

AES CORP
Form 10-Q
August 08, 2017

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

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended June 30, 2017

or

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

Commission file number 1-12291

THE AES CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

54 1163725

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

4300 Wilson Boulevard Arlington, Virginia

22203

(Address of principal executive offices)

(Zip Code)

(703) 522-1315

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 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 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 Smaller reporting company Emerging growth company

Non-accelerated filer (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

The number of shares outstanding of Registrant's Common Stock, par value \$0.01 per share, on July 31, 2017 was 660,256,748.

THE AES CORPORATION
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FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2017

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GLOSSARY OF TERMS

The following terms and acronyms appear in the text of this report and have the definitions indicated below:

Adjusted EPS	Adjusted Earnings Per Share, a non-GAAP measure
Adjusted PTC	Adjusted Pretax Contribution, a non-GAAP measure of operating performance
AFS	Available For Sale
AOCL	Accumulated Other Comprehensive Loss
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
BNDES	Brazilian Development Bank
CAA	United States Clean Air Act
CAMMESA	Wholesale Electric Market Administrator in Argentina
CCGT	Combined Cycle Gas Turbine
CCR	Coal Combustion Residuals
CDPQ	La Caisse de depot et placement du Quebec
CHP	Combined Heat and Power
COFINS	Contribuição para o Financiamento da Seguridade Social
DP&L	The Dayton Power & Light Company
DPL	DPL Inc.
DPLER	DPL Energy Resources, Inc.
DPP	Dominican Power Partners, LDC
EPA	United States Environmental Protection Agency
EPC	Engineering, Procurement and Construction
EURIBOR	Euro Interbank Offered Rate
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FX	Foreign Exchange
GAAP	Generally Accepted Accounting Principles in the United States
GHG	Greenhouse Gas
IPALCO	IPALCO Enterprises, Inc.
IPL	Indianapolis Power & Light Company
kWh	Kilowatt Hours
LIBOR	London Interbank Offered Rate
LNG	Liquid Natural Gas
MATS	Mercury and Air Toxics Standards
MMI	Mini Maritsa Iztok (state-owned electricity public supplier in Bulgaria)
MW	Megawatts
MWh	Megawatt Hours
NCI	Noncontrolling Interest
NEK	Natsionalna Elektricheska Kompania (state-owned electricity public supplier in Bulgaria)
NM	Not Meaningful
NOV	Notice of Violation
NO _x	Nitrogen Oxides
NPDES	National Pollutant Discharge Elimination System
PIS	Partially Integrated System
PJM	PJM Interconnection, LLC
PPA	Power Purchase Agreement
PREPA	Puerto Rico Electric Power Authority
RSU	Restricted Stock Unit

SBU	Strategic Business Unit
SEC	United States Securities and Exchange Commission
SO ₂	Sulfur Dioxide
U.S.	United States
USD	United States Dollar
VAT	Value-Added Tax
VIE	Variable Interest Entity

PART I: FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

THE AES CORPORATION

Condensed Consolidated Balance Sheets
(Unaudited)

	June 30, 2017	December 31, 2016
	(in millions, except share and per share data)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$1,213	\$ 1,305
Restricted cash	313	278
Short-term investments	740	798
Accounts receivable, net of allowance for doubtful accounts of \$112 and \$111, respectively	2,173	2,166
Inventory	633	630
Prepaid expenses	83	83
Other current assets	1,061	1,151
Current assets of held-for-sale businesses	102	—
Total current assets	6,318	6,411
NONCURRENT ASSETS		
Property, Plant and Equipment:		
Land	776	779
Electric generation, distribution assets and other	28,697	28,539
Accumulated depreciation	(9,841)	(9,528)
Construction in progress	3,560	3,057
Property, plant and equipment, net	23,192	22,847
Other Assets:		
Investments in and advances to affiliates	683	621
Debt service reserves and other deposits	578	593
Goodwill	1,157	1,157
Other intangible assets, net of accumulated amortization of \$543 and \$519, respectively	397	359
Deferred income taxes	757	781
Service concession assets, net of accumulated amortization of \$159 and \$114, respectively	1,404	1,445
Other noncurrent assets	1,983	1,905
Total other assets	6,959	6,861
TOTAL ASSETS	\$36,469	\$ 36,119
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$1,684	\$ 1,656
Accrued interest	225	247
Accrued and other liabilities	1,893	2,066
Non-recourse debt, includes \$454 and \$273, respectively, related to variable interest entities	2,572	1,303
Current liabilities of held-for-sale businesses	37	—
Total current liabilities	6,411	5,272

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NONCURRENT LIABILITIES		
Recourse debt	4,380	4,671
Non-recourse debt, includes \$1,292 and \$1,502, respectively, related to variable interest entities	13,815	14,489
Deferred income taxes	746	804
Pension and other postretirement liabilities	1,347	1,396
Other noncurrent liabilities	2,905	3,005
Total noncurrent liabilities	23,193	24,365
Commitments and Contingencies (see Note 8)		
Redeemable stock of subsidiaries	791	782
EQUITY		
THE AES CORPORATION STOCKHOLDERS' EQUITY		
Common stock (\$0.01 par value, 1,200,000,000 shares authorized; 816,126,361 issued and 660,191,726 outstanding at June 30, 2017 and 816,061,123 issued and 659,182,232 outstanding at December 31, 2016)	8	8
Additional paid-in capital	8,732	8,592
Accumulated deficit	(1,086)	(1,146)
Accumulated other comprehensive loss	(2,741)	(2,756)
Treasury stock, at cost (155,934,635 and 156,878,891 shares at June 30, 2017 and December 31, 2016, respectively)	(1,892)	(1,904)
Total AES Corporation stockholders' equity	3,021	2,794
NONCONTROLLING INTERESTS	3,053	2,906
Total equity	6,074	5,700
TOTAL LIABILITIES AND EQUITY	\$36,469	\$ 36,119
See Notes to Condensed Consolidated Financial Statements.		

THE AES CORPORATION
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended June 30, 2017		Six Months Ended June 30, 2016	
	(in millions, except per share data)			
Revenue:				
Regulated	\$1,637	\$1,565	\$3,364	\$3,141
Non-Regulated	1,833	1,664	3,598	3,359
Total revenue	3,470	3,229	6,962	6,500
Cost of Sales:				
Regulated	(1,488)	(1,431)	(3,066)	(2,898)
Non-Regulated	(1,312)	(1,224)	(2,633)	(2,519)
Total cost of sales	(2,800)	(2,655)	(5,699)	(5,417)
Operating margin	670	574	1,263	1,083
General and administrative expenses	(49)	(47)	(103)	(95)
Interest expense	(333)	(390)	(681)	(732)
Interest income	93	138	190	255
Gain (loss) on extinguishment of debt	(12)	—	5	4
Other expense	(18)	(21)	(48)	(29)
Other income	15	12	87	25
Gain (loss) on disposal and sale of businesses	(48)	(17)	(48)	30
Asset impairment expense	(90)	(235)	(258)	(394)
Foreign currency transaction gains (losses)	12	(36)	(8)	4
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXES AND EQUITY IN EARNINGS OF AFFILIATES	240	(22)	399	151
Income tax benefit (expense)	(92)	7	(160)	(90)
Net equity in earnings of affiliates	2	7	9	14
INCOME (LOSS) FROM CONTINUING OPERATIONS	150	(8)	248	75
Income (loss) from operations of discontinued businesses, net of income tax (expense) benefit of \$0, \$(1), \$0 and \$3, respectively	—	3	—	(6)
Net loss from disposal and impairments of discontinued businesses, net of income tax benefit of \$0, \$401, \$0 and \$401, respectively	—	(382)	—	(382)
NET INCOME (LOSS)	150	(387)	248	(313)
Less: Net income attributable to noncontrolling interests and redeemable stock of subsidiaries	(97)	(95)	(219)	(43)
NET INCOME (LOSS) ATTRIBUTABLE TO THE AES CORPORATION AMOUNTS ATTRIBUTABLE TO THE AES CORPORATION COMMON STOCKHOLDERS:	\$53	\$(482)	\$29	\$(356)
Income (loss) from continuing operations, net of tax	\$53	\$(103)	\$29	\$32
Loss from discontinued operations, net of tax	—	(379)	—	(388)
NET INCOME (LOSS) ATTRIBUTABLE TO THE AES CORPORATION				