offering.
Other Secured Claims (Classes 3A - 3E)	At the election of the Debtors, (1) reinstatement, (2) payment in full in cash, (3) receipt of the applicable collateral or (4) such other treatment consistent with section 1129(b) of the Bankruptcy Code.
Other Priority Claims (Classes 4A - 4E)	Paid in full in cash.
General Unsecured Claims	Class 5A: Against Peabody Energy: a pro rata share of $5 million in cash plus an amount of additional cash (up to $2 million) not otherwise paid to holders of Convenience Claims. Class 5B: Against the Encumbered Guarantor Debtors: (1) Common Stock and subscription rights in the Rights Offering or (2) at the election of the claim holder, cash from a pool of $75 million in cash to be paid by the Debtors and the Reorganized Debtors into a segregated account in accordance with the terms set forth in the Plan. Class 5C: Against the Gold Fields Debtors: units in the Gold Fields Liquidating Trust. Class 5D: Against Peabody Holdings (Gibraltar) Limited: no recoveries. Class 5E: Against the Unencumbered Debtors: cash in the amount of such holder’s allowed claim, less any amounts attributable to late fees, postpetition interest or penalties.
Convenience Claims	Class 6A: Against Peabody Energy: up to 72.5% of such claim in cash, provided that total payments to Convenience Claims may not exceed $2 million. Class 6B: Against the Encumbered Guarantor Debtors: up to 72.5% of such claim in cash, provided that total payments to Convenience Claims may not exceed $18 million.
United Mine Workers of America 1974 Pension Plan Claim (Classes 7A - 7E)	$75 million in cash paid over five years. See Note 5. “Discontinued Operations,” for additional details.
Unsecured Subordinated Debentures Claims (Class 8A)	(1) Payment of the reasonable and documented fees and expenses of the trustee under the 2066 subordinated indenture up to $350,000; and (2) because this class voted in favor of the Plan and in connection with the settlement of certain potential intercreditor disputes as part of the global settlement embodied therein, and because the trustee under the 2066 subordinated indenture did not object to, and affirmatively supported, the Plan, holders of allowed Unsecured Subordinated Debenture Claims received from specified noteholder co-proponents their pro rata share of penny warrants exercisable for 1.0% of the fully diluted Reorganized Peabody common stock from the pool of penny warrants issued to the noteholder co-proponents under the Rights Offering and/or the terms of the Backstop Commitment Agreement (as defined below).
	No recovery.

Section 510(b) Claims (Class 10A)	
Peabody Energy Equity Interests (Class 11A)	No recovery, as further described under Cancellation of Prior Common Stock below.

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Cancellation of Prior Common Stock

In accordance with the Plan and as previously disclosed, each share of the Company's common stock outstanding prior to the Effective Date, including all options and warrants to purchase such stock, were extinguished, canceled and discharged, and each such share, option or warrant has no further force or effect as of the Effective Date. Furthermore, all of the Company's equity award agreements under prior incentive plans, and the awards granted pursuant thereto, were extinguished, canceled and discharged and have no further force or effect as of the Effective Date.

Issuance of Equity Securities

Section 1145 Securities

On the Effective Date and simultaneous with the cancellation of the prior common stock discussed above, in connection with the Company's emergence from the Chapter 11 Cases and in reliance on the exemption from registration requirements of the Securities Act of 1933 (the Securities Act) provided by Section 1145 of the Bankruptcy Code, the Company issued:

- 11.6 million shares of Common Stock to holders of Allowed Claims (as defined in the Plan) in Classes 2A, 2B, 2C, 2D and 5B on account of such claims as provided in the Plan; and
- 51.2 million shares of Common Stock and 2.9 million Warrants (the 1145 Warrants) pursuant to the completed Rights Offering to certain holders of the Company's prepetition indebtedness for total consideration of $704.4 million.

Any shares of Common Stock issued pursuant to the exercise of such 1145 Warrants were similarly issued pursuant to the exemption from registration provided by Section 1145 of the Bankruptcy Code.

Section 4(a)(2) Securities

In addition, on the Effective Date, in connection with the Company's emergence from the Chapter 11 Cases and in reliance on the exemption from registration requirements of the Securities Act provided by Section 4(a)(2) of the Securities Act, the Company issued:

- 30.0 million shares of Series A Convertible Preferred Stock (the Preferred Stock) to parties to the Private Placement Agreement, dated as of December 22, 2016 (as amended, the Private Placement Agreement), among the Company and the other parties thereto, for total consideration of $750.0 million;
- 3.3 million shares of Common Stock and 0.2 million Warrants (the Private Warrants, and together with the 1145 Warrants, the Warrants) to parties to the Backstop Commitment Agreement, dated as of December 22, 2016 (as amended, the Backstop Commitment Agreement), among the Company and the other parties thereto, on account of their commitments under that agreement, for total consideration of $45.6 million; and
- 4.8 million shares of Common Stock and 3.1 million additional Private Warrants to specified parties to the Private Placement Agreement and Backstop Commitment Agreement on account of commitment premiums contemplated by those agreements.

Any shares of Common Stock issued pursuant to the conversion of the Preferred Stock or the exercise of such Private Warrants have been or will be issued pursuant to the exemption from registration provided by Section 3(a)(9) and/or Section 4(a)(2) of the Securities Act. The securities issued in reliance on Section 4(a)(2) of the Securities Act were subject to restrictions on transfer; however, substantially all such shares were registered with the SEC on a resale Form S-1 effective July 14, 2017.

Current Equity Structure

During the three months ended September 30, 2017, the Company made repurchases of approximately 2.5 million shares of its Common Stock pursuant to its share repurchase program, as described in Note 16. "Other Events". As of September 30, 2017, the Company would have approximately 134.8 million shares of Common Stock outstanding, assuming full conversion of the Preferred Stock (including make-whole shares issuable upon conversion of the Preferred Stock). This amount excludes approximately 3.5 million shares of Common Stock which underlie unvested equity awards granted under the 2017 Incentive Plan (as defined below).

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Other Forms of Equity Authorized under the Company's Certificate of Incorporation

As noted on the accompanying condensed consolidated balance sheets, the Company's Fourth Amended and Restated Certificate of Incorporation authorizes the issuances of additional series of preferred stock, as well as series common stock. Other than the Series A Convertible Preferred Stock, no other series of preferred stock is outstanding as of September 30, 2017. Additionally, as of September 30, 2017, no series common stock is outstanding. A copy of the Company's Fourth Amended and Restated Certificate of Incorporation is included as Exhibit 3.1 to the Company's Current Report on Form 8-K filed by the Company with the SEC on April 3, 2017.

Preferred Stock

The Preferred Stock accrues dividends at a rate of 8.5% per year, payable in-kind semi-annually on April 30 and October 31 of each year as additional shares of Series A Convertible Preferred Stock, and may be converted into a number of shares of Common Stock as described below. The Preferred Stock will also participate on an as-converted basis (giving effect to any accrued and unpaid dividends) in any dividend, distribution or payments to holders of Common Stock. Upon the Company's liquidation, dissolution or wind up, whether voluntarily or involuntarily, the holders of Preferred Stock are granted a liquidation preference of $25.00 per share of Preferred Stock, plus any accrued but unpaid dividends through the date of liquidation. The Preferred Stock may also participate on an as-converted basis in any payments upon liquidation payable to the holders of Common Stock.

The Preferred Stock shall be convertible into Common Stock at any time, at the option of the holders at an initial conversion price of $16.25, representing a discount of 35% to the equity value assigned to the Common Stock by the Plan (subject to customary anti-dilution adjustments, the Conversion Price). If at any time following the Effective Date, less than 7,500,000 shares of Preferred Stock remain outstanding, then the Company shall have the right, but not the obligation, to redeem all (but not less than all) of the remaining shares of Preferred Stock, following thirty days' notice, and on no more than 60 days' notice, at a redemption price equal to $25.00 per share of Preferred Stock, payable in cash or shares of Common Stock at the Company's election, subject to certain adjustments; provided that the Company shall not redeem any shares of Preferred Stock for cash during any time that any obligations under the Successor Credit Agreement (as defined below) remain outstanding. At any time following the Effective Date, if holders of at least 66 2/3% of the outstanding Preferred Stock elect to convert, then all remaining outstanding Preferred Stock will automatically convert at the same time and on the same terms.

In addition, beginning on the Effective Date, each outstanding share of Preferred Stock shall automatically convert into a number of shares of Common Stock at the Conversion Price (such conversion, the Mandatory Conversion) if the volume weighted average price of the Common Stock exceeds $32.50 (the Conversion Threshold) for at least 45 trading days in a 60 consecutive trading day period, including each of the last 20 days in such 60 consecutive trading day period (such period, the Mandatory Conversion Period).

Finally, the Preferred Stock shall automatically convert into shares of Common Stock immediately prior to the consummation of a Fundamental Change (generally defined as significant business combinations, as fully defined in the Certificate of Designation of Series A Convertible Preferred Stock included as Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the SEC on April 3, 2017) if either (1) at consummation of the Fundamental Change, the price of the Common Stock exceeds the Conversion Threshold, or (2) the consideration payable in the Fundamental Change per share of Common Stock exceeds the Conversion Threshold and is payable in cash.

Upon any optional or mandatory conversion of the Preferred Stock that occurs on or prior to the three year anniversary of its initial issuance, holders of the Preferred Stock will be deemed to have (1) received dividends through the last payment of dividends prior to the conversion, including dividends received on prior dividends, to the extent accrued and not previously paid; and (2) dividends on the shares of Preferred Stock then outstanding and any shares deemed issued pursuant to the preceding clause accruing from the last dividend date preceding the date of the conversion through, but not including, the three year anniversary of their initial issuance, and all dividends on prior dividends. In respect of an optional or mandatory conversion occurring after the three year anniversary of its initial issuance, there shall be deemed to have been issued in respect of all shares of Preferred Stock at the time outstanding (1) dividends through the date of payment of the dividend immediately preceding the date of the conversion, including dividends on such dividends, to the extent accrued and not previously paid, and (2) dividends on (a) the shares of Preferred Stock at the time outstanding and (b) any shares of Preferred Stock deemed issued pursuant to the preceding clause (1) accruing from the date of payment of the dividend immediately preceding the conversion, through, but not including, the date of conversion and all dividends on such dividends.

There are no restrictions on the repurchase or redemption of the Preferred Stock while there is any arrearage in the payment of dividends.

The Preferred Stock votes with the Common Stock as a single class on an as-converted basis on all matters submitted to a vote of the holders of Common Stock with the exception of certain matters, as outlined in the Certificate of Designation of Series A Convertible Preferred Stock, in which the holders of Preferred Stock are entitled to vote as a separate class with a majority vote required for approval. Such matters include any Fundamental Change requiring approval of the holders of Common Stock and authorization of cash dividends on Common Stock in excess of $100 million payable in any 12-month period.

Rights Offering

Pursuant to the Plan and Rights Offering, holders of Allowed Claims in Classes 2A, 2B, 2C, 2D and 5B were offered the opportunity to purchase up to 54.5 million units, each unit being comprised of (1) one share of Common Stock and (2) a fraction of a Warrant. The purchase price for the units offered in the Rights Offering was $13.75 per unit. A total of 51.2 million units were purchased in the Rights Offering. Pursuant to the Backstop Commitment Agreement, the remaining 3.3 million units that were not purchased in the Rights Offering were purchased by the parties to the Backstop Commitment Agreement at the same per-unit price.

Registration Rights Agreement

On the Effective Date, the Company entered into a registration rights agreement (Registration Rights Agreement) with certain parties (together with any person or entity that becomes a party to the Registration Rights Agreement, the Holders) that received shares of the Company's Common Stock and Preferred Stock in the Company on the Effective Date, as provided in the Plan. The Registration Rights Agreement provides Holders with registration rights for the Holders' Registrable Securities (as defined in the Registration Rights Agreement). Substantially all of the Holders' Registrable Securities were registered with the SEC on Form S-1 effective July 14, 2017.

The registration rights are subject to certain conditions and limitations, including the right of the underwriters to limit the number of shares to be included in an underwritten offering and the Company's right to delay or withdraw a registration statement under certain circumstances. A copy of the Registration Rights Agreement is included as Exhibit 10.1 to the Current Report on Form 8-K filed by the Company with the SEC on April 3, 2017.

Warrant Agreement

On the Effective Date, the Company entered into a warrant agreement (the Warrant Agreement) with American Stock Transfer and Trust Company, LLC. In accordance with the Plan, the Company issued 6.2 million warrants to purchase one share of Common Stock each at an exercise price of $0.01 per share to all Noteholder Co-Proponents (as defined in the Plan) and subscribers in the Rights Offering (as defined in the Plan) and related backstop commitment. All Warrants described above under the heading Issuance of Equity Securities were issued under the Warrant Agreement. All unexercised Warrants expired, and the rights of the holders of such Warrants to purchase Common Stock terminated on July 3, 2017, with less than 0.1% of the Warrants unexercised.

A copy of the Warrant Agreement is included as Exhibit 4.1 to the Current Report on Form 8-K filed by the Company with the SEC on April 3, 2017.

6.000% and 6.375% Senior Secured Notes (collectively, the Successor Notes)

On February 15, 2017, one of PEC's subsidiaries entered into an indenture with Wilmington Trust, National Association, as trustee, relating to the issuance by PEC's subsidiary of $500.0 million aggregate principal amount of 6.000% senior secured notes due 2022 (the 2022 Notes) and $500.0 million aggregate principal amount of 6.375% senior secured notes due 2025 (together with the 2022 Notes, the Successor Notes). The Successor Notes were sold on February 15, 2017 in a private transaction exempt from the registration requirements of the Securities Act.

Prior to the Effective Date, PEC's subsidiary deposited the proceeds of the offering of the Successor Notes into an escrow account pending confirmation of the Plan and certain other conditions being satisfied. On the Effective Date, the proceeds from the Successor Notes were used to repay the predecessor first lien obligations.

The Successor Notes are further described in Note 13. "Long-term Debt" and copies of the indenture documents underlying the Successor Notes are incorporated as Exhibit 4.3 to the Current Report on Form 8-K filed by the Company with the SEC on April 3, 2017.

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Successor Credit Agreement

In connection with an exit facility commitment letter, on the Effective Date, the Company entered into a credit agreement, dated as of April 3, 2017, among the Company, as Borrower, Goldman Sachs Bank USA, as Administrative Agent, and other lenders party thereto (the Successor Credit Agreement). The Successor Credit Agreement originally provided for a $950.0 million senior secured term loan, which matures in 2022 and prior to the amendment described in Note 13. “Long-term Debt,” bore interest at LIBOR plus 4.50% per annum with a 1.00% LIBOR floor. Following the amendment the loan bears interest at LIBOR plus 3.50% per annum with a 1.00% LIBOR floor. On the Effective Date, the proceeds from the Successor Credit Agreement were used to repay the predecessor first lien obligations.

The Successor Credit Agreement and the amendment are further described in Note 13. “Long-term Debt.” A copy of the Successor Credit Agreement is included as Exhibit 10.3 to the Current Report on Form 8-K filed by the Company with the SEC on April 3, 2017 and a copy of the amendment is included as Exhibit 10.1 to the Current Report on Form 8-K filed by the Company on September 18, 2017.

Securitization Facility

In connection with a receivables securitization program commitment letter, on the Effective Date, the Company entered into the Sixth Amended and Restated Receivables Purchase Agreement, as amended, dated as of April 3, 2017 (Receivables Purchase Agreement), among P&L Receivables Company, LLC (P&L Receivables), as the Seller, the Company, as the Servicer, the sub-servicers party thereto, the various purchasers and purchaser agents party thereto and PNC Bank, National Association (PNC), as administrator. The Receivables Purchase Agreement extends the receivables securitization facility previously in place and expands that facility to include certain receivables from the Company’s Australian operations.

The Receivables Purchase Agreement is further described in Note 18. “Financial Instruments and Other Guarantees” and a copy of the Receivables Purchase Agreement is included as Exhibit 10.4 to the Current Report on Form 8-K filed by the Company with the SEC on April 3, 2017.

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Cancellation of Prepetition Obligations

In accordance with the Plan, on the Effective Date all of the obligations of the Debtors with respect to the following debt instruments were canceled:

- Indenture governing $1,000.0 million outstanding aggregate principal amount of the Company's 10.00% Senior Secured Second Lien Notes due 2022, dated as of March 16, 2015, among the Company, U.S. Bank National Association (U.S. Bank), as trustee and collateral agent, and the guarantors named therein, as supplemented;
- Indenture governing $650.0 million outstanding aggregate principal amount of the Company's 6.50% Senior Notes due 2020, dated as of March 19, 2004, among the Company, U.S. Bank, as trustee, and the guarantors named therein, as supplemented;
- Indenture governing $1,518.8 million outstanding aggregate principal amount of the Company's 6.00% Senior Notes due 2018, dated as of November 15, 2011, among the Company, U.S. Bank, as trustee, and the guarantors named therein, as supplemented;
- Indenture governing $1,339.6 million outstanding aggregate principal amount of the Company's 6.25% Senior Notes due 2021, dated as of November 15, 2011, by and among the Company, U.S. Bank, as trustee, and the guarantors named therein, as supplemented;
- Indenture governing $250.0 million outstanding aggregate principal amount of the Company's 7.875% Senior Notes due 2026, dated as of March 19, 2004, among the Company, U.S. Bank, as trustee, and the guarantors named therein, as supplemented;
- Subordinated Indenture governing $732.5 million outstanding aggregate principal amount of the Company's Convertible Junior Subordinated Debentures due 2066, dated as of December 20, 2006, among the Company and U.S. Bank, as trustee, as supplemented; and
- Amended and Restated Credit Agreement, as amended and restated as of September 24, 2013 (the 2013 Credit Facility), related to $1,170.0 million outstanding aggregate principal amount of term loans under a term loan facility (the 2013 Term Loan Facility) and $1,650.0 million under a revolving credit facility (the 2013 Revolver), which includes approximately $675.0 million of posted but undrawn letters of credit and approximately $947.0 million in outstanding borrowings, by and among the Company, Citibank, N.A., as administrative agent, swing line lender and letter of credit issuer, Citigroup Global Markets, Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, BNP Paribas Securities Corp., Crédit Agricole Corporate and Investment Bank, HSBC Securities (USA) Inc., Morgan Stanley Senior Funding, Inc., PNC Capital Markets LLC and RBS Securities Inc., as joint lead arrangers and joint book managers, and the lender parties thereto, as amended by that certain Omnibus Amendment Agreement, dated as of February 5, 2015.

2017 Incentive Compensation Plan

In accordance with the Plan, the Peabody Energy Corporation 2017 Incentive Plan (the 2017 Incentive Plan) became effective as of the Effective Date. The 2017 Incentive Plan is intended to, among other things, help attract and retain employees and directors upon whom, in large measure, the Company depends for sustained progress, growth and profitability. The 2017 Incentive Plan also permits awards to consultants.

Unless otherwise determined by the Board, the compensation committee of the Board will administer the 2017 Incentive Plan. The 2017 Incentive Plan generally provides for the following types of awards:

- options (including non-qualified stock options and incentive stock options);
- stock appreciation rights;
- restricted stock;
- restricted stock units;
- deferred stock;
- performance units;
- dividend equivalents; and

- cash incentive awards.

The aggregate number of shares of Common Stock reserved for issuance pursuant to the 2017 Incentive Plan is 14.1 million. The 2017 Incentive Plan will remain in effect, subject to the right of the Board to terminate the 2017 Incentive Plan at any time, subject to certain restrictions, until the earlier to occur of (a) the date all shares of Common Stock subject to the 2017 Incentive Plan are purchased or acquired and the restrictions on all restricted stock granted under the 2017 Incentive Plan have lapsed, according to the 2017 Incentive Plan's provisions, and (b) ten years from the Effective Date.

Reorganization Value

Fresh start reporting provides, among other things, for a determination of the value to be assigned to the equity of the emerging company as of a date selected for financial reporting purposes. In conjunction with the bankruptcy proceedings, a third-party financial advisor provided an enterprise value of the Company of approximately $4.2 billion to $4.9 billion. The final equity value of $3,081.0 million was based upon the approximate low end of the enterprise value established by the third-party valuation and cash held by the Successor company in connection with the emergence from the Chapter 11 Cases, less the fair value of Successor debt issued on the Effective Date as described above. The final equity value equated to a per share value of $22.03 per equivalent common share issued in accordance with the Plan.

The enterprise value of the Company was estimated using two primary valuation methods: a comparable public company analysis and a discounted cash flow (DCF) analysis. The comparable public company analysis is based on the enterprise value of selected publicly traded companies that have operating and financial characteristics comparable in certain respects to the Company, for example, operational requirements and risk and profitability characteristics. Selected companies were comprised of coal mining companies with primary operations in the United States. Under this methodology, certain financial multiples and ratios that measure financial performance and value were calculated for each selected company and then applied to the Company's financials to imply an enterprise value for the Company. The DCF analysis is a forward-looking enterprise valuation methodology that estimates the value of an asset or business by calculating the present value of expected future cash flows by that asset or business. The basis of the DCF analysis was the Company's prepared projections which included a variety of estimates and assumptions, such as pricing and demand for coal. The Company's pricing was based on its view of the market taking into account third-party forward pricing curves adjusted for the quality of products sold by the Company. While the Company considers such estimates and assumptions reasonable, they are inherently subject to significant business, economic and competitive uncertainties, many of which are beyond the Company's control and, therefore, may not be realized. Changes in these estimates and assumptions may have a significant effect on the determination of the Company's enterprise value. The assumptions used in the calculations for the DCF analysis included projected revenue, cost and cash flows for the nine months ending December 31, 2017 through each respective mine life and represented the Company's best estimates at the time the analysis was prepared. The DCF analysis was completed using discount rates ranging from 11% to 14%. The DCF analysis involves complex considerations and judgments concerning appropriate discount rates. Due to the unobservable inputs to the valuation, the fair value would be considered Level 3 in the fair value hierarchy.

Grant of Emergence Awards

On the Effective Date, the Company granted restricted stock units under the 2017 Incentive Plan and the terms of the relevant restricted stock unit agreement to all employees, including its executive officers (the Emergence Awards). The fair value of the Emergence Awards on the Effective Date was $80.0 million. The Emergence Awards granted to the Company's executive officers generally will vest ratably on each of the first three anniversaries of the Effective Date, subject to, among other things, each such executive officer's continued employment with the Company. The Emergence Awards will become fully vested upon each such executive officer's termination of employment by the Company and its subsidiaries without Cause or by the executive for Good Reason (each, as defined in the 2017 Incentive Plan or award agreement) or due to a termination of employment with the Company and its subsidiaries by reason of death or Disability (as defined in the 2017 Incentive Plan or award agreement). In order to receive the Emergence Awards, the executive officers were required to execute restrictive covenant agreements protecting the Company's interests.

Copies of the 2017 Incentive Plan and related documents are included as Exhibits 10.7 and 10.8 to the Current Report on Form 8-K filed by the Company with the SEC on April 3, 2017.

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PEABODY ENERGY CORPORATION
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Effect of Plan and Fresh Start Reporting Adjustments
The following balance sheet illustrates the impacts of the implementation of the Plan and the application of fresh start reporting, which results in the opening balance sheet of the Successor company.

As of April 1, 2017	Predecessor (a)	Effect of Plan (b)		Fresh Start Adjustments (c)		Successor
	(Dollars in millions)					
ASSETS						
Current assets						
Cash and cash equivalents	$1,068.1	$(14.4)	(d)	$—		$1,053.7
Restricted cash	80.7	(54.7)	(d)	—		26.0
Successor Notes issuance proceeds - restricted cash	1,000.0	(1,000.0)	(d)	—		—
Accounts receivable, net	312.1	—		—		312.1
Inventories	250.8	—		70.1	(k)	320.9
Assets from coal trading activities, net	0.6	—		—		0.6
Other current assets	493.9	(18.1)	(e)	(333.0)	(l)	142.8
Total current assets	3,206.2	(1,087.2)		(262.9)		1,856.1
Property, plant, equipment and mine development, net	8,653.9	—		(3,461.4)	(m)	5,192.5
Investments and other assets	976.4	3.9	(f)	238.0	(n)	1,218.3
Total assets	$12,836.5	$(1,083.3)		$(3,486.3)		$8,266.9
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities						
Current portion of long-term debt	$18.2	$9.5	(g)	$—		$27.7
Liabilities from coal trading activities, net	0.7	—		—		0.7
Accounts payable and accrued expenses	967.3	257.6	(h)	14.8	(o)	1,239.7
Total current liabilities	986.2	267.1		14.8		1,268.1
Long-term debt, less current portion	950.5	903.2	(g)	—		1,853.7
Deferred income taxes	179.2	—		(177.8)	(p)	1.4
Asset retirement obligations	707.0	—		(73.9)	(q)	633.1
Accrued postretirement benefit costs	753.9	—		(6.9)	(r)	747.0
Other noncurrent liabilities	511.1	—		120.6	(s)	631.7
Total liabilities not subject to compromise	4,087.9	1,170.3		(123.2)		5,135.0
Liabilities subject to compromise	8,416.7	(8,416.7)	(i)	—		—
Total liabilities	12,504.6	(7,246.4)		(123.2)		5,135.0
Stockholders' equity						
Common Stock (Predecessor)	0.2	(0.2)	(j)	—		—
Common Stock (Successor)	—	0.7	(b)	—		0.7
Series A Preferred Stock (Successor)	—	1,305.4	(b)	—		1,305.4
Additional paid-in capital (Predecessor)	2,423.9	(2,423.9)	(j)	—		—
Additional paid-in capital (Successor)	—	1,774.9	(b)	—		1,774.9
Treasury stock, at cost	(371.9)	371.9	(j)	—		—
Accumulated deficit	(1,284.1)	5,134.3	(j)	(3,850.2)	(t)	—
Accumulated other comprehensive loss	(448.5)	—		448.5	(t)	—
Peabody Energy Corporation stockholders' equity	319.6	6,163.1		(3,401.7)		3,081.0
Noncontrolling interests	12.3	—		38.6	(u)	50.9
Total stockholders' equity	331.9	6,163.1		(3,363.1)		3,131.9

Total liabilities and stockholders’ equity	$12,836.5	$(1,083.3)	$(3,486.3)	$8,266.9

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(a) Represents the Predecessor consolidated balance sheet at April 1, 2017.

(b) Represents amounts recorded for the implementation of the Plan on the Effective Date. This includes the settlement of liabilities subject to compromise through a combination of cash payments, the issuance of new common stock and warrants and the issuance of new debt. The following is the calculation of the total pre-tax gain on the settlement of the liabilities subject to compromise.

	(Dollars in millions)
Liabilities subject to compromise	$8,416.7
Less amounts issued to settle claims:	
Successor Common Stock (at par)	(0.7)
Successor Series A Convertible Preferred Stock	(1,305.4)
Successor Additional paid-in capital	(1,774.9)
Issuance of Successor Notes	(1,000.0)
Issuance of Successor Term Loan	(950.0)
Cash payments and accruals for claims and professional fees	(336.4)
Other:	
Write-off of Predecessor debt issuance costs, see also (e) below	(18.1)
Total pre-tax gain on plan effects, see also (j) below	$3,031.2

At the Effective Date, 70.9 million shares of Common Stock were issued and outstanding at a par value of $0.01 per share.

Preferred Stock was recorded at fair value and is based upon the $750.0 million cash raised upon emergence from bankruptcy through the Private Placement Agreement, plus a premium to account for the fair value of the Preferred Stocks' conversion and dividend features. Each share of Preferred Stock is convertible, at the holder's election or upon the occurrence of certain triggering events, into shares of Common Stock at a 35% discount relative to the initial per share purchase price of $25.00 and provides for three years of guaranteed paid-in-kind dividends, payable semiannually, at a rate of 8.5% per annum. The 46.2 million shares of Common Stock issuable upon conversion of the Preferred Stock issued under the Plan and an additional 13.1 million shares of Common Stock attributable to such Preferred Stocks' guaranteed paid-in-kind dividend feature constitute approximately 42% ownership of the Plan Equity Value (as defined in the Plan) of $3,105.0 million in the reorganized Company, and thus have a fair value of $1,305.4 million.

Successor Additional paid-in capital was recorded at the Plan Equity Value less the amounts recorded for par value of the Common Stock, the fair value of the Preferred Stock, and certain fees incurred associated with the Registration Rights Agreement.

(c) Represents the fresh start reporting adjustments required to record the assets and liabilities of the Company at fair value.

(d) The following table reflects the sources and uses of cash and restricted cash at emergence:

	(Dollars in millions)
Sources:	
Private placement and rights offering	$1,500.0
Net proceeds from Senior Secured Term Loan	912.7
Escrowed interest from Successor Notes offering	8.0
Net impact on collateral requirements	11.6
Uses:	
Payments to secured lenders	(3,489.2)

Professional fees	(8.3)
Securitization facility deferred financing costs	(3.9)
Total cash outflow at emergence	$(1,069.1)

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(e) Primarily represents the write off of deferred financing costs associated with the cancellation and discharge of Predecessor revolving debt obligations.
(f) Represents the payment of deferred financing costs associated with the Receivables Purchase Agreement.
(g) Represents a new $950 million Senior Secured Term Loan, net of an original issue discount and deferred financing costs of