

**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 December 31, 2020.**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____.**

001-13684

(Commission File Number)

Pyxus International, Inc.

(Exact name of registrant as specified in its charter)

Virginia

(State or other jurisdiction of incorporation)

85-2386250

(I.R.S. Employer
Identification No.)

8001 Aerial Center Parkway

Morrisville, North Carolina

(Address of principal executive offices)

27560

(Zip Code)

(919) 379-4300

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

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 if the registrant has filed all documents and reports required to be filed under 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 January 31, 2021, the registrant had 24,999,947 shares outstanding of Common Stock (no par value).

Pyxus International, Inc. and Subsidiaries
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PRELIMINARY NOTE

This Form 10-Q is being filed by Pyxus International, Inc. (the “Company,” “Pyxus,” “we,” or “us”) as the successor issuer to Old Holdco, Inc. (“Old Pyxus”). The Company was formed in August 2020 to facilitate the Restructuring described below. The terms the “Company,” “Pyxus,” “we,” or “us” when used with respect to periods commencing prior to the effectiveness of the Plan (as defined below), refer to Old Pyxus, unless the context would indicate otherwise.

On June 15, 2020, Old Pyxus (then named Pyxus International, Inc.) and its then subsidiaries Alliance One International, LLC, Alliance One North America, LLC, Alliance One Specialty Products, LLC and GSP Properties, LLC (collectively, the “Debtors”) filed voluntary petitions (the “Chapter 11 Cases”) under Chapter 11 of the United States Bankruptcy Code with the Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”) to implement a prepackaged Chapter 11 plan of reorganization to effectuate a financial restructuring (the “Restructuring”) of Old Pyxus’ secured debt. On August 21, 2020, the Bankruptcy Court issued an order (the “Confirmation Order”) confirming the Amended Joint Prepackaged Chapter 11 Plan of Reorganization (the “Plan”) filed by the Debtors in the Chapter 11 Cases. On August 24, 2020, the Plan became effective in accordance with its terms, and the Debtors emerged from the Chapter 11 Cases. In connection with the satisfaction of the conditions to effectiveness as set forth in the Confirmation Order and the Plan, Old Pyxus completed a series of transactions pursuant to which the business assets and operations of Old Pyxus were vested in a new Virginia corporation, Pyxus Holdings, Inc., which is an indirect subsidiary of the Company. Pursuant to the Confirmation Order and the Plan, at the effectiveness of the Plan all outstanding shares of common stock, and rights to acquire the common stock, of Old Pyxus were cancelled and the shares of common stock of the Company were delivered to certain creditors of Old Pyxus. These and other related matters are discussed in greater detail in the ["Note 3. Emergence from Voluntary Reorganization under Chapter 11"](#) to the "Notes to Condensed Consolidated Financial Statements" included herein.

On January 21, 2021, Canada's Island Garden Inc. (“Figr East”), Figr Norfolk Inc. (“Figr Norfolk”) and Figr Brands, Inc. (“Figr Brands”, and together with Figr East and Figr Norfolk, the “Canadian Cannabis Subsidiaries”), which are indirect subsidiaries of the Company, applied for relief from their respective creditors pursuant to Canada’s Companies’ Creditors Arrangement Act (the “CCAA”) in the Ontario Superior Court of Justice (Commercial List) (the “Canadian Court”) in Ontario, Canada as Court File No. CV-21-00655373-00CL (the “CCAA Proceeding”). On January 21, 2021 (the “Order Date”), upon application by the Canadian Cannabis Subsidiaries, the Canadian Court issued an order for creditor protection of the Canadian Cannabis Subsidiaries pursuant to the provisions of the CCAA and the appointment of FTI Consulting Canada Inc. to serve as the Canadian Court-appointed monitor of the Canadian Cannabis Subsidiaries during the pendency of the CCAA Proceeding (the “Monitor”). On January 29, 2021, the Canadian Court issued an order permitting the Canadian Cannabis Subsidiaries to initiate a sale and investment solicitation process to be conducted by the Monitor and its affiliate to solicit interest in, and opportunities for, a sale of, or investment in, all or substantially all, or one or more components, of the assets and/or the business operations of the Canadian Cannabis Subsidiaries. These and other related matters are discussed in greater detail in ["Note 25. Subsequent Events"](#) to the "Notes to the Condensed Consolidated Financial Statements" included herein.

FORWARD-LOOKING STATEMENTS

Readers are cautioned that the statements contained in this report regarding expectations of our performance or other matters that may affect our business, results of operations, or financial condition are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. These statements, which are based on current expectations of future events, may be identified by the use of words such as “strategy,” “expects,” “continues,” “plans,” “anticipates,” “believes,” “will,” “estimates,” “intends,” “projects,” “goals,” “targets,” and other words of similar meaning. These statements also may be identified by the fact that they do not relate strictly to historical or current facts. If underlying assumptions prove inaccurate, or if known or unknown risks or uncertainties materialize, actual results could vary materially from those anticipated, estimated, or projected. These risks and uncertainties include those discussed in this Quarterly Report on Form 10-Q, including in ["Part II, Item 1A Risk Factors"](#). We do not undertake to update any forward-looking statements that we may make from time to time. In that regard, the Company has not updated any financial projections included in the disclosure statement of the Debtors distributed in the Chapter 11 Cases, and such financial projections are now stale and should no longer be relied upon as a forecast of expected results.

SUMMARY OF RISK FACTORS

This Quarterly Report on Form 10-Q includes, in ["Part II, Item 1A. Risk Factors"](#), a discussion of the most significant risks with respect to making or maintaining an investment in the Company. The following summarizes the principal risks presented in that discussion. Investors are urged to review the full discussion of risks presented in ["Part II, Item 1A. Risk Factors"](#).

- Risks related to our indebtedness, including that:
 - we have substantial debt which may adversely affect us by limiting future sources of financing, interfering with our ability to pay interest, and principal on our indebtedness and subjecting us to additional risks;

- we require a significant amount of cash to service our indebtedness, and our ability to generate cash depends on many factors beyond our control;
- we may not be able to refinance or renew our indebtedness, which may have a material adverse effect on our financial condition;
- we may not be able to satisfy the covenants included in our financing arrangements, which could result in the default of our outstanding debt obligations; and
- despite current indebtedness levels, we may still be able to incur substantially more debt, which could exacerbate further the risks associated with our significant leverage.
- Risks related to the Chapter 11 Cases, our liquidity and our business strategy, including that:
 - our leaf tobacco customers, farmers and other suppliers might lose confidence in us as a result of the Chapter 11 Cases and may seek to establish alternative commercial relationships;
 - foreign lenders that have provided short-term operating credit lines to fund leaf tobacco operations at the local level may lose confidence in us and cease to provide such funding;
 - there continues to be uncertainty and risks associated with our ability to achieve our goals and continue as a going concern;
 - unanticipated developments with respect to our liquidity needs and sources of liquidity could result in a deficiency in liquidity; and
 - our Board of Directors, as reconstituted in connection with the Chapter 11 Cases, may implement changes in our business strategy that could affect the scope of our operations, including the countries in which we continue to operate and the business lines that we continue to pursue, and may result in the recognition of restructuring or asset impairment charges.
- Risks related to the COVID-19 pandemic, including:
 - possible delays in shipments of leaf tobacco, including from the closure or restricted activities at ports or other channels, disruptions to our operations or the operations of suppliers and customers resulting from restrictions on the ability of employees and others in the supply chain to travel and work, border closures, determinations by us or shippers to temporarily suspend operations in affected areas;
 - whether operations at any of our facilities might be halted for some period of time; and
 - whether COVID-19 pandemic concerns may negatively affect consumer purchasing behavior with respect to our products or the products of our leaf tobacco customers.
- Risks related to our leaf tobacco operations, including our reliance on a small number of significant customers, continuation of vertical integration, changes in the timing of anticipated shipments, changes in anticipated geographic product sourcing, uncertainties with respect to our ability to renew or refinance short-term seasonal financing, political instability and other risks associated with the scope of our international operations, currency and interest rate fluctuations, shifts in the global supply and demand position for tobacco products, competition, changes in tax laws and regulations or the interpretation of tax laws and regulations, resolution of tax matters, adverse weather conditions, the impact of disasters or other unusual events affecting international commerce, and changes in costs incurred in supplying products and related services.
- Risks related to the CCAA Proceeding, including:
 - whether the proposed sales processes with respect to any of the Canadian Cannabis Subsidiaries will be successfully completed within the anticipated time frames;
 - the extent to which borrowings under the debtor-in-possession lending facility extended by a separate subsidiary of the Company to the Canadian Cannabis Subsidiaries will be repaid;
 - the extent to which Pyxus will incur liabilities with respect to certain obligations of the Canadian Cannabis Subsidiaries that Pyxus has guaranteed; and
 - the extent of impairment that Pyxus may recognize with respect to its investment in the Canadian Cannabis Subsidiaries.
- Risks related to the continuing business lines in the Company's Other Products and Services segment, including that the new businesses have limited operating histories, are in newly developed markets, may not generate the results that we anticipate and have, and may continue to need significant investment to fund continued operations and expansion, that technologies, processes and formulations may become obsolete, the impact of increasing competition, uncertainties with respect to the development of the industries and markets of the business lines, including the level of consumer demand for such products, the potential for product liability claims, uncertainties with respect to the extent of consumer acceptance of the products offered by the business lines, and the impact of regulation associated with the business lines, including the risk of obtaining anticipated regulatory approvals for nicotine e-liquids products in the United States.

- Risks related to other aspects of our operations, including low investment performance by our defined benefit pension plan assets may increase our pension expense, requiring us to fund a larger portion of our pension obligations and diverting funds from other potential uses, the risk of potential disruption, failure, or security breaches of our internal and externally hosted information technology system, including as a result of cyber-attacks, as well as risks related to our continued maintenance of effective internal control over financial reporting, environmental matters, continued viability of derivative instrument counterparties and the impact of the termination of LIBOR.
- Risks related to ownership of our common stock, including the concentration of ownership of our common stock, with two shareholders that, together with their respective affiliates, beneficially own approximately 56% of the outstanding shares of our common stock, as well as significant levels of our indebtedness, and may have the ability to exercise controlling influence on various corporate matters, volatility in the price of our common stock and the staleness of financial projections filed in the Chapter 11 Cases.
- Risks related to the tobacco industry, including the decline in the overall consumer demand for tobacco products and the impact of litigation against manufacturers of tobacco products and governmental initiatives targeted at reducing consumer demand for tobacco products.

Part I. Financial Information

Item 1. Financial Statements

Pyxus International, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(Unaudited)

	Successor	Predecessor
<i>(in thousands, except per share data)</i>	Three months ended December 31, 2020	Three months ended December 31, 2019
Sales and other operating revenues	\$ 379,560	\$ 363,260
Cost of goods and services sold	317,032	308,133
Gross profit	62,528	55,127
Selling, general, and administrative expenses	45,943	45,911
Other income (expense), net	4,669	(401)
Restructuring and asset impairment charges	7,774	672
Operating income	13,480	8,143
Interest expense (includes debt amortization of \$3,031 and \$2,559, respectively)	24,898	32,200
Interest income	126	442
Loss before income taxes and other items	(11,292)	(23,615)
Income tax expense (benefit)	4,492	(914)
Income from unconsolidated affiliates	7,564	255
Net loss	(8,220)	(22,446)
Net loss attributable to noncontrolling interests	(55)	(453)
Net loss attributable to Pyxus International, Inc.	\$ (8,165)	\$ (21,993)
Loss per share:		
Basic	\$ (0.33)	\$ (2.40)
Diluted	\$ (0.33)	\$ (2.40)
Weighted average number of shares outstanding:		
Basic	25,000	9,166
Diluted	25,000	9,166

See "Notes to Condensed Consolidated Financial Statements"

Pyxus International, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(Unaudited)

	Successor	Predecessor	
<i>(in thousands, except per share data)</i>	Four months ended December 31, 2020	Five months ended August 31, 2020	Nine months ended December 31, 2019
Sales and other operating revenues	\$ 497,394	\$ 447,600	\$ 1,022,911
Cost of goods and services sold	424,498	402,594	867,852
Gross profit	72,896	45,006	155,059
Selling, general, and administrative expenses	61,627	87,858	142,551
Other income (expense), net	2,736	(539)	4,061
Restructuring and asset impairment charges	8,991	566	892
Operating income (loss)	5,014	(43,957)	15,677
Debt retirement expense	—	828	—
Interest expense (includes debt amortization of \$4,307, \$4,082, and \$7,478, respectively)	33,101	46,616	101,346
Interest income	180	1,426	2,966
Reorganization items:			
Gain on settlement of liabilities subject to compromise	—	462,304	—
Professional fees	—	(30,526)	—
United States trustee fees	—	(970)	—
Write-off of unamortized debt issuance costs and discount	—	(5,303)	—
Issuance of exit facility shares and DIP financing fees	—	(208,538)	—
Other debt restructuring costs	—	(19,442)	—
Fresh start reporting adjustments	—	(91,541)	—
(Loss) income before income taxes and other items	(27,907)	16,009	(82,703)
Income tax (benefit) expense	(6,091)	292	25,238
Income from unconsolidated affiliates	7,798	2,358	6,728
Net (loss) income	(14,018)	18,075	(101,213)
Net loss attributable to noncontrolling interests	(540)	(962)	(905)
Net (loss) income attributable to Pyxus International, Inc.	\$ (13,478)	\$ 19,037	\$ (100,308)
(Loss) earnings per share:			
Basic	\$ (0.54)	\$ 1.91	\$ (10.98)
Diluted	\$ (0.54)	\$ 1.91	\$ (10.98)
Weighted average number of shares outstanding:			
Basic	25,000	9,976	9,137
Diluted	25,000	9,992	9,137

See "Notes to Condensed Consolidated Financial Statements"

Pyxus International, Inc. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)

<i>(in thousands)</i>	Successor	Predecessor
	Three months ended December 31, 2020	Three months ended December 31, 2019
Net loss	\$ (8,220)	\$ (22,446)
Other comprehensive (loss) income, net of tax:		
Foreign currency translation adjustment	(145)	1,871
Defined benefit pension amounts reclassified to income	—	312
Change in pension liability for settlements	47	799
Cash flow hedges	(619)	—
Amounts reclassified to income for derivatives	—	576
Total other comprehensive (loss) income, net of tax	(717)	3,558
Total comprehensive loss	(8,937)	(18,888)
Comprehensive loss attributable to noncontrolling interests	(197)	(405)
Comprehensive loss attributable to Pyxus International, Inc.	\$ (8,740)	\$ (18,483)

<i>(in thousands)</i>	Successor	Predecessor	
	Four months ended December 31, 2020	Five months ended August 31, 2020	Nine months ended December 31, 2019
Net (loss) income	\$ (14,018)	\$ 18,075	\$ (101,213)
Other comprehensive (loss) income, net of tax:			
Foreign currency translation adjustment	(952)	4,377	(474)
Defined benefit pension amounts reclassified to income	—	734	934
Change in pension liability for settlements	47	—	(1,213)
Cash flow hedges	(619)	(531)	(147)
Amounts reclassified to income for derivatives	—	—	2,520
Total other comprehensive (loss) income, net of tax	(1,524)	4,580	1,620
Total comprehensive (loss) income	(15,542)	22,655	(99,593)
Comprehensive loss attributable to noncontrolling interests	(661)	(1,030)	(846)
Comprehensive (loss) income attributable to Pyxus International, Inc.	\$ (14,881)	\$ 23,685	\$ (98,747)

See "Notes to Condensed Consolidated Financial Statements"

Pyxus International, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(Unaudited)

	Successor		Predecessor	
	December 31, 2020		December 31, 2019	March 31, 2020
<i>(in thousands)</i>				
Assets				
Current assets				
Cash and cash equivalents	\$	123,167	\$ 72,230	\$ 170,208
Restricted cash		3,779	2,359	2,486
Trade receivables, net		177,556	180,404	226,742
Other receivables		16,404	12,257	12,997
Accounts receivable, related parties		3,344	6,418	5,030
Notes receivable, related parties		—	406	406
Inventories, net		771,821	871,850	730,019
Advances to tobacco suppliers, net		61,773	61,536	38,877
Recoverable income taxes		12,023	9,751	7,562
Prepaid expenses		31,082	22,447	23,383
Other current assets		16,981	14,345	14,658
Total current assets		1,217,930	1,254,003	1,232,368
Restricted cash		389	389	389
Long-term notes receivable, related parties		149	7,466	7,450
Investments in unconsolidated affiliates		92,657	69,368	67,967
Goodwill		37,935	34,570	—
Other intangible assets, net		69,008	67,404	65,948
Deferred income taxes, net		8,929	115,947	2
Long-term recoverable income taxes		3,523	2,618	3,038
Other noncurrent assets		42,870	49,954	48,434
Right-of-use assets		39,416	43,372	41,471
Property, plant, and equipment, net		183,249	303,956	295,996
Total assets	\$	1,696,055	\$ 1,949,047	\$ 1,763,063
Liabilities and Stockholders' Equity				
Current liabilities				
Notes payable to banks	\$	433,571	\$ 580,346	\$ 540,157
Accounts payable		51,945	61,076	67,094
Accounts payable, related parties		28,417	11,077	11,820
Advances from customers		24,881	19,227	18,810
Accrued expenses and other current liabilities		75,813	103,351	89,928
Income taxes payable		2,220	15,444	5,049
Operating leases payable		9,214	14,033	11,160
Current portion of long-term debt		141	325	45,048
Total current liabilities		626,202	804,879	789,066
Long-term taxes payable		7,623	8,523	8,543
Long-term debt		551,925	902,461	904,316
Deferred income taxes		13,234	30,396	22,903
Liability for unrecognized tax benefits		13,327	12,233	12,311
Long-term leases		29,740	28,206	27,843
Pension, postretirement, and other long-term liabilities		74,467	70,315	74,389
Total liabilities		1,316,518	1,857,013	1,839,371
Commitments and contingencies				

(in thousands)	Successor	Predecessor	
	December 31, 2020	December 31, 2019	March 31, 2020
Stockholders' equity			
Common Stock—no par value:			
Authorized shares (250,000 for all periods)			
Issued shares (25,000, 9,963, and 9,976, respectively)	391,089	469,450	469,677
Retained deficit	(13,478)	(324,192)	(488,545)
Accumulated other comprehensive loss	(1,403)	(59,781)	(59,132)
Total stockholders' equity (deficit) of Pyxus International, Inc.	376,208	85,477	(78,000)
Noncontrolling interests	3,329	6,557	1,692
Total stockholders' equity (deficit)	379,537	92,034	(76,308)
Total liabilities and stockholders' equity	\$ 1,696,055	\$ 1,949,047	\$ 1,763,063

See "Notes to Condensed Consolidated Financial Statements"

Pyxus International, Inc. and Subsidiaries
Condensed Statements of Consolidated Stockholders' Equity
(Unaudited)

	Attributable to Pyxus International, Inc.							
	Accumulated Other Comprehensive Loss							
(in thousands)	Common Stock	Retained (Deficit) Earnings	Currency Translation Adjustment	Pensions, Net of Tax	Derivatives, Net of Tax	Noncontrolling Interests	Total Stockholders' Equity	
Balance, March 31, 2020 (Predecessor)	\$ 469,677	\$ (488,545)	\$ (22,509)	\$ (37,154)	\$ 531	\$ 1,692	\$ (76,308)	
Net loss	—	(92,161)	—	—	—	(648)	(92,809)	
Stock-based compensation	117	—	—	—	—	—	117	
Dividends paid	—	—	—	—	—	(120)	(120)	
Other comprehensive (loss) income, net of tax	—	—	(64)	494	(531)	(76)	(177)	
Balance, June 30, 2020 (Predecessor)	469,794	(580,706)	(22,573)	(36,660)	—	848	(169,297)	
Net income	—	111,198	—	—	—	(314)	110,884	
Stock-based compensation	8	—	—	—	—	—	8	
Dividends paid	—	—	—	—	—	(180)	(180)	
Change in investment in subsidiaries	(1,655)	—	—	—	—	(461)	(2,116)	
Other comprehensive income, net of tax	—	—	4,509	240	—	8	4,757	
Cancellation of Predecessor equity	(468,147)	469,508	18,064	36,420	—	99	55,944	
Balance, August 31, 2020 (Predecessor)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Balance, September 1, 2020 (Successor)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Issuance of Successor common stock	391,402	—	—	—	—	—	391,402	
Fresh start adjustment to noncontrolling interests	—	—	—	—	—	4,359	4,359	
Net loss	—	(5,313)	—	—	—	(485)	(5,798)	
Dividends paid	—	—	—	—	—	(123)	(123)	
Other comprehensive (loss) income, net of tax	—	—	(828)	—	—	21	(807)	
Balance, September 30, 2020 (Successor)	391,402	(5,313)	(828)	—	—	3,772	389,033	
Net loss	—	(8,165)	—	—	—	(55)	(8,220)	
Fresh start adjustments	(313)	—	—	—	—	(246)	(559)	
Other comprehensive (loss) income, net of tax	—	—	(3)	47	(619)	(142)	(717)	
Balance, December 31, 2020 (Successor)	\$ 391,089	\$ (13,478)	\$ (831)	\$ 47	\$ (619)	\$ 3,329	\$ 379,537	

Pyxus International, Inc. and Subsidiaries
Condensed Statements of Consolidated Stockholders' Equity
(Unaudited)

<i>(in thousands)</i>	Attributable to Pyxus International, Inc.						Total Stockholders' Equity
	Common Stock	Retained (Deficit) Earnings	Currency Translation Adjustment	Pensions, Net of Tax	Derivatives, Net of Tax	Noncontrolling Interests	
Balance, March 31, 2019 (Predecessor)	\$ 468,936	\$ (223,884)	\$ (21,979)	\$ (36,749)	\$ (2,614)	\$ 8,309	\$ 192,019
Net loss	—	(61,797)	—	—	—	(366)	(62,163)
Stock-based compensation	429	—	—	—	—	—	429
Other comprehensive (loss) income, net of tax	—	—	(430)	311	369	30	280
Balance, June 30, 2019 (Predecessor)	469,365	(285,681)	(22,409)	(36,438)	(2,245)	7,973	130,565
Net loss	—	(16,518)	—	—	—	(86)	(16,604)
Restricted stock surrender	(12)	—	—	—	—	—	(12)
Stock-based compensation	383	—	—	—	—	—	383
Dividends paid	—	—	—	—	—	(480)	(480)
Other comprehensive (loss) income, net of tax	—	—	(1,925)	(1,701)	1,428	(19)	(2,217)
Balance, September 30, 2019 (Predecessor)	469,736	(302,199)	(24,334)	(38,139)	(817)	7,388	111,635
Net loss	—	(21,993)	—	—	—	(453)	(22,446)
Stock-based compensation	242	—	—	—	—	—	242
Purchase of noncontrolling interests in a subsidiary	(528)	—	33	—	—	(426)	(921)
Other comprehensive loss, net of tax	—	—	1,789	1,111	576	48	3,524
Balance, December 31, 2019 (Predecessor)	\$ 469,450	\$ (324,192)	\$ (22,512)	\$ (37,028)	\$ (241)	\$ 6,557	\$ 92,034

*Amounts may not equal column totals due to rounding

See "Notes to Condensed Consolidated Financial Statements"

Pyxus International, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Successor	Predecessor	
<i>(in thousands)</i>	Four months ended December 31, 2020	Five months ended August 31, 2020	Nine months ended December 31, 2019
Operating Activities:			
Net (loss) income	\$ (14,018)	\$ 18,075	\$ (101,213)
Adjustments to reconcile net (loss) income to net cash used by operating activities:			
Depreciation and amortization	13,301	16,580	26,003
Debt amortization/interest	6,552	4,862	9,356
Gain on foreign currency transactions	(2,196)	(11,077)	(3,921)
Asset impairment charges	3,982	213	260
(Income) loss from unconsolidated affiliates, net of dividends	(7,600)	2,915	(128)
Reorganization items	—	(130,215)	—
Changes in operating assets and liabilities, net	(34,356)	(67,054)	(323,681)
Other, net	8,793	(16,360)	6,106
Net cash used by operating activities	(25,542)	(182,061)	(387,218)
Investing Activities:			
Purchases of property, plant, and equipment	(11,557)	(7,757)	(51,479)
Collections on beneficial interests on securitized trade receivables	49,562	74,328	174,741
Loans to unconsolidated affiliates	—	—	(5,250)
Payments to acquire businesses, net of cash acquired	—	(4,805)	—
Other, net	116	(109)	1,604
Net cash provided by investing activities	38,121	61,657	119,616
Financing Activities:			
Net repayments and proceeds from short-term borrowings	(37,915)	(99,969)	156,784
Proceeds from DIP facility	—	206,700	—
Repayment of DIP facility	—	(213,418)	—
Proceeds from term loan facility	—	213,418	—
Proceeds from 10.0% first lien notes	—	280,844	—
Repayment of 8.5% first lien notes	—	(280,844)	—
Proceeds from revolving loans facilities	37,500	27,438	—
Proceeds from long-term borrowings	462	2,568	—
Repayment of revolving loans facilities	—	(44,900)	—
Repayment of second lien notes	—	(1,199)	—
Share repurchases	—	(1,000)	—
Debt issuance costs	(2,657)	(8,486)	(5,245)
DIP financing fees	—	(9,344)	—
Purchase of noncontrolling interests in a subsidiary	—	—	(921)
Other debt restructuring costs	—	(7,574)	—
Other, net	(241)	(565)	(571)
Net cash (used) provided by financing activities	(2,851)	63,669	150,047
Effect of exchange rate changes on cash	(369)	1,628	(5,277)

	Successor	Predecessor	
	Four months ended December 31, 2020	Five months ended August 31, 2020	Nine months ended December 31, 2019
<i>(in thousands)</i>			
Increase (decrease) in cash, cash equivalents, and restricted cash	9,359	(55,107)	(122,832)
Cash and cash equivalents at beginning of period	93,138	170,208	192,043
Restricted cash at beginning of period	24,838	2,875	5,767
Cash, cash equivalents, and restricted cash at end of period	\$ 127,335	\$ 117,976	\$ 74,978
Other information:			
Cash paid for income taxes, net	\$ 8,409	\$ 5,560	\$ 13,768
Cash paid for interest	17,451	54,233	80,191
Cash received from interest	(406)	(1,356)	(2,839)
Cash paid for reorganization items	—	7,314	—
Noncash investing and financing activities:			
Purchases of property, plant, and equipment included in accounts payable	\$ 1,090	\$ 1,759	\$ 4,590
Sales of property, plant, and equipment included in notes receivable	117	304	662
Noncash amounts obtained as a beneficial interest in exchange for transferring trade receivables in a securitization transaction	59,501	66,821	151,149
Cancellation of second lien notes	—	(634,487)	—

See "Notes to Condensed Consolidated Financial Statements"

Pyxus International, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(in thousands, except per share data)

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1. Basis of Presentation and Significant Accounting Policies

The accompanying condensed consolidated financial statements represent the consolidation of Pyxus International, Inc. (the "Company" or "Pyxus") and all companies that Pyxus directly or indirectly controls, either through majority ownership or otherwise. The terms the "Company," "Pyxus," "we," or "us" when used with respect to periods commencing prior to the effectiveness of the Plan (as defined below), refer to Old Pyxus (as defined below), unless the context would indicate otherwise. These condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim information and with the instructions to Form 10-Q and Regulation S-X. Accordingly, they do not include the information and footnotes required by U.S. GAAP for annual financial statements. In the opinion of management, the normal and recurring adjustments necessary for fair statement of financial position, results of operations, and cash flows at the dates and for the periods presented have been included. Intercompany accounts and transactions have been eliminated.

These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Annual Report on Form 10-K for the fiscal year ended March 31, 2020 of Old Holdco, Inc. filed on August 24, 2020. Due to the seasonal nature of the Company's business, the results of operations for a fiscal quarter are not necessarily indicative of the operating results that may be attained for other quarters or a full fiscal year.

The Company applied Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 852 – *Reorganizations* ("ASC 852") in preparing the condensed consolidated financial statements. For periods subsequent to the Chapter 11 filing, ASC 852 requires distinguishing transactions associated with the reorganization separate from activities related to the ongoing operations of the business. Upon the effectiveness of the Plan and the emergence of the Debtors from the

Chapter 11 Cases, the Company determined it qualified for fresh start reporting under ASC 852, which resulted in the Company becoming a new entity for financial reporting purposes on the Effective Date (as defined below). The Company elected to apply fresh start reporting using a convenience date of August 31, 2020 (the "Fresh Start Reporting Date"). The Company evaluated and concluded that the events between August 24, 2020 and August 31, 2020 were not material to the Company's financial reporting on both a quantitative or qualitative basis. Refer to ["Note 4. Fresh Start Reporting"](#) for additional information.

Due to the application of fresh start reporting, the pre-emergence and post-emergence periods are not comparable. The lack of comparability is emphasized by the use of a "black line" to separate the Predecessor and Successor periods in the condensed consolidated financial statements and footnote tables. References to "Successor" relate to our financial position and results of operations after August 31, 2020. References to "Predecessor" relate to our financial position and results of operations on or before August 31, 2020.

Bankruptcy Proceedings

On June 15, 2020, Old Holdco, Inc. (then named Pyxus International, Inc.) ("Old Pyxus") and its then subsidiaries Alliance One International, LLC, Alliance One North America, LLC, Alliance One Specialty Products, LLC, and GSP Properties, LLC (collectively, the "Debtors") filed voluntary petitions (the "Chapter 11 Cases") under Chapter 11 of the United States Bankruptcy Code with the Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") to implement a prepackaged Chapter 11 plan of reorganization to effectuate a financial restructuring (the "Restructuring") of Old Pyxus' secured debt. On August 21, 2020, the Bankruptcy Court issued an order (the "Confirmation Order") confirming the Amended Joint Prepackaged Chapter 11 Plan of Reorganization (the "Plan") filed by the Debtors in the Chapter 11 Cases. On August 24, 2020 (the "Effective Date"), the Plan became effective in accordance with its terms, and the Debtors emerged from the Chapter 11 Cases. In connection with the satisfaction of the conditions to effectiveness as set forth in the Confirmation Order and the Plan, Old Pyxus completed a series of transactions pursuant to which the business assets and operations of Old Pyxus were vested in a new Virginia corporation, Pyxus Holdings, Inc., which is a subsidiary of the Company. Pursuant to the Confirmation Order and the Plan, at the effectiveness of the plan all outstanding shares of common stock, and rights to acquire the common stock, of Old Pyxus were cancelled and the shares of common stock of the Company were delivered to certain creditors of Old Pyxus. Refer to ["Note 3. Emergence from Voluntary Reorganization under Chapter 11"](#) for additional information.

Reorganization Items

Expenditures, gains, and losses that were realized or incurred by the Debtors subsequent to the Petition Date and as a direct result of the Chapter 11 Cases are reported as reorganization items in the condensed consolidated statements of operations. Reorganization items are primarily composed of write-off of unamortized debt issuance costs and discount, fresh start reporting adjustments, legal, valuation, and consulting professional fees pertaining to the Chapter 11 Cases, United States trustee fees, DIP financing fees, other debt restructuring costs, gain on settlement of liabilities subject to compromise, and the issuance of exit facility shares.

Contract Balances

The Company generally records a receivable when revenue is recognized as the timing of revenue recognition may differ from the timing of payment from customers. Payment terms and conditions vary by contract, although terms generally include a requirement of payment within 30 to 60 days. The Company's trade receivables do not bear interest, and they are recorded at the invoiced amount less an estimated allowance for expected credit losses. In addition to estimating an allowance based on specific identification of certain receivables that have a higher probability of not being paid, the Company also records an estimate for expected credit losses for the remaining receivables in the aggregate using a loss-rate method that considers historical bad debts, age of customer receivable balances, and current customer receivable balances. Additionally, the Company considers future reasonable and supportable forecasts of economic conditions to adjust historical loss rate percentages as necessary. Balances are written-off when determined to be uncollectible. Refer to ["Note 5. Revenue Recognition"](#) for a summary of the activity in the allowance for expected credit losses.

Reclassifications

Prior period amounts have been reclassified to conform to the current year presentation of other noncurrent assets in the condensed consolidated balance sheets and certain items in the condensed consolidated statements of cash flows.

2. New Accounting Standards

Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 and its related amendments are intended to provide financial statement users with more decision-useful information about the expected credit losses on financial assets held at amortized cost and other commitments to extend credit held by a reporting entity at each reporting date. Based on the Company's scoping assessment, ASU 2016-13 primarily impacts trade receivables. This guidance was early adopted by the Company as of April 1, 2020 using the modified retrospective approach. The adoption of this new accounting standard did not have a material impact on the Company's financial condition, results of operations, or cash flows.

In August 2018, the FASB issued ASU No. 2018-14, *Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20): Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans*. ASU 2018-14 updates disclosure requirements for defined benefit plans. This guidance was adopted using a retrospective approach and was effective beginning in the first quarter of fiscal year 2021. This new accounting standard did not have a material impact on the Company's financial condition, results of operations, or cash flows; however, expanded disclosures will be required in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2021.

Recent Accounting Pronouncements Not Yet Adopted

In December 2019, the FASB issued ASU No. 2019-12, *Simplifying the Accounting for Income Taxes*. ASU 2019-12 eliminates certain exceptions related to the approach for intra-period tax allocations, the methodology for calculating income taxes during interim periods when there are changes in tax laws or when year-to-date losses exceed anticipated losses, and the recognition of deferred tax liabilities for outside basis differences in foreign investments. This guidance also simplifies aspects of the accounting for franchise taxes that are partially based on income, separate financial statements of legal entities not subject to tax, and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The guidance is effective for the Company on April 1, 2021, with early adoption permitted. The Company is currently evaluating the impact that this new accounting standard will have on its consolidated financial statements and related disclosures.

3. Emergence from Voluntary Reorganization under Chapter 11

Bankruptcy Proceedings

On June 15, 2020, the Debtors filed voluntary petitions under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court for the District of Delaware to implement a prepackaged Chapter 11 plan of reorganization in order to effectuate a financial restructuring of the Debtors' debt. On August 21, 2020, the Bankruptcy Court entered the Confirmation Order pursuant to the Bankruptcy Code, which approved and confirmed the Amended Joint Prepackaged Chapter 11 Plan of Reorganization of Pyxus International, Inc. and Its Affiliated Debtors.

Summary Features of the Plan of Reorganization

On August 24, 2020 (the "Effective Date"), the Plan became effective in accordance with its terms, and the Debtors emerged from the Chapter 11 Cases. In connection with the satisfaction of the conditions to effectiveness as set forth in the Confirmation Order and the Plan, Old Pyxus completed a series of transactions pursuant to which the business assets and operations of Old Pyxus were vested in a new Virginia corporation, Pyxus Holdings, Inc. ("Pyxus Holdings"), which is a subsidiary of the Company. Under the Plan, all suppliers, vendors, employees, trade partners, foreign lenders, and landlords were unimpaired and were to be satisfied in full in the ordinary course of business, and the existing trade and customer contracts and terms of Old Pyxus were to be maintained by the Company and its subsidiaries. Commencing upon the Effective Date, the Company, through its subsidiaries, continued to operate the Old Pyxus business in the ordinary course. Old Pyxus, which retained no assets, has commenced a dissolution process and is being wound down.

Treatment of Claims and Interests

The Plan treated claims against and interest in Old Pyxus upon the effectiveness of the Plan as follows:

- Other Secured Claims (as defined in the Plan) were either (i) paid in full in cash, (ii) satisfied by delivery of collateral securing any such Claim (as defined in the Plan) and payment of any required interest, or (iii) reinstated.
- Other Priority Claims (as defined in the Plan) were paid in full in cash.
- Holders of First Lien Notes Claims (as defined in the Plan) received (i) payment in full in cash of all accrued and unpaid interest on such First Lien Notes, and (ii) the Notes (as defined below).
- Holders (as defined in the Plan) of Second Lien Notes Claims (as defined in the Plan) received, at the Holder's election, (i) their pro rata share of the Company's common stock distributed in connection with the effectiveness of the Plan or (ii) cash equal to 2.00% of the principal amount of all Second Lien Notes beneficially owned by such Holder.
- Lenders under Foreign Credit Lines (as defined in the Plan) were paid in the ordinary course of business in accordance with the terms of the relevant agreement.
- General Unsecured Claims (as defined in the Plan) were paid in the ordinary course of business.
- The existing common stock, and rights to acquire common stock, of Old Pyxus was discharged, cancelled, released, and extinguished and of no further force or effect.

Third Party Releases

Upon the effectiveness of the Plan, certain Holders of Claims and Interests (as such terms are defined in the Plan) with respect to the Debtors, except as otherwise specified in the Plan or Confirmation Order, were deemed to release and discharge the Released Parties (as defined in the Plan) from certain claims, obligations, rights, suits, damages, causes of action and liabilities in connection with the Chapter 11 Cases.

Transactions in Connection with Emergence

As contemplated by the Plan, certain transactions were effected on or prior to the effectiveness of the Plan, including the following:

- Three new Virginia corporations (i.e., the Company (then known as “Pyxus One, Inc.”), Pyxus Parent, Inc. and Pyxus Holdings) were organized.
- Pyxus Parent, Inc. issued all of its equity interests to the Company in exchange for 25.0 million shares of common stock, no par value, of the Company (such common stock is referred to as “New Common Stock” and the 25.0 million shares of which are referred to as the “Equity Consideration”). Pyxus Holdings then issued all of its equity interests to Pyxus Parent, Inc. in exchange for the Equity Consideration.
- Pyxus Holdings entered into the ABL Credit Agreement (as defined below) to borrow cash under the ABL Credit Facility (as defined below) which together with cash on-hand was sufficient to fund (1) the distributions to holders of Allowed Second Lien Notes Claims (as defined in the Plan) that elected to take the Second Lien Notes Cash Option (as defined in the Plan) and (2) the Existing Equity Cash Pool (as defined in the Plan) (collectively such amount of cash is referred to as the “Cash Consideration”).
- Pursuant to an Asset Purchase Agreement, Old Pyxus transferred to Pyxus Holdings all of its assets (including by assuming and assigning all of Old Pyxus’ Executory Contracts and Unexpired Leases (as such terms are defined in the Plan) to Pyxus Holdings in accordance with the Plan, other than those Executory Contracts and Unexpired Leases that were rejected) and Pyxus Holdings assumed all of Old Pyxus’ obligations that are not discharged under the Plan (including all of Old Pyxus’ obligations to satisfy Allowed Administrative Claims, Allowed Professional Fee Claims, Allowed Other Secured Claims, Allowed Other Priority Claims, Allowed Foreign Credit Line Claims, Allowed General Unsecured Claims, Allowed Debtor Intercompany Claims, and Allowed Debtor Intercompany Claims as set forth in the Plan (as such terms are defined in the Plan)) in exchange for (i) Pyxus Holdings transferring the Equity Consideration to Old Pyxus, (ii) Pyxus Holdings transferring the Cash Consideration to Old Pyxus, (iii) Pyxus Holdings issuing the Notes (as defined below) under the Indenture (as defined below) which, on behalf of Old Pyxus, was issued to the Holders of Allowed First Lien Notes Claims (as defined in the Plan) as set forth in the Plan, and (iv) Pyxus Holdings issuing the Term Loans (as defined below) under the Term Loan Credit Facility (as defined below) which, on behalf of Old Pyxus, was issued to the holders of the DIP Facility Claims (as defined in the Plan) as set forth in the Plan. In addition to the transfer of assets to Pyxus Holdings, Pyxus Holdings made an offer of employment to all employees of Old Pyxus and all such employees became employed by Pyxus Holdings, or a designated subsidiary, upon the effectiveness of the Plan on the same terms and conditions existing immediately prior to the effectiveness of the Plan.
- The Company and Pyxus Parent, Inc., along with each applicable subsidiary of the Company, guaranteed the Notes, the Term Loan Credit Facility, and the ABL Credit Facility.
- Old Pyxus provided for the distribution of (i) the Notes to the Holders of Allowed First Lien Notes Claims pursuant to the Plan, (ii) approximately 12.5 million shares of New Common Stock to Holders of Allowed Second Lien Notes Claims (as defined in the Plan) that elected to receive New Common Stock under the Second Lien Notes Stock Option (as defined in the Plan) pursuant to the Plan, (iii) cash to the Holders of Allowed Second Lien Notes Claims that elected to take or are deemed to elect to take the Second Lien Notes Cash Option (as defined in the Plan), (iv) cash to the Qualifying Holders (as defined in the Plan) of the common stock of Old Pyxus pursuant to the Plan, (v) the Term Loans under the Term Loan Credit Facility and approximately 11.1 million shares of New Common Stock to the Holders of the DIP Facility Claims pursuant to the Plan, and (vi) approximately 1.4 million shares of New Common Stock in satisfaction of the Second Lien Notes RSA Fee Shares (as defined in the Plan) and in satisfaction of the Backstop Fee Shares (as defined in the Plan) to the persons entitled thereto pursuant to the terms and conditions of the Restructuring Support Agreement, dated June 14, 2020, by and among Old Pyxus and certain of its creditors party thereto, which was filed as Exhibit 10.1 to the Current Report on Form 8-K of Old Pyxus filed on June 15, 2020.

- Old Pyxus changed its name to Old Holdco, Inc., and the Company changed its name to Pyxus International, Inc.
- The Company elected a board of directors, initially comprising J. Pieter Sikkel, Holly Kim, and Patrick Fallon, and appointed as its officers the individuals serving as officers of Old Pyxus to the same offices held immediately prior to the effectiveness of the Old Plan.

The Company as Successor Issuer

As a result of these transactions, the Company is deemed to be the successor issuer to Old Pyxus under Rule 12g-3 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). As a result, the shares of New Common Stock were deemed to be registered under Section 12(g) of the Exchange Act and the Company was thereby deemed to be subject to the informational requirements of the Exchange Act, and the rules and regulations promulgated thereunder and, in accordance therewith, is required to file reports and other information with the Securities and Exchange Commission.

ABL Credit Facility

On the Effective Date, Pyxus Holdings entered into an Exit ABL Credit Agreement (the “ABL Credit Agreement”), dated as of August 24, 2020 by and among, amongst others, Pyxus Holdings, certain lenders party thereto and Wells Fargo Bank, National Association, as administrative agent and collateral agent to establish an asset-based revolving credit facility (the “ABL Credit Facility”). The ABL Credit Facility may be used for revolving credit loans and letters of credit from time to time up to an initial maximum principal amount of \$75.0 million, subject to certain limitations. The ABL Credit Facility matures on February 24, 2023, subject to potential extension on terms and conditions set forth in the ABL Credit Agreement. Refer to [“Note 15. Debt Arrangements”](#) for a description of the ABL Credit Agreement and the ABL Credit Facility.

Term Loan Credit Facility

On the Effective Date, Pyxus Holdings entered into an Exit Term Loan Credit Agreement (the “Term Loan Credit Agreement”), dated as of August 24, 2020 by and among, amongst others, Pyxus Holdings, certain lenders party thereto and Alter Domus (US) LLC, as administrative agent and collateral agent to establish a term loan credit facility in an aggregate principal amount of approximately \$213.4 million (the “Term Loan Credit Facility”). The aggregate principal amount of loans outstanding under Debtors’ debtor-in-possession financing facility (the “DIP Facility”), and related fees, were converted into, or otherwise satisfied with the proceeds of, the Term Loan Credit Facility. The loans made under the Term Loan Credit Facility (the “Term Loans”) and the Term Loan Credit Facility mature on February 24, 2025. Refer to [“Note 15. Debt Arrangements”](#) for a description of the Term Loan Credit Agreement, the Term Loan Credit Facility and the Term Loans.

Senior Secured First Lien Notes

On the Effective Date, Pyxus Holdings issued approximately \$280.8 million in aggregate principal amount of its 10.00% Senior Secured First Lien Notes due 2024 (the “Notes”) to holders of Allowed First Lien Notes Claims (as defined in the Plan) pursuant to an Indenture (the “Indenture”) dated as of the Effective Date among Pyxus Holdings, the initial guarantors party thereto, and Wilmington Trust, National Association, as trustee, and collateral agent. The Notes mature on August 24, 2024. Refer to [“Note 15. Debt Arrangements”](#) for a description of the Notes and the Indenture.

Shareholders Agreement

On August 24, 2020, the Company entered into a Shareholders Agreement (the “Shareholders Agreement”), among the Company and the investors listed therein, each other beneficial owner of the Company’s common stock as of the date of the Shareholder Agreement deemed to be a party thereto pursuant to the Plan and other persons that may from time to time become parties thereto (collectively, the “Investors”). The Shareholders Agreement provides that each of Glendon Capital Management LP (together with its affiliates, the “Glendon Investor”) and Monarch Alternative Capital LP (together with its affiliates, the “Monarch Investor”) shall be entitled to nominate two individuals to serve on the seven-member board of directors of the Company so long as it beneficially owns at least 20% of the outstanding shares of the Company’s common stock, or one individual to serve as such a director if it beneficially owns fewer than 20% of the outstanding shares but at least 10% of the outstanding shares. The Shareholders Agreement provides that the Investors shall take all necessary action to elect such nominees of each of the Glendon Investor and the Monarch Investor as directors, as well as the election of the chief executive officer of the Company as a director and other individuals qualifying as independent directors to be selected by Investors that beneficially own 5% or more of the outstanding shares of common stock of the Company, as determined by a majority of the shares of the Company’s common stock beneficially owned by such Investors. The Shareholders Agreement provides that the chairperson of the board of directors of the Company is to be elected by a majority of the directors that had been nominated by the Glendon Investor (the “Glendon Directors”) and those that had been nominated by the Monarch Investor (the “Monarch Directors”), with the chairperson of such board to be elected by the board of directors of the Company if the Glendon Directors and Monarch Directors are together fewer than three in number or fail to appoint a chairperson. The Shareholders Agreement also includes provisions for the removal and replacement of the Glendon Directors at the request of the Glendon Investor and the removal and replacement of the Monarch Directors at the request of the Monarch Director, as well as provisions with

respect to the calling and quorum of meetings of the board of directors of the Company, membership of committees of the board of directors of the Company, and compensation and insurance of members of the board of directors of the Company.

The Shareholders Agreement also provides for tag-along rights for Investors beneficially owning 1% or more of the outstanding shares of the Company's common stock (the "1% Investors") upon the transfer by an Investor or group of Investors of 20% or more of the outstanding shares of the Company's common stock, drag-along rights upon the transfer of shares by an Investor or group of Investors of 50% or more of the outstanding shares of the Company's common stock, rights of first offer with respect to the transfer by an Investor, subject to certain exceptions, of 1% or more of the outstanding shares of the Company common stock, pre-emptive rights to the 1% Investors upon issuance of new securities by the Company, and demand and piggyback registration rights.

The Shareholders Agreement includes the agreement of the Investors not to transfer shares of common stock of the Company (i) in violation of federal and state securities laws, (ii) in a transfer that would cause the Company to be regarded as an "investment company" under the Investment Company Act of 1940, as amended, (iii) in a transfer, at any time that the Company is not subject to the reporting requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, that would cause the number of holders of the Company's common stock to exceed specified thresholds, or (iv) in a transfer that is, to the knowledge of the transferor after reasonable inquiry, (A) to any specified competitor of the Company (B) or to a person that would become either a beneficial owner of 5% of the outstanding common stock of the Company or a "5-percent shareholder" within the meaning of Section 382 of the Internal Revenue Code and the regulations promulgated thereunder (collectively, a "5% Holder"). The Shareholders Agreement provides that the board of directors may waive these restrictions, provided that any waiver of the restriction with respect to a person that would become a 5% Holder upon such transfer may be waived only if the transferee enters into a joinder agreeing to be bound by the Shareholders Agreement.

4. Fresh Start Reporting

In connection with the emergence from Chapter 11 Cases, the Company qualified for fresh start reporting as (i) the holders of existing voting shares of the Predecessor received less than 50% of the voting shares of the Successor Company and (ii) the preliminary reorganization value of the Company's assets immediately prior to confirmation of the Plan was less than the post-petition liabilities and allowed claims. In accordance with ASC 852, with the application of fresh start reporting, the Company allocated the preliminary reorganization value to its individual assets and liabilities based on their estimated fair values. The Effective Date estimated fair values of certain of the Company's assets and liabilities differed materially from their recorded values as reflected on the historical balance sheets.

Reorganization Value

The reorganization value represents the fair value of the Company's total assets before considering liabilities and is intended to approximate the amount a willing buyer would pay for the Company's assets immediately after restructuring. The reorganization value was derived from the enterprise value, which represents the estimated fair value of an entity's long-term debt and equity. As set forth in the Plan, the enterprise value (excluding cash) of the Company was estimated to be in the range of \$1,251,000 to \$1,524,000 with a midpoint of \$1,388,000. The Company estimated its enterprise value to be \$1,252,379, which is near the low point of the range. The Company believes utilizing an estimated enterprise value near the low point of the range is appropriate due to the identification of Level 1 trading activity that indicated the estimated enterprise value was near the low point of the range, the Company's performance lagging behind plan (due in part to the continued impact of the COVID-19 pandemic), and the utilization of an increased discount rate for the Other Products and Services long-term projections.

The estimated enterprise value is not necessarily indicative of actual value or financial results. Changes in the economy or the financial markets could result in a different estimated enterprise value. The calculated enterprise value relies on the three methodologies listed below collectively. The actual value of the business is subject to certain uncertainties and contingencies that are difficult to predict and will fluctuate with changes in various factors affecting the financial conditions and prospects of the business.

The following reconciles the estimated enterprise value to the estimated fair value of the Successor common stock as of the Fresh Start Reporting Date:

Enterprise value, excluding cash	\$ 1,252,379
Plus: cash, cash equivalents, and restricted cash	117,587
Less: fair value of debt	(974,205)
Fair value of Successor stockholders' equity	\$ 395,761
Shares issued upon emergence	25,000
Per share value	\$ 15.83

The following reconciles estimated enterprise value to the reorganization value of the Successor assets to be allocated to individual assets as of the Fresh Start Reporting Date:

Enterprise value, excluding cash	\$ 1,252,379
Plus: cash, cash equivalents, and restricted cash	117,587
Plus: working capital liabilities	170,905
Plus: other operating liabilities	54,700
Plus: non-operating liabilities	113,954
Reorganization value of Successor assets	\$ 1,709,525

With the assistance of financial advisors, the Company determined the estimated enterprise value and the corresponding estimated equity value of the Successor by considering various valuation methods, including (i) discounted cash flow method, (ii) guideline public company method, and (iii) selected transaction analysis method. The use and reliability of each approach is dependent on the facts and circumstances of the business being valued.

In order to estimate the enterprise value using the discounted cash flow analysis approach, the Company's estimated future cash flow projections through 2024, plus a terminal value calculated using a capitalization rate applied to normalized cash flows were discounted to an assumed present value using our estimated weighted average cost of capital (12%), which represents the internal rate of return.

Condensed Consolidated Balance Sheet

The adjustments set forth in the following condensed consolidated balance sheet as of August 31, 2020 reflect the effects of the transactions contemplated by the Plan and executed on the Fresh Start Reporting Date (reflected in the column entitled "Reorganization Adjustments") as well as the fair value and other required accounting adjustments resulting from the adoption of fresh start reporting (reflected in the column entitled "Fresh Start Reporting Adjustments").

(in thousands)	As of August 31, 2020				
	Predecessor	Reorganization Adjustments	Fresh Start Reporting Adjustments		Successor
			As Reported at September 30, 2020	As Adjusted at December 31, 2020	
Assets					
Current assets					
Cash and cash equivalents	\$ 111,427	\$ (18,289)	(1) \$ —	\$ —	\$ 93,138
Restricted cash	2,949	21,500	(2) —	—	24,449
Trade receivables, net	152,309	—	—	—	152,309
Other receivables	13,227	—	—	—	13,227
Accounts receivable, related parties	2,780	—	—	—	2,780
Inventories, net	861,851	—	—	—	861,851
Advances to tobacco suppliers, net	44,061	—	—	—	44,061
Recoverable income taxes	5,830	—	—	—	5,830
Prepaid expenses	34,350	—	—	—	34,350
Other current assets	15,059	—	—	—	15,059
Total current assets	1,243,843	3,211	—	—	1,247,054

Restricted cash	389	—	—	—	389
Investments in unconsolidated affiliates	54,460	—	13,291	30,531 (13)	84,991
Goodwill	6,120	—	48,756	31,815 (14)	37,935
Other intangible assets, net	64,924	—	1,596	6,075 (15)	70,999
Deferred income taxes, net	125	—	9,638	7,484 (16)	7,609
Long-term recoverable income taxes	3,130	—	—	—	3,130
Other noncurrent assets	45,821	3,139 (3)	(310)	(310) (17)	48,650
Right-of-use assets	39,576	—	(4,281)	(4,281) (18)	35,295
Property, plant, and equipment, net	299,293	—	(124,965)	(125,820) (19)	173,473
Total assets	\$ 1,757,681	\$ 6,350	\$ (56,275)	\$ (54,506)	\$ 1,709,525

Liabilities and Stockholders' Equity

Current liabilities

Notes payable to banks	\$ 461,783	\$ —	\$ —	\$ —	\$ 461,783
DIP financing	206,700	(206,700) (4)	—	—	—
Accounts payable	58,813	334 (5)	25	25	59,172
Accounts payable, related parties	26,125	—	—	—	26,125
Advances from customers	23,967	—	—	—	23,967
Accrued expenses and other current liabilities	113,118	(31,853) (6)	(1,792)	(1,792) (20)	79,473
Income taxes payable	8,319	—	—	—	8,319
Operating leases payable	11,083	—	(992)	(992) (21)	10,091
Current portion of long-term debt	90	—	—	—	90
Total current liabilities	909,998	(238,219)	(2,759)	(2,759)	669,020
Long-term taxes payable	7,623	—	—	—	7,623
Long-term debt	277,090	250,546 (7)	(15,304)	(15,304) (22)	512,332
Deferred income taxes	20,749	91 (8)	(10,070)	(7,742) (23)	13,098
Liability for unrecognized tax benefits	13,420	—	—	—	13,420
Long-term leases	25,728	—	(2,263)	(2,263) (21)	23,465
Pension, postretirement, and other long-term liabilities	71,898	—	3,467	3,467 (24)	75,365
Total liabilities not subject to compromise	1,326,506	12,418	(26,929)	(24,601)	1,314,323
Liabilities subject to compromise					
Debt subject to compromise	635,686	(635,686) (9)	—	—	—
Accrued interest on debt subject to compromise	26,156	(26,156) (9)	—	—	—
Total liabilities subject to compromise	661,842	(661,842)	—	—	—
Total liabilities	1,988,348	(649,424)	(26,929)	(24,601)	1,314,323

Stockholders' equity

Common Stock—no par value:					
Predecessor common stock (shares)	9,976	(9,976)	—	—	—
Successor common stock (shares)	—	25,000	—	—	25,000
Predecessor additional paid-in capital	468,147	(468,147) (10)	—	—	—
Successor additional paid-in capital	—	391,402 (11)	—	(313)	391,089
Retained deficit	(644,250)	728,160 (12)	(83,910)	(83,910) (25)	—
Accumulated other comprehensive loss	(54,484)	—	54,484	54,484 (26)	—
Total stockholders' equity (deficit) of Pyxus International, Inc.	(230,587)	651,415	(29,426)	(29,739)	391,089
Noncontrolling interests	(80)	4,359	80	(166)	4,113
Total stockholders' equity (deficit)	(230,667)	655,774	(29,346)	(29,905)	395,202
Total liabilities and stockholders' equity	\$ 1,757,681	\$ 6,350	\$ (56,275)	\$ (54,506)	\$ 1,709,525

(1) The following summarizes the change in cash and cash equivalents:

Proceeds from ABL Credit Facility, net of debt issuance costs	\$ 26,861
Repayment of DIP Facility	(213,418)
Proceeds from Term Loan Credit Facility	213,418
Proceeds from 10.0% first lien notes	280,844
Repayment of 8.5% first lien notes	(280,844)
Payment to fund professional fee escrow account	(21,500)
Payment of other professional and administrative fees	(11,828)
Payment of accrued interest on DIP Facility	(494)
Payment to holders of Predecessor second lien notes that elected the cash option	(1,199)
Payment to holders of Predecessor common stock	(1,000)
Payment of accrued interest on prepetition Predecessor first lien notes	(9,129)
	<u>\$ (18,289)</u>

(2) Represents the funding of an escrow account for professional fees associated with the Chapter 11 Cases.

(3) Represents the capitalization of debt issuance costs related to the ABL Credit Facility.

(4) Represents the conversion of the DIP Facility that was exchanged for the Term Loans, and accordingly reclassified to long-term debt.

(5) Reflects the recognition of payables for professional fees to be paid subsequent to the Company's emergence from Chapter 11 Cases.

(6) The following summarizes the net change in accrued expenses and other current liabilities:

Payment of accrued interest on the DIP Facility	\$ (494)
Payment of accrued interest on the Predecessor first lien notes	(9,129)
Settlement of accrued backstop fee through the issuance of common stock	(18,000)
Reclassification of DIP Facility exit fee to long-term debt	(6,718)
Recognition of accrued interest from the Effective Date to the Convenience Date	1,044
Accrual for professional fees	1,444
	<u>\$ (31,853)</u>

(7) The following summarizes the changes in long-term debt:

Draw on the ABL Credit Facility	\$ 30,000
Issuance of the Term Loans ⁽¹⁾	213,418
Conversion of redemption fee on Predecessor first lien notes to Successor Notes	5,843
Derecognition of the original issue discount and the debt issuance costs on Predecessor first lien notes	1,285
	<u>\$ 250,546</u>

(1) Includes \$6,718 related to the DIP Facility exit fee

(8) Represents the recognition of deferred tax liabilities as a result of the cumulative tax impact of the reorganization adjustments herein.

- (9) Represents the settlement of liabilities subject to compromise in accordance with the Plan, which resulted in a gain on the discharge of the Predecessor second lien notes as follows:

Debt subject to compromise	\$ 635,686
Accrued interest on debt subject to compromise	26,156
Total second lien notes discharged	661,842
Payment to holders of second lien notes electing cash option	(1,199)
Value of common stock issued to holders of second lien notes	(198,339)
Gain on discharge of second lien notes	\$ 462,304

- (10) Represents the cancellation of Predecessor common stock.

- (11) The changes in Successor additional paid-in capital were as follows:

Value of Successor common stock, second lien notes	\$ 198,339
Value of Successor common stock, other	193,063
	\$ 391,402

- (12) Represents \$260,013 of cumulative impact to Predecessor retained deficit as a result of the reorganization adjustments described above and \$468,147 for the elimination of Predecessor common stock.

- (13) Represents fair value adjustments to the Company's equity method investments.

- (14) Represents reorganization value in excess of value allocable to tangible and intangible assets.

- (15) Represents the fair value adjustments to recognize the customer relationships, licenses, technology (inclusive of patents and know how), trade names, and internally developed software intangible assets.

- (16) Represents the recognition of deferred tax assets as a result of the cumulative tax impact of the fresh start adjustments herein.

- (17) Represents an adjustment to pension assets of (\$352), partially offset by other adjustments of \$42.

- (18) Represents the fair value adjustments to right-of-use lease assets.

- (19) Represents the following fair value adjustments to property, plant, and equipment, net:

	Predecessor Historical Value	Fair Value Adjustment	Successor Fair Value
Land	\$ 33,562	\$ (104)	\$ 33,458
Buildings	259,255	(195,797)	63,458
Machinery and equipment	198,708	(122,151)	76,557
Total	491,525	(318,052)	173,473
Less: Accumulated Depreciation	(192,232)	192,232	—
Total property, plant, and equipment, net	\$ 299,293	\$ (125,820)	\$ 173,473

- (20) Represents the revaluation of the current pension liability of (\$1,800), partially offset by an adjustment to financing leases of \$8.

- (21) Represents the Company's recalculation of lease obligations using a higher incremental borrowing rate applicable upon emergence from Chapter 11 Cases and commensurate with the new capital structure.

- (22) Represents the fair value adjustment to the first lien notes.

- (23) Represents the adjustment of deferred tax liabilities as a result of the cumulative tax impact of the fresh start valuation adjustments herein.

- (24) Represents the recalculation of the present value of the Company's pension liability.

- (25) Represents the cumulative impact of the remeasurement of assets and liabilities from fresh start reporting, \$7,631 of tax effect of reorganization items, and the elimination of Predecessor's accumulated other comprehensive losses for the five months ended August 31, 2020.

- (26) Represents the derecognition of accumulated other comprehensive loss as a result of reorganization pension adjustments, and the elimination of Predecessor's foreign currency translation adjustments.

5. Revenue Recognition

Product revenue is primarily processed tobacco sold to the customer. Processing and other revenues are mainly contracts to process customer-owned green tobacco. During processing, ownership remains with the customers. Other products and services revenue is primarily composed of revenue from the sale of legal cannabis in Canada and e-liquids product revenue. The following disaggregates sales and other operating revenues by major source:

	Successor	Predecessor
	Three months ended December 31, 2020	Three months ended December 31, 2019
Leaf - North America:		
Product revenue	\$ 46,588	\$ 39,148
Processing and other revenues	13,956	13,868
Total sales and other operating revenues	60,544	53,016
Leaf - Other Regions:		
Product revenue	298,376	293,564
Processing and other revenues	12,007	12,936
Total sales and other operating revenues	310,383	306,500
Other Products and Services:		
Total sales and other operating revenues	8,633	3,744
Total sales and other operating revenues	\$ 379,560	\$ 363,260

	Successor	Predecessor	
	Four months ended December 31, 2020	Five months ended August 31, 2020	Nine months ended December 31, 2019
Leaf - North America:			
Product revenue	\$ 63,693	\$ 51,211	\$ 114,548
Processing and other revenues	16,828	6,523	24,873
Total sales and other operating revenues	80,521	57,734	139,421
Leaf - Other Regions:			
Product revenue	387,785	355,902	825,522
Processing and other revenues	19,586	24,595	42,316
Total sales and other operating revenues	407,371	380,497	867,838
Other Products and Services:			
Total sales and other operating revenues	9,502	9,369	15,652
Total sales and other operating revenues	\$ 497,394	\$ 447,600	\$ 1,022,911

The following summarizes activity in the allowance for expected credit losses:

	Successor	Predecessor
	Three months ended December 31, 2020	Three months ended December 31, 2019
Balance, beginning of period	\$ (15,091)	\$ (7,242)
Additions	(2,187)	(5)
Write-offs	—	—
Balance, end of period	\$ (17,278)	\$ (7,247)
Trade receivables	194,834	187,651
Trade receivables, net	\$ 177,556	\$ 180,404

	Successor	Predecessor	
	Four months ended December 31, 2020	Five months ended August 31, 2020	Nine months ended December 31, 2019
Balance, beginning of period	\$ (15,361)	\$ (15,893)	\$ (13,381)
Additions	(2,187)	—	—
Write-offs	270	532	6,134
Balance, end of period	\$ (17,278)	\$ (15,361)	\$ (7,247)
Trade receivables	194,834	167,670	187,651
Trade receivables, net	\$ 177,556	\$ 152,309	\$ 180,404

6. Restructuring and Asset Impairment Charges

In December 2020, the Company commenced actions to exit operations of the industrial hemp businesses, including the production and sale of products containing extracts of industrial hemp, including cannabidiol ("CBD") products, by its Criticality LLC subsidiary ("Criticality"). In addition, the Company continued its focus on cost saving initiatives. The employee separation and impairment charges are primarily related to continued restructuring of certain U.S. operations, which included Criticality, and certain African operations.

The following summarizes the Company's restructuring and asset impairment charges:

	Successor	Predecessor
	Three months ended December 31, 2020	Three months ended December 31, 2019
Employee separation charges	\$ 4,087	\$ 531
Asset impairment and other non-cash charges	3,687	141
Restructuring and asset impairment charges	\$ 7,774	\$ 672

	Successor	Predecessor	
	Four months ended December 31, 2020	Five months ended August 31, 2020	Nine months ended December 31, 2019
Employee separation charges	\$ 5,009	\$ 353	\$ 632
Asset impairment and other non-cash charges	3,982	213	260
Restructuring and asset impairment charges	\$ 8,991	\$ 566	\$ 892

The following summarizes the activity in the restructuring accrual for employee separation and other cash charges for the Company's Leaf - North America, Leaf - Other Regions, and Other Products and Services segments:

	Successor			Predecessor	
	Three months ended December 31, 2020			Three months ended December 31, 2019	
	Other Products and Services	Leaf - North America	Leaf - Other Regions	Leaf - North America	Leaf - Other Regions
Beginning balance	\$ —	\$ 1,174	\$ 229	\$ 266	\$ 214
Period charges	2,105	584	1,398	—	531
Payments	—	(567)	(922)	(251)	(646)
Ending balance	\$ 2,105	\$ 1,191	\$ 705	\$ 15	\$ 99

	Successor			Predecessor			
	Four months ended December 31, 2020			Five months ended August 31, 2020		Nine months ended December 31, 2019	
	Other Products and Services	Leaf - North America	Leaf - Other Regions	Leaf - North America	Leaf - Other Regions	Leaf - North America	Leaf - Other Regions
Beginning balance	\$ —	\$ 312	\$ 255	\$ —	\$ 407	\$ 1,621	\$ 222
Period charges	2,105	1,506	1,398	312	40	8	624
Payments	—	(627)	(948)	—	(192)	(1,614)	(747)
Ending balance	\$ 2,105	\$ 1,191	\$ 705	\$ 312	\$ 255	\$ 15	\$ 99

The following summarizes the asset impairment and other non-cash charges for the Company's Leaf - North America, Leaf - Other Regions, and Other Products and Services segments:

	Successor	Predecessor
	Three months ended December 31, 2020	Three months ended December 31, 2019
Leaf - North America	\$ —	\$ —
Leaf - Other Regions	733	141
Other Products and Services	2,954	—
Total	3,687	\$ 141

	Successor	Predecessor	
	Four months ended December 31, 2020	Five months ended August 31, 2020	Nine months ended December 31, 2019
Leaf - North America	\$ —	\$ 17	\$ —
Leaf - Other Regions	\$ 1,028	196	260
Other Products and Services	2,954	—	—
Total	\$ 3,982	\$ 213	\$ 260

7. Income Taxes

As described in “[Note 3. Emergence from Voluntary Reorganization under Chapter 11](#)”, on August 24, 2020, as part of the Chapter 11 plan of reorganization, Old Pyxus completed a series of transactions pursuant to which the business assets and operations of Old Pyxus were vested in a new Virginia corporation, Pyxus Holdings, which is an indirect subsidiary of the Company. Under the Plan, all suppliers, vendors, employees, trade partners, foreign lenders and landlords were unimpaired and were to be satisfied in full in the ordinary course of business, and the existing trade and customer contracts and terms of Old Pyxus were to be maintained by the Company and its subsidiaries. Commencing upon the Effective Date, the Company, through its subsidiaries, continued to operate the Old Pyxus business in the ordinary course. Old Pyxus, which retained no assets, has commenced a dissolution and is being wound down.

The tax attributes generated by Old Pyxus’ foreign subsidiaries (net operating loss carryforwards and income tax credits) survived the Chapter 11 proceedings and we expect, to the extent that a valuation allowance is not applicable, to use these tax attributes to reduce future tax liabilities. For U.S. tax purposes, tax attributes not utilized as part of the Chapter 11 proceedings or asset sale to Pyxus Holdings pursuant to the Plan will expire unutilized.

The Company entered into a transfer agreement with Old Pyxus to transfer and assume the liability for unpaid installments payments of Old Pyxus under Internal Revenue Code Section 965(h) (i.e. transition tax) in the amount of \$8,543.

Valuation allowances have been established against deferred tax assets if, based on the available positive and negative evidence, it is more likely than not such assets will not be realized. The ability to realize deferred tax assets depends on the ability to generate sufficient taxable income within the carryback or carryforward periods provided for in the tax law of each applicable tax jurisdiction. The Company and Old Pyxus have considered the following possible sources of taxable income when assessing the realization of our and Old Pyxus’ deferred tax assets:

- future reversals of existing taxable temporary differences;
- future taxable income exclusive of reversing temporary differences and carryforwards;
- tax income in prior carryback years; and
- tax-planning strategies.

If, in the future, the Company overcomes negative evidence in tax jurisdictions where it has established valuation allowances, then the conclusions regarding the need for valuation allowances in these tax jurisdictions could change, resulting in the reversal of some or all of such valuation allowances. If the Company generates taxable income in tax jurisdictions prior to overcoming negative evidence, then it would reverse a portion of the valuation allowances related to the corresponding realized tax benefit for that period, without changing its conclusions on the need for the valuation allowance against the remaining net deferred tax assets.

For interim tax reporting, the Company estimates its annual effective tax rate and applies it to year-to-date ordinary income/loss pursuant to FASB ASC 740-270, “*Accounting for Income Taxes in Interim Periods*.” The Company reports the tax effect of unusual or infrequently occurring items, including changes in judgement about valuation allowances, uncertain tax positions, and effects of changes in tax laws or rates in the interim period in which they occur. The Company excludes tax jurisdictions where it has projected a year to date loss for which a tax benefit cannot be realized in accordance with FASB ASC 740, “*Accounting for Income Taxes*”. Old Pyxus reported on a discrete basis for the period April 1, 2020 through August 31, 2020.

The effective rate differs from the US statutory rate of 21% due to the impact of net foreign exchange effects, increases in non-deductible interest, foreign income taxed in the U.S., variations in the expected jurisdictional mix of earnings, and variations in included/excluded entities per adherence to FASB ASC 240-270. The Company has allocated \$4,814 of the year-to-date tax benefit to a current tax receivable as it expects the year-to-date loss to offset current taxes payable throughout the remainder of the current year.

As of December 31, 2020, the Company’s unrecognized tax benefits totaled \$15,958, of which \$12,371 would impact the Company’s effective tax rate, if recognized. The Company recognizes interest and penalties related to unrecognized tax benefits in income tax expense. As of December 31, 2020, accrued interest and penalties totaled \$1,353 and \$669, respectively. The Company expects to continue accruing interest expense related to the unrecognized tax benefits described above. The Company may be subject to fluctuations in the unrecognized tax benefit due to currency exchange rate movements.

The Company does not expect significant changes in the amount of its unrecognized tax benefits in the next twelve months but acknowledges circumstances can change due to unexpected developments in the law. In certain jurisdictions, tax authorities have challenged positions taken by the Company that resulted in recognizing benefits that are material to its financial statements. The Company believes it is more likely than not that it will prevail in these situations and accordingly has not

recorded liabilities for these positions. The Company expects the challenged positions to be settled at a time greater than twelve months from its balance sheet date.

The Company and its subsidiaries file a U.S. federal consolidated income tax return as well as returns in several U.S. states and a number of foreign jurisdictions. As of December 31, 2020, the Company's earliest open tax year for U.S. federal income tax purposes is its fiscal year ended March 31, 2017. The Company's tax attributes from prior periods remain subject to adjustment. Open tax years in state and foreign jurisdictions generally range from three to six years.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted in response to the COVID-19 pandemic. The CARES Act contains numerous corporate income tax provisions, some of which affect our calculation of income taxes, including providing for the carryback of certain net operating losses, modifications to the net interest deduction limitations, refundable payroll tax credits, and deferment of employer social security payments. However, the provisions did not have a material impact on our Predecessor or Successor financial statements.

8. (Loss) Earnings Per Share

The following summarizes the computation of (loss) earnings per share:

	Successor	Predecessor
	Three months ended December 31, 2020	Three months ended December 31, 2019
<i>(in thousands, except per share data)</i>		
Basic loss per share:		
Net loss attributable to Pyxus International, Inc.	\$ (8,165)	\$ (21,993)
Shares:		
Weighted average number of shares outstanding ⁽¹⁾	25,000	9,166
Basic loss per share	\$ (0.33)	\$ (2.40)
Diluted loss per share:		
Net loss attributable to Pyxus International, Inc.	\$ (8,165)	\$ (21,993)
Shares:		
Weighted average number of shares outstanding ⁽¹⁾	25,000	9,166
Plus: Restricted shares issued and shares applicable to stock options and restricted stock units, net of shares assumed to be purchased from proceeds at average market price ⁽²⁾	—	—
Adjusted weighted average number of shares outstanding	25,000	9,166
Diluted loss per share	\$ (0.33)	\$ (2.40)

(1) 0 and 785 shares of common stock were owned by a wholly owned subsidiary as of December 31, 2020 and 2019, respectively.

(2) Outstanding restricted shares, shares applicable to stock options, and restricted stock units are excluded because their inclusion would have an antidilutive effect on the loss per share. The dilutive shares would have been 10 for the three months ended December 31, 2019.

	Successor	Predecessor	
	Four months ended December 31, 2020	Five months ended August 31, 2020	Nine months ended December 31, 2019
<i>(in thousands, except per share data)</i>			
Basic (loss) earnings per share:			
Net (loss) income attributable to Pyxus International, Inc.	\$ (13,478)	\$ 19,037	\$ (100,308)
Shares:			
Weighted average number of shares outstanding ⁽¹⁾	25,000	9,976	9,137
Basic (loss) earnings per share	\$ (0.54)	\$ 1.91	\$ (10.98)
Diluted (loss) earnings per share:			
Net (loss) income attributable to Pyxus International, Inc.	\$ (13,478)	\$ 19,037	\$ (100,308)
Shares:			
Weighted average number of shares outstanding ⁽¹⁾	25,000	9,976	9,137
Plus: Restricted shares issued and shares applicable to stock options and restricted stock units, net of shares assumed to be purchased from proceeds at average market price ⁽²⁾	—	16	—
Adjusted weighted average number of shares outstanding	25,000	9,992	9,137
Diluted (loss) earnings per share	\$ (0.54)	\$ 1.91	\$ (10.98)

(1) 0, 785, and 785 shares of common stock were owned by a wholly owned subsidiary as of December 31, 2020, August 31, 2020, and December 31, 2019, respectively.

(2) Outstanding restricted shares, shares applicable to stock options, and restricted stock units are excluded because their inclusion would have an antidilutive effect on the loss per share. The dilutive shares would have been 28 for the nine months ended December 31, 2019.

Certain potentially dilutive options were not included in the computation of loss per diluted share because their effect would be antidilutive. Potential common shares are also considered antidilutive in the event of a net loss. The number of potential shares outstanding that were considered antidilutive and that were excluded from the computation of diluted loss per share, weighted for the portion of the period they were outstanding were as follows:

	Successor	Predecessor
	Three months ended December 31, 2020	Three months ended December 31, 2019
Antidilutive stock options and other awards	—	452
Weighted average exercise price	\$ —	\$ 56.66

	Successor	Predecessor	
	Four months ended December 31, 2020	Five months ended August 31, 2020	Nine months ended December 31, 2019
Antidilutive stock options and other awards	—	427	450
Weighted average exercise price	\$ —	\$ 56.86	\$ 56.98

9. Cash, Cash Equivalents, and Restricted Cash

The following summarizes the composition of restricted cash:

	Successor	Predecessor	
	December 31, 2020	December 31, 2019	March 31, 2020
Compensating balance for short-term borrowings	\$ 2,211	\$ 940	\$ 893
Escrow	1,273	1,363	1,450
Other	684	445	\$ 532
Total	\$ 4,168	\$ 2,748	\$ 2,875

10. Inventories, Net

The following summarizes the composition of inventories, net:

	Successor	Predecessor	
	December 31, 2020	December 31, 2019	March 31, 2020
Processed tobacco	\$ 662,179	\$ 703,124	\$ 485,764
Unprocessed tobacco	54,092	116,456	178,782
Other tobacco related	16,865	20,960	24,071
Other ⁽¹⁾	38,685	31,310	41,402
Total	\$ 771,821	\$ 871,850	\$ 730,019

(1) Represents inventory from the other products and services segment.

11. Acquisitions

On December 18, 2017, the Company completed a purchase of a 40.0% interest in Criticality, a North Carolina-based industrial hemp company that is engaged in CBD extraction and other applications for industrial hemp in accordance with a pilot program authorized under the federal Agriculture Act of 2014 and applicable North Carolina law. On April 22, 2020, the Company acquired the remaining 60.0% of the equity in Criticality in exchange for consideration consisting of \$5,000 cash and \$7,450 for the settlement of the Company's note receivable from Criticality, subject to certain post-closing adjustments.

The acquisition of Criticality was a business combination achieved in stages, which required the Company to remeasure its previously held equity interest in Criticality at its acquisition date fair value. This remeasurement resulted in a loss of approximately \$2,667 being recorded in other income (expense), net within the condensed consolidated statements of operations for the five months ended August 31, 2020. The assets and liabilities were recorded at their fair value.

Following the acquisition, the Company recorded certain post-closing purchase price adjustments. The intent of the acquisition was to allow the Company to expand its industrial hemp production and product portfolio. The following summarizes the fair values of the assets acquired and liabilities assumed as of April 22, 2020:

Cash and cash equivalents	\$	195
Accounts receivable		1,528
Advances to suppliers		1,043
Inventories		3,823
Other current assets		181
Property, plant, and equipment		5,060
Goodwill		6,120
Total assets acquired		17,950
Accounts payable		1,654
Notes payable		7,450
Other current liabilities		513
Total liabilities		9,617
Fair value of equity interest	\$	8,333

The following summarizes the revenue, operating loss, and net loss for Criticality as well as the resulting impact to basic and diluted (loss) earnings per share:

	Successor	Successor	Predecessor
	Three months ended December 31, 2020	Four months ended December 31, 2020	Five months ended August 31, 2020
Revenue	16	19	—
Operating loss	(3,619)	(4,750)	(3,117)
Net loss	(9,897)	(11,067)	(3,317)
Impact to (loss) earnings per share:			
Basic	(0.40)	(0.44)	(0.33)
Diluted	(0.40)	(0.44)	(0.33)

In December 2020, the Company commenced actions to exit operations of the industrial hemp businesses, including the production and sale of products containing extracts of industrial hemp, including CBD products, by Criticality. Refer to [“Note 6. Restructuring and Asset Impairment”](#) for additional information.

12. Equity Method Investments

The following summarizes the Company's equity method investments as of December 31, 2020:

	Location	Primary Purpose	The Company's Ownership Percentage	Basis Difference
Adams International Ltd.	Thailand	purchase and process tobacco	49 %	(5,313)
Alliance One Industries India Private Ltd.	India	purchase and process tobacco	49 %	(5,770)
China Brasil Tabacos Exportadora SA	Brazil	purchase and process tobacco	49 %	47,383
Oryantal Tütün Paketleme Sanayi ve Ticaret A.Ş.	Turkey	process tobacco	50 %	(416)
Purilum, LLC	U.S.	produce flavor formulations and consumable e-liquids	50 %	4,589
Siam Tobacco Export Company	Thailand	purchase and process tobacco	49 %	(5,313)

The following summarizes financial information for these equity method investments:

	Successor	Predecessor
	Three months ended December 31, 2020	Three months ended December 31, 2019
Operations statement:		
Sales	\$ 121,873	\$ 61,515
Gross profit	30,154	9,462
Net income	16,577	1,506
Company's dividends received	317	267

	Successor	Predecessor	
	Four months ended December 31, 2020	Five months ended August 31, 2020	Nine months ended December 31, 2019
Operations statement:			
Sales	\$ 134,879	\$ 67,553	\$ 256,885
Gross profit	32,403	14,151	44,235
Net income	17,315	5,869	16,599
Company's dividends received	317	5,104	6,841

	Successor	Predecessor	
	December 31, 2020	December 31, 2019	March 31, 2020
Balance sheet:			
Current assets	\$ 258,805	\$ 166,989	\$ 145,207
Property, plant, and equipment and other assets	44,853	57,320	56,481
Current liabilities	183,158	103,622	82,377
Long-term obligations and other liabilities	4,021	6,054	6,296

Of the amounts presented above, the following summarizes financial information for China Brasil Tobacos Exportadora SA ("CBT"):

	Successor	Predecessor
	Three months ended December 31, 2020	Three months ended December 31, 2019
Operations statement:		
Sales	\$ 94,057	\$ 22,521
Gross profit	25,170	3,338
Net income	13,598	1,041
Net income attributable to CBT	6,663	510

	Successor	Predecessor	
	Four months ended December 31, 2020	Five months ended August 31, 2020	Nine months ended December 31, 2019
Operations statement:			
Sales	\$ 98,730	\$ 26,675	\$ 158,955
Gross profit	26,207	6,423	25,359
Net income	13,864	3,216	11,929
Net income attributable to CBT	6,793	1,576	5,845

13. Variable Interest Entities

The Company holds variable interests in multiple entities that primarily procure or process inventory or are securitization entities. These variable interests relate to equity investments, receivables, guarantees, and securitized receivables. The following summarizes the Company's financial relationships with its unconsolidated variable interest entities:

	Successor	Predecessor	
	December 31, 2020	December 31, 2019	March 31, 2020
Investments in variable interest entities	\$ 85,944	\$ 63,320	\$ 62,407
Receivables with variable interest entities	1,333	11,301	10,099
Guaranteed amounts to variable interest entities (not to exceed)	56,088	61,566	59,792

14. Goodwill and Other Intangible Assets, Net

The following summarizes the changes in the Company's goodwill and other intangible assets, net:

	Successor					
	Four months ended December 31, 2020					
	Weighted Average Remaining Useful Life	Beginning Gross Carrying Amount	Fresh start Adjustment ⁽²⁾	Additions	Accumulated Amortization	Ending Intangible Assets, Net
Intangibles subject to amortization:						
Customer relationships	11.35 years	\$ —	\$ 29,200	\$ —	\$ (840)	\$ 28,360
Licenses ⁽¹⁾	11.67 years	—	19,000	—	(445)	18,555
Technology	7.67 years	—	11,000	—	(458)	10,542
Trade names	13.54 years	—	11,800	—	(249)	11,551
Intangibles not subject to amortization:						
Goodwill		—	37,935	—	—	37,935
Total		\$ —	\$ 108,935	\$ —	\$ (1,992)	\$ 106,943

(1) Certain of the Company's license intangibles are subject to annual renewal.

(2) Refer to "Note 4. Fresh Start Reporting" for additional details regarding fresh start reporting adjustments as reported at September 30, 2020 and as adjusted at December 31, 2020.

	Predecessor					
	Five months ended August 31, 2020					
	Beginning Gross Carrying Amount	Additions	Accumulated Amortization ⁽¹⁾	Impact of Foreign Currency Translation	Fresh Start Adjustment ⁽⁴⁾	Ending Intangible Assets, Net
Intangibles subject to amortization:						
Customer relationships	\$ 63,980	\$ —	\$ (34,724)	\$ —	\$ (29,256)	\$ —
Production and supply contracts	7,000	—	(3,395)	—	(3,605)	—
Internally developed software ⁽⁵⁾	22,385	—	(19,579)	41	(2,847)	—
Licenses ⁽²⁾	30,886	—	(4,202)	2,183	(28,867)	—
Trade names	500	—	(151)	—	(349)	—
Intangibles not subject to amortization:						
Goodwill ⁽³⁾	—	6,120	—	—	(6,120)	—
Total	\$ 124,751	\$ 6,120	\$ (62,051)	\$ 2,224	\$ (71,044)	\$ —

(1) Amortization expense across intangible asset classes for the five months ended August 31, 2020 was \$3,160.

(2) Certain of the Company's license intangibles are subject to annual renewal.

(3) Goodwill of \$6,120 relates to the Other Products and Services segment.

(4) Refer to "Note 4. Fresh Start Reporting" for additional details regarding fresh start reporting adjustments.

(5) Internally developed software was adjusted to \$2,847 by Fresh Start Adjustments and has been reclassified to Successor's property, plant, and equipment.

	Predecessor					
	Year ended March 31, 2020					
	Weighted Average Remaining Useful Life	Beginning Gross Carrying Amount	Additions	Accumulated Amortization ⁽¹⁾	Impact of Foreign Currency Translation	Ending Intangible Assets, Net
Intangibles subject to amortization:						
Customer relationships	8.66 years	\$ 63,980	\$ —	\$ (33,049)	\$ —	\$ 30,931
Production and supply contracts	3.00 years	14,893	—	(11,217)	—	3,676
Internally developed software	3.96 years	19,917	2,468	(19,082)	—	3,303
Licenses ⁽²⁾	16.95 years	33,330	195	(3,310)	(2,551)	27,664
Trade names	6.00 years	500	—	(126)	—	374
Total		\$ 132,620	\$ 2,663	\$ (66,784)	\$ (2,551)	\$ 65,948

(1) Amortization expense across intangible asset classes for the fiscal year ended March 31, 2020 was \$6,991.

(2) Certain of the Company's license intangibles are subject to annual renewal.

The following summarizes the estimated intangible asset amortization expense for the next five years and beyond:

For Fiscal Years Ended	Customer Relationships	Licenses	Technology	Trade Names	Total
2021 (excluding the nine months ended December 31, 2020)	\$ 630	\$ 396	\$ 344	\$ 213	\$ 1,583
2022	2,519	1,583	1,375	853	6,330
2023	2,519	1,583	1,375	853	6,330
2024	2,519	1,583	1,375	853	6,330
2025	2,519	1,583	1,375	853	6,330
Thereafter	17,654	11,827	4,698	7,926	42,105
	\$ 28,360	\$ 18,555	\$ 10,542	\$ 11,551	\$ 69,008

15. Debt Arrangements

The following summarizes debt and notes payable:

	Outstanding		December 31, 2020	
	Predecessor	Successor	Successor	
	March 31, 2020	December 31, 2020	Lines and Letters Available	Interest Rate
<i>(in thousands)</i>				
Senior secured credit facility:				
ABL facility	\$ 44,900	\$ —	\$ —	4.1 %
ABL Credit Facility	—	67,500	7,500	5.0 % ⁽¹⁾
Senior notes:				
8.5% senior secured first lien notes ⁽²⁾	272,871	—	—	8.5 %
9.875% senior secured second lien notes ⁽³⁾	630,737	—	—	9.9 %
10.0% senior secured first lien notes ⁽⁴⁾	—	266,561	—	10.0 %
Term Loans ⁽⁵⁾	—	214,643	—	9.7 % ⁽¹⁾
Other long-term debt	856	3,362	386	5.4 % ⁽¹⁾
Notes payable to banks ⁽⁶⁾	540,157	433,571	293,876	6.2 % ⁽¹⁾
Total debt	\$ 1,489,521	\$ 985,637	\$ 301,762	
Short-term	\$ 540,157	\$ 433,571		
Long-term:				
Current portion of long-term debt	\$ 45,048	\$ 141		
Long-term debt	904,316	551,925		
	\$ 949,364	\$ 552,066		
Letters of credit	\$ 7,027	\$ 5,100	\$ 3,700	
Total credit available			\$ 305,462	

(1) Weighted average rate for the trailing twelve months ended December 31, 2020.

(2) Upon emergence from Chapter 11 bankruptcy on the Effective Date, the prepetition 8.5% senior secured first lien notes were cancelled and replaced with the 10.0% senior secured first lien notes due 2024.

(3) Upon emergence from Chapter 11 bankruptcy on the Effective Date, the prepetition 9.875% senior secured second lien notes were cancelled through the exchange of common stock in the Successor or cash.

(4) Repayment of \$266,561 is net of original issue discount of \$14,283. Total repayment will be \$280,844.

(5) Upon emergence from Chapter 11 bankruptcy on the Effective Date, the DIP Facility entered into at the petition date converted into the Term Loan Credit Facility. The aggregate balance of the Term Loans of \$214,643 includes \$1,225 of accrued paid in kind interest.

(6) Primarily foreign seasonal lines of credit.

ABL Credit Facility

On the Effective Date, Pyxus Holdings entered into the ABL Credit Agreement, dated as of August 24, 2020 by and among, amongst others, Pyxus Holdings, certain lenders party thereto and Wells Fargo Bank, National Association, as administrative agent and collateral agent to establish the ABL Credit Facility. The ABL Credit Facility may be used for revolving credit loans and letters of credit from time to time up to an initial maximum principal amount of \$75,000, subject to the limitations described below in this paragraph. Under certain conditions, Pyxus Holdings may solicit the ABL Lenders to provide additional revolving loan commitments under the ABL Credit Facility in an aggregate amount not to exceed \$15,000. The ABL Credit Facility is required to be drawn at all times in an amount greater than or equal to the lesser of (i) 25% of total commitments under the ABL Credit Facility and (ii) \$18,750. The amount available under the ABL Credit Facility is limited by a borrowing base consisting of eligible accounts receivable and inventory as follows:

- 85% of eligible accounts receivable, plus
- the lesser of (i) 70% of eligible inventory valued at the lower of cost (based on a first-in first-out basis) and market value thereof (net of intercompany profits) or (ii) 85% of the appraised net-orderly-liquidation value of eligible inventory.

At December 31, 2020, \$7,500 was available for borrowing under the ABL Credit Facility, after reducing availability by the aggregate borrowings under the ABL Credit Facility of \$67,500 outstanding on that date.

The ABL Credit Facility permits both base rate borrowings and LIBOR borrowings. Borrowings under the ABL Credit Facility bear interest at an annual rate equal to LIBOR plus 475 basis points or 375 basis points above base rate, as applicable, with a fee on unutilized commitments at an annual rate of 100 basis points.

The ABL Credit Facility matures on February 24, 2023, subject to extension on terms and conditions set forth in the ABL Credit Agreement. The ABL Credit Facility may be prepaid from time to time, in whole or in part, without prepayment or premium, subject to a termination fee of 50 basis points upon the permanent reduction of commitments under the ABL Credit Facility, including maturity. In addition, customary mandatory prepayments of the loans under the ABL Credit Facility are required upon the occurrence of certain events including, without limitation, certain dispositions of assets outside of the ordinary course of business in respect of certain collateral securing the ABL Credit Facility and certain casualty and condemnation events. With respect to base rate loans, accrued interest is payable monthly in arrears on the last business day of each calendar month and, with respect to LIBOR loans, accrued interest is payable monthly and on the last day of any applicable interest period. Pyxus Holdings' obligations under the ABL Credit Facility (and certain related obligations) are (a) guaranteed by Pyxus Parent, Inc. and the Company and all of Pyxus Holdings' material domestic subsidiaries, and each of Pyxus Holdings' future material domestic subsidiaries is required to guarantee the ABL Credit Facility on a senior secured basis (including Pyxus Holdings, collectively, the "ABL Loan Parties") and (b) secured by the Collateral, as described below, which is owned by the ABL Loan Parties.

The liens and other security interests granted by the ABL Loan Parties on the Collateral for the benefit of the lenders under the ABL Credit Facility (and certain related secured parties) are, subject to certain permitted liens, secured by first-priority security interests on ABL Priority Collateral (as defined in the ABL/Term Loan/Intercreditor Agreement described below) with the security interests securing the Term Loan Credit Facility and the Senior Secured First Lien Notes junior thereto, each as described below. The obligations of Pyxus Holdings and each other ABL Credit Party under the ABL Credit Facility and any related guarantee have respective priorities in a waterfall with respect to portions of the Collateral as set forth in the ABL/Term Loan/Notes Intercreditor Agreement and the Term Loan/Notes Intercreditor Agreement described below.

Cash Dominion

Under the terms of the ABL Credit Facility, if (i) an event of default has occurred and is continuing or (ii) excess borrowing availability under the ABL Credit Facility (based on the lesser of the commitments thereunder and the borrowing base) (the "Excess Availability") falls below the greater of (x) \$7,500 and (y) 10% of the lesser of (A) the commitments under the ABL Credit Facility at such time and (B) the borrowing base at such time (such greater amount being the "Cash Dominion Threshold"), the ABL Loan Parties will become subject to cash dominion, which will require daily prepayment of loans under the ABL Credit Facility with the cash deposited in certain deposit accounts of the ABL Loan Parties, including concentration accounts, and will restrict the ABL Loan Parties' ability to transfer cash from their concentration accounts to their disbursement accounts. Such cash dominion period (a "Dominion Period") shall end when (i) if arising as a result of a continuing event of default, such event of default ceases to exist, or (ii) if arising as a result of non-compliance with the Excess Availability threshold, Excess Availability shall be equal to or greater than the Cash Dominion Threshold for a period of 30 consecutive days. No Dominion Period existed as of December 31, 2020.

Financial, Affirmative, and Restrictive Covenants

The ABL Credit Agreement governing the ABL Credit Facility contains a covenant requiring that the Company's fixed charge coverage ratio be no less than 1.00 to 1.00 during any Dominion Period.

The ABL Credit Agreement governing the ABL Credit Facility also contains customary representations and warranties, affirmative and negative covenants (subject, in each case, to exceptions and qualifications) and events of defaults, including covenants that limit the Company's and its restricted subsidiaries' ability to, among other things:

- incur additional indebtedness or issue disqualified stock or preferred stock;
- make investments;
- pay dividends and make other restricted payments;
- sell certain assets;
- create liens;
- consolidate, merge, sell or otherwise dispose of all or substantially all of their assets;
- enter into transactions with affiliates; and
- designate subsidiaries as Unrestricted Subsidiaries (as defined in the ABL Credit Agreement).

At December 31, 2020, Pyxus Holdings was in compliance with all such covenants under the ABL Credit Agreement.

Term Loan Credit Facility

On the Effective Date, Pyxus Holdings entered into the Term Loan Credit Agreement, dated as of August 24, 2020 by and among, amongst others, Pyxus Holdings, certain lenders party thereto and Alter Domus (US) LLC, as administrative agent and collateral agent to establish the Term Loan Credit Facility in an aggregate principal amount of approximately \$213,418. The aggregate principal amount of loans outstanding under Debtors' debtor-in-possession financing facility, and related fees, were converted into, or otherwise satisfied with the proceeds of, the Term Loan Credit Facility.

The Term Loan Credit Facility permits both base rate borrowings and LIBOR borrowings. Borrowings under the Term Loan Credit Facility bear interest at an annual rate equal to LIBOR plus 800 basis points or 700 basis points above base rate, as applicable. In addition to the cash interest payments, from and after the first anniversary of the Term Loan Credit Agreement, the term loans (the "Term Loans") under the Term Loan Credit Facility bear "payment in kind" interest in an annual rate equal to 100 basis points, which rate increases by an additional 100 basis points on each of the second, third and fourth anniversaries of the Term Loan Credit Agreement.

The Term Loans and the Term Loan Credit Facility mature on February 24, 2025. The Term Loans may be prepaid from time to time, in whole or in part, without prepayment or penalty. In addition, customary mandatory prepayments of the Term Loans are required upon the occurrence of certain events including, without limitation, certain dispositions of assets outside of the ordinary course of business in respect of certain collateral securing the Term Loan Credit Facility and certain casualty and condemnation events. With respect to base rate loans, accrued interest is payable monthly in arrears on the last business day of each calendar month and, with respect to LIBOR loans, accrued interest is payable monthly and on the last day of any applicable interest period. At December 31, 2020, the aggregate principal amount of the Term Loans outstanding was \$214,643.

Pyxus Holdings' obligations under the Term Loan Credit Facility (and certain related obligations) are (a) guaranteed by Pyxus Parent, Inc. and the Company, all of Pyxus Holdings' material domestic subsidiaries and certain of Pyxus Holdings' foreign subsidiaries (the "Foreign Guarantors"), and each of Pyxus Holdings' future material domestic subsidiaries is required to guarantee the Term Loan Credit Facility on a senior secured basis (including Pyxus Holdings, collectively, the "Term Facility Loan Parties") and (b) secured by the Collateral, as described below, which is owned by the Term Facility Loan Parties.

The liens and other security interests granted by the Term Facility Loan Parties on the Collateral for the benefit of the lenders under the Term Loan Credit Facility (and certain related secured parties) are, subject to certain permitted liens, secured by first-priority security interests on the Term Loan Priority Collateral and a junior lien on the ABL Priority Collateral and the Notes Priority Collateral (in each case as defined in the ABL/Term Loan/Notes Intercreditor Agreement and the Term Loan/Notes Intercreditor Agreement (together, the "Intercreditor Agreements"). The obligations of Pyxus Holdings and each other Term Facility Loan Party under the Term Loan Credit Facility and any related guarantee have respective priorities as set forth in the Intercreditor Agreements described below.

Affirmative and Restrictive Covenants

The Term Loan Credit Agreement governing the Term Loan Credit Facility contains customary representations and warranties, affirmative and negative covenants (subject, in each case, to exceptions and qualifications) and events of defaults, including covenants that limit the Company's and its restricted subsidiaries' ability to, among other things:

- incur additional indebtedness or issue disqualified stock or preferred stock;
- make investments;
- pay dividends and make other restricted payments;
- sell certain assets;
- create liens;
- consolidate, merge, sell or otherwise dispose of all or substantially all of their assets;
- enter into transactions with affiliates; and
- designate subsidiaries as Unrestricted Subsidiaries.

At December 31, 2020, Pyxus Holdings was in compliance with all such covenants under the Term Loan Credit Agreement.

Senior Secured First Lien Notes

On the Effective Date, Pyxus Holdings issued approximately \$280,844 in aggregate principal amount of the Notes to holders of Allowed First Lien Notes Claims (as defined in the Plan) pursuant to the Indenture dated as of the Effective Date among Pyxus

Holdings, the initial guarantors party thereto, and Wilmington Trust, National Association, as trustee, and collateral agent. The Notes bear interest at a rate of 10.00% per year, payable semi-annually in arrears in cash on February 15 and August 15 of each year, beginning February 15, 2021, to holders of record at the close of business on the preceding February 1 and August 1, respectively. The Notes mature on August 24, 2024.

Guarantees

The Notes are initially guaranteed on a senior secured basis by the Company, all of the Company's material domestic subsidiaries (other than Pyxus Holdings) and the Foreign Guarantors, on a subordinated basis to the guarantees securing the Term Loan Facility, and each of its future material domestic subsidiaries are required to guarantee the Notes on a senior secured basis.

Optional Redemption

At any time prior to August 24, 2022, Pyxus Holdings may redeem the Notes, in whole or in part, at a redemption price equal to the "make-whole" amount as set forth in the Indenture, plus accrued and unpaid interest, if any, to, but not including, the redemption date. On or after August 24, 2022, Pyxus Holdings may on any one or more occasions redeem all or a part of the Notes at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest on the Notes redeemed, to the applicable date of redemption, if redeemed during the periods specified below, subject to the rights of holders of Notes on the relevant record date to receive interest on the relevant interest payment date:

Period	Percentage
From August 24, 2022 to August 23, 2023	105.0%
From August 24, 2023 to August 23, 2024	102.5%
On or after February 24, 2024	100.0%

Mandatory Repurchase Offers

Upon a "Change of Control" (as defined in the Indenture), Pyxus Holdings will be required to make an offer to repurchase the Notes at a price in cash equal to 101% of the principal amount thereof. Upon certain asset sales, Pyxus Holdings may be required to make an offer to repurchase the Notes at a price in cash equal to 100% of the principal amount thereof.

Certain Covenants

The Indenture contains covenants that impose restrictions on Pyxus Holdings, the Company and the Company's subsidiaries (other than subsidiaries that may in the future be designated as "Unrestricted Subsidiaries" under the Indenture), including on their ability to, among other things:

- incur additional indebtedness or issue disqualified stock or preferred stock;
- make investments;
- pay dividends and make other restricted payments;
- sell certain assets;
- create liens;
- enter into sale and leaseback transactions;
- consolidate, merge, sell, or otherwise dispose of all or substantially all of the Company's assets; and
- enter into transactions with affiliates.

At December 31, 2020, each of Pyxus Holdings and each guarantor of the Notes was in compliance with all such covenants under the Indenture.

Collateral

The liens and other security interests granted by Pyxus Holdings and the guarantors on the Collateral for the benefit of the holders of the Notes are, subject to certain permitted liens, secured by first-priority security interests on the Notes Priority Collateral and a junior lien on the ABL Priority Collateral and the Term Loan Priority Collateral (in each case as defined in the Intercreditor Agreements). The obligations of Pyxus Holdings and each other guarantor have respective priorities with respect to the guarantees and the Collateral as set forth in the Intercreditor Agreements described below.

Intercreditor Agreements

The priority of the obligations under each of the Notes, the ABL Credit Facility, and the Term Loan Credit Facility are set forth in the two intercreditor agreements entered into in connection with consummation of the transactions contemplated by the Plan, including the issuance of the Notes and the establishment of the ABL Credit Facility and the Term Loan Credit Facility.

ABL/Term Loan/Notes Intercreditor Agreement

The intercreditor relationship between, (i) on one hand, the holders of obligations under the ABL Credit Facility, the guarantees thereof and certain related obligations and (ii) on the other hand, (A) the holders of obligations under the Term Loan Credit Facility, the guarantees thereof and certain related obligations and (B) the holders of obligations under the Notes, the guarantees thereof and certain related obligations, is governed by the ABL/Term Loan/Notes Intercreditor Agreement. Pursuant to the terms of the ABL/Term Loan/Notes Intercreditor Agreement, Pyxus Holdings' obligations under the ABL Credit Facility, the guarantees thereof and certain related obligations have first priority liens on the Collateral consisting of ABL Priority Collateral (as defined therein), including certain accounts receivable and inventory and certain related intercompany notes, cash, deposit accounts, related general intangibles and instruments, certain other related assets of the foregoing entities and proceeds of the foregoing (other than identifiable cash proceeds of the Term Loan Priority Collateral or the Notes Priority Collateral, each as defined below), with the obligations under the Notes and the Term Loan Facility having junior priority liens on the ABL Priority Collateral. Pursuant to the ABL/Term Loan/Notes Intercreditor Agreement, Pyxus Holdings' collective obligations under the Term Loan Credit Facility and the Notes, the guarantees thereof and certain related obligations have first priority liens on the Notes Priority Collateral which consists of the Collateral that is not ABL Priority Collateral, including owned material real property in the United States, capital stock of subsidiaries owned directly by Pyxus Holdings or a guarantor, existing and after acquired intellectual property rights, equipment, related general intangibles and instruments and certain other assets related to the foregoing and proceeds of the foregoing, with the obligations under the ABL Credit Facility having junior priority liens on the Notes Priority Collateral.

Term Loan/Notes Intercreditor Agreement

The intercreditor relationship between and among the holders of obligations under the Term Loan Credit Facility, the guarantees thereof and certain related obligations and the holders of obligations under the Notes, the guarantees thereof and certain related obligations is governed by the Term Loan/Notes Intercreditor Agreement. Pursuant to the terms of the Term Loan/Notes Intercreditor Agreement, Pyxus Holdings' obligations under the Term Loan Credit Facility, the guarantees thereof and certain related obligations have senior priority liens on the Term Loan Priority Collateral consisting of (i) all assets and property of Pyxus Holdings and any domestic guarantor constituting ABL Priority Collateral up to (A) \$125,000 minus (B) the aggregate principal amount of loans and the aggregate face amount of letters of credit outstanding under the ABL Credit Agreement, and (ii) all assets and property of any Foreign Guarantor constituting Collateral securing the Term Loan Agreement, with the obligations under the Notes having junior priority liens on the Term Loan Priority Collateral (the "ABL Priority Collateral Cap"). The liens securing the Notes and the Term Loan Facility on the ABL Priority Collateral in excess of the ABL Priority Collateral Cap are secured on a *pari passu* basis. Further, the guarantees of the Foreign Guarantors in respect of the Notes are subordinated in right of payments to the guarantees of the Foreign Guarantors in respect of the Term Loan Facility. Pursuant to the Term Loan/Notes Intercreditor Agreement, Pyxus Holdings' obligations under the Notes, the guarantees thereof and certain related obligations have first priority liens on all Notes Priority Collateral, with the obligations under the Term Loan Facility having junior priority liens on the Notes Priority Collateral.

African Seasonal Lines of Credit

On August 13, 2020, certain then subsidiaries of Old Pyxus, which are now subsidiaries of the Company, Alliance One International Holdings, Ltd. ("AOI Holdings") and the subsidiaries in Kenya, Malawi, Tanzania, Uganda and Zambia (collectively, the "African Subsidiaries") entered into an Amendment and Restatement Agreement (the "Initial TDB Facility Agreement") with Eastern and Southern African Trade and Development Bank ("TDB"). On August 24, 2020, AOI Holdings, the African Subsidiaries, the Company, Pyxus Parent, Inc., Pyxus Holdings and TDB entered into a Second Amendment and Restatement Agreement (the "TDB Facility Agreement") to amend and restate the Initial TDB Facility Agreement to add the Company, Pyxus Parent, Inc. and Pyxus Holdings as guarantors thereunder and to otherwise amend provisions thereof to permit the consummation of the transactions contemplated by the Plan. The TDB Facility Agreement sets forth the terms that govern the foreign seasonal lines of credit of each of the African Subsidiaries with TDB and supersedes the prior terms in effect. These lines of credit provide borrowings to fund the purchase of leaf tobacco in the respective jurisdictions to be repaid upon the sale of that tobacco. The original aggregate maximum borrowing availability under these separate existing foreign seasonal lines of credit was \$255,000, and the aggregate borrowings were \$240,485 as of August 13, 2020. Subject to certain conditions, the TDB Facility Agreement increased the maximum aggregate borrowing capacity to \$285,000, less the amount of outstanding loans borrowed under the existing foreign seasonal lines of credit with TDB. Loans under the TDB Facility Agreement bear interest at LIBOR plus 6%. The TDB Facility Agreement terminates on June 30, 2021 and may be renewed at TDB's discretion.

Each of AOI Holdings, the Company, Pyxus Parent, Inc. and Pyxus Holdings guarantees the obligations of the African Subsidiaries under the TDB Facility Agreement. The obligations of each African Subsidiary under the TDB Facility Agreement are required to be secured by a first priority pledge of:

- tobacco purchased by that African Subsidiary that is financed by TDB;

- intercompany receivables arising from the sale of the tobacco financed by TDB;
- customer receivables arising from the sale of the tobacco financed by TDB; and
- such African Subsidiary's local collection account receiving customer payments for purchases of tobacco financed by TDB.

The TDB Facility Agreement also requires Alliance One International, LLC, a subsidiary of the Company, to pledge customer receivables arising from the sale of the tobacco financed by TDB and pledge its collection accounts designated for receiving customer payments for purchases of tobacco financed by TDB.

The Agreement contains affirmative and negative covenants (subject, in each case, to customary and other exceptions and qualifications), including covenants that limit the ability of the African Subsidiaries to, among other things:

- grant liens on assets;
- incur additional indebtedness (including guarantees and other contingent obligations);
- sell or otherwise dispose of property or assets;
- maintain a specified amount of pledged accounts receivable and inventory;
- make changes in the nature of its business;
- enter into burdensome contracts; and
- effect certain modifications or terminations of customer contracts.

The TDB Facility Agreement contains events of default including, but not limited to, nonpayment of principal or interest, violation of covenants, breaches of representations and warranties, cross-default to other debt, bankruptcy and other insolvency events, invalidity of loan documentation, certain changes of control of the Company and the other loan parties, termination of material licenses and material adverse changes.

The Company's subsidiary in Tanzania failed to satisfy a loan-to-value ratio requirement during November and December of 2020 under the TDB Facility Agreement. As a result, TDB was permitted to declare an event of default with respect to the Tanzania subsidiary's borrowings under its credit facility under the TDB Facility Agreement and demand repayment of that subsidiary's borrowings, which were approximately \$50,417 at December 31, 2020. TDB entered into a First Amendment and Waiver Letter to the TDB Facility Agreement dated December 30, 2020 (the "TDB Waiver") in which TDB waived the Tanzania subsidiary's defaults and adjusted the required loan-to-value ratio for the Tanzania subsidiary for each month through June 2021. The existence of these defaults by the Tanzania subsidiary under the TDB Facility Agreement (the "Tanzania Default") resulted in defaults and events of default arising under the ABL Credit Facility and the Term Loan Credit Facility, which would have permitted the respective lenders thereunder to demand repayment of the amounts outstanding under the respective facility. In December 2020, the required lenders under each of the ABL Credit Facility and the Term Loan Credit Facility entered into agreements with the Company waiving the defaults and events of default arising under the respective facility as a result of the Tanzania Default.

At December 31, 2020, the Company and its subsidiaries party to the TDB Facility Agreement were in compliance with all such covenants under the TDB Facility Agreement, as amended by the TDB Waiver, and \$130,028 was available for borrowing under the TDB Facility Agreement, after reducing availability by the aggregate borrowings under the TDB Facility Agreement of \$154,972 outstanding on that date.

16. Securitized Receivables

The Company sells trade receivables to unaffiliated financial institutions under two accounts receivable securitization facilities. Under the first facility, the Company continuously sells a designated pool of trade receivables to a special purpose entity, which sells 100% of the receivables to an unaffiliated financial institution. As of December 31, 2020, the investment limit under the first facility was \$125,000 of trade receivables. Under the second facility, the Company offers receivables for sale to unaffiliated financial institutions, which are then subject to acceptance by the unaffiliated financial institutions. As of December 31, 2020, the investment limit under the second facility was \$125,000 of trade receivables.

As the servicer of these facilities, the Company may receive funds that are due to the unaffiliated financial institutions, which are net settled on the next settlement date. As a result of the net settlement, trade and other receivables, net in the condensed consolidated balance sheets has been reduced by \$4,078, \$7,504, and \$9,586 as of December 31, 2020 and 2019, and March 31, 2020, respectively.

The following summarizes the accounts receivable securitization information:

	Successor	Predecessor	
	December 31, 2020	December 31, 2019	March 31, 2020
Receivables outstanding in facility	\$ 87,012	\$ 69,741	\$ 135,439
Beneficial interests	20,532	14,385	27,021
Servicing liability	—	5	43

	Successor	Predecessor	
	Four months ended December 31, 2020	Five months ended August 31, 2020	Nine Months Ended December 31, 2019
Cash proceeds for the period ended:			
Cash purchase price	\$ 142,071	\$ 151,817	\$ 331,187
Deferred purchase price	49,562	74,328	174,741
Service fees	110	218	355
Total	\$ 191,743	\$ 226,363	\$ 506,283

17. Guarantees

In certain markets, the Company guarantees bank loans to suppliers to finance their crops. Under longer-term arrangements, the Company may also guarantee financing on suppliers' construction of curing barns or other tobacco production assets. Guaranteed loans are generally repaid concurrent with the delivery of tobacco to the Company. The Company is obligated to repay guaranteed loans should the supplier default. If default occurs, the Company has recourse against its various suppliers and their production assets. The Company also guarantees bank loans of certain unconsolidated subsidiaries in Asia and South America and a lease obligation for a former unconsolidated subsidiary in North America. The following summarizes amounts guaranteed and the fair value of those guarantees:

	Successor	Predecessor	
	December 31, 2020	December 31, 2019	March 31, 2020
Amounts guaranteed (not to exceed)	\$ 80,656	\$ 119,342	\$ 138,953
Amounts outstanding under guarantee ⁽¹⁾	18,158	37,624	48,565
Fair value of guarantees	306	1,112	2,791
Amounts due to local banks on behalf of suppliers and included in accounts payable	—	—	6,849

(1) Of the guarantees outstanding at December 31, 2020, most expire within one year.

18. Derivative Financial Instruments

As of December 31, 2020 and 2019, accumulated other comprehensive loss includes \$619 and \$241, net of tax of \$168 and \$64, for unrealized losses related to designated cash flow hedges, respectively. The Company recorded losses of \$0 and \$66 in cost of goods and services sold for the three and four months ended December 31, 2020, respectively and \$164 for the five months ended August 31, 2020. The Company recorded losses of \$729 and \$3,189 in cost of goods and services sold for the three and nine months ended December 31, 2019, respectively. The Company recorded current derivative assets of \$1,652 and \$0 as of December 31, 2020 and December 31, 2019, respectively, included in the condensed consolidated balance sheets. The U.S. Dollar notional amount of derivative contracts outstanding as of December 31, 2020 was \$44,123.

19. Fair Value Measurements

The following summarizes the financial assets and liabilities measured at fair value on a recurring basis:

	Successor			Predecessor					
	December 31, 2020			December 31, 2019			March 31, 2020		
	Level 2	Level 3	Total at Fair Value	Level 2	Level 3	Total at Fair Value	Level 2	Level 3	Total at Fair Value
Financial Assets:									
Securitized beneficial interests	\$ —	\$ 20,532	\$ 20,532	\$ —	\$ 14,385	\$ 14,385	\$ —	\$ 27,021	\$ 27,021
Total assets	\$ —	\$ 20,532	\$ 20,532	\$ —	\$ 14,385	\$ 14,385	\$ —	\$ 27,021	\$ 27,021
Financial Liabilities:									
Long-term debt	\$ 481,232	\$ 3,797	\$ 485,029	\$ 558,401	\$ 620	\$ 559,021	\$ 358,782	\$ 848	\$ 359,630
Guarantees	—	306	306	—	1,112	1,112	—	2,791	2,791
Total liabilities	\$ 481,232	\$ 4,103	\$ 485,335	\$ 558,401	\$ 1,732	\$ 560,133	\$ 358,782	\$ 3,639	\$ 362,421

Level 2 measurements

- Debt: The fair value of debt is based on the market price for similar financial instruments or model-derived valuations with observable inputs. The primary inputs to the valuation include market expectations, the Company's credit risk, and the contractual terms of the debt instrument.

Level 3 measurements

- Guarantees: The fair value of guarantees is based on the discounted cash flow analysis of the expected future cash flows or historical loss rates. The primary inputs to the discounted cash flow analysis include historical loss rates ranging between 0.1% to 8.9% as of December 31, 2020. The historical loss rate was weighted by the principal balance of the loans.
- Securitized beneficial interests: The fair value of securitized beneficial interests is based on using the present value of future expected cash flows. The primary inputs to this valuation include payment speeds of 107 days and a discount rate of 3.6% as of December 31, 2020. The discount rate was weighted by the outstanding interest. Payment speed was weighted by the average days outstanding.
- Long-term debt: The fair value of the long-term debt is based on the present value of future payments. The primary inputs to this valuation include treasury notes interest of 0.3% to 0.8% and borrowing rates of 7.0% to 10.7%. The borrowing rates were weighted by average loans outstanding.

The following summarizes the reconciliation of changes in Level 3 instruments measured on a recurring basis:

	Successor			Predecessor		
	Three months ended December 31, 2020			Three months ended December 31, 2019		
	Securitized Beneficial Interests	Long-Term Debt	Guarantees	Securitized Beneficial Interests	Long-Term Debt	Guarantees
Beginning balance	\$ 13,471	\$ 3,714	\$ 491	\$ 25,579	\$ —	\$ 1,026
Issuances of sales of receivables/guarantees	47,192	—	110	42,857	—	478
Settlements	(38,762)	—	(311)	(53,158)	—	(408)
Additions	—	83	—	—	—	—
(Losses) gains recognized in earnings	(1,369)	—	15	(893)	—	16
Ending balance	\$ 20,532	\$ 3,797	\$ 305	\$ 14,385	\$ —	\$ 1,112

	Successor			Predecessor					
	Four months ended December 31, 2020			Five months ended August 31, 2020			Nine months ended December 31, 2019		
	Securitized Beneficial Interests	Long-Term Debt	Guarantees	Securitized Beneficial Interests	Long-Term Debt	Guarantees	Securitized Beneficial Interests	Long-Term Debt	Guarantees
Beginning balance	\$ 11,159	\$ 3,892	\$ 1,256	\$ 27,021	\$ 848	\$ 2,791	\$ 40,332	\$ —	\$ 3,714
Issuances of sales of receivables/guarantees	59,501	—	262	66,821	—	667	151,150	—	1,323
Settlements	(48,555)	(126)	(1,228)	(81,038)	(100)	(2,192)	(174,000)	—	(3,937)
Additions	—	31	—	—	3,144	—	—	—	—
(Losses) gains recognized in earnings	(1,573)	—	15	(1,645)	—	(10)	(3,097)	—	12
Ending balance	\$ 20,532	\$ 3,797	\$ 305	\$ 11,159	\$ 3,892	\$ 1,256	\$ 14,385	\$ —	\$ 1,112

For the four months ended December 31, 2020, five months ended August 31, 2020, and nine months ended December 31, 2019, the impact to earnings attributable to the change in unrealized losses on securitized beneficial interests was \$726, \$263 and \$691, respectively.

20. Pension and Other Postretirement Benefits

The following summarizes the components of net periodic benefit cost:

	Defined Benefit Plans	
	Successor	Predecessor
	Three months ended December 31, 2020	Three months ended December 31, 2019
Operating expenses:		
Service cost	\$ 108	\$ 117
Interest expense:		
Interest expense	678	1,029
Expected return on plan assets	(731)	(1,121)
Amortization of prior service cost	—	10
Settlement loss	(8)	271
Actuarial loss	—	456
Net periodic pension cost	\$ 47	\$ 762

	Defined Benefit Plans		
	Successor	Predecessor	
	Four months ended December 31, 2020	Five months ended August 31, 2020	Nine months ended December 31, 2019
Operating expenses:			
Service cost	\$ 144	\$ 176	\$ 352
Interest expense:			
Interest expense	904	1,594	3,088
Expected return on plan assets	(975)	(1,234)	(3,363)
Amortization of prior service cost	—	17	31
Settlement loss	(8)	—	819
Actuarial loss	—	868	1,368
Net periodic pension cost	\$ 65	\$ 1,421	\$ 2,295

Other Postretirement Benefits		
	Successor	Predecessor
	Three months ended December 31, 2020	Three months ended December 31, 2019
Operating expenses:		
Service cost	\$ 2	\$ 2
Interest expense:		
Interest expense	55	82
Amortization of prior service cost	—	(177)
Actuarial loss	—	109
Net periodic pension cost	\$ 57	\$ 16

Other Postretirement Benefits			
	Successor	Predecessor	
	Four months ended December 31, 2020	Five months ended August 31, 2020	Nine months ended December 31, 2019
Operating expenses:			
Service cost	\$ 3	3	5
Interest expense:			
Interest expense	73	114	246
Amortization of prior service cost	—	(294)	(531)
Actuarial loss	—	157	328
Net periodic pension cost / (benefit)	\$ 76	\$ (20)	\$ 48

The following summarizes contributions to pension plans and postretirement health and life insurance benefits:

	Successor	Predecessor
	Three months ended December 31, 2020	Three months ended December 31, 2019
Contributions made during the period	\$ 1,373	\$ 1,277

	Successor	Predecessor	
	Four months ended December 31, 2020	Five months ended August 31, 2020	Nine months ended December 31, 2019
Contributions made during the period	\$ 2,025	\$ 1,941	\$ 4,457
Contributions expected for the remainder of the fiscal year	1,872	—	2,665
Total	\$ 3,897	\$ 1,941	\$ 7,122

21. Contingencies and Other Information

Brazilian Tax Credits

The government in the Brazilian State of Parana ("Parana") issued a tax assessment on October 26, 2007 with respect to local intrastate trade tax credits that result primarily from tobacco transferred between states within Brazil. The assessment for intrastate trade tax credits taken is \$2,535 and the total assessment including penalties and interest at December 31, 2020 is \$9,114. On March 18, 2014, the government in Brazilian State of Santa Catarina also issued a tax assessment with respect to local intrastate trade tax credits that result primarily from tobacco transferred between states within Brazil. The assessment for intrastate trade tax credits taken is \$2,192 and the total assessment including penalties and interest at December 31, 2020 is \$5,915. The Company believes it has properly complied with Brazilian law and will contest any assessment through the judicial process. Should the Company lose in the judicial process, the loss of the intrastate trade tax credits would have a material impact on the financial statements of the Company.

The Company also has local intrastate trade tax credits in the Brazil State of Rio Grande do Sul. This jurisdiction permits the sale or transfer of excess credits to third parties, however approval must be obtained from the tax authorities. The Company has an agreement with the state government regarding the amounts and timing of credits that can be sold. The tax credits have a carrying value of \$9,101. The intrastate trade tax credits are monitored for impairment in future periods based on market conditions and the Company's ability to use or sell the tax credits.

In 1969, the Brazilian government created a tax credit program that allowed companies to earn IPI tax credits ("IPI credits") based on the value of their exports. The government began to phase out this program in 1979, which resulted in numerous lawsuits between taxpayers and the Brazilian government. The Company has a long legal history with respect to credits it earned while the IPI credit program was in effect. In 2001, the Company won a claim related to certain IPI credits it earned as of 1983. Because of this favorable ruling, the Company began to use these earned IPI credits to offset federal taxes in 2004 and 2005, until it received a Judicial Order to suspend the IPI offsetting in 2005, due to a decision provided in an annulment lawsuit filed by the Brazilian Government. On March 7, 2013 such a lawsuit was ruled by the Federal Supreme Court, which confirmed (without the government's ability to appeal) that the Company was entitled to the IPI credits, however, limited to the period from 1983 to 1990. The value of the federal taxes offset in 2004 and 2005 was \$24,142 and the Company established a reserve on these credits at the time of offsetting as they were not yet realizable due to the legal uncertainty that existed. Specifically, the Company extinguished other federal tax liabilities using IPI credits and recorded a liability to reflect that the credits were not realizable at that time due to the prevalent legal uncertainty. Accordingly, at March 31, 2013, the Company recorded the \$24,142 IPI credits it realized in the Statements of Consolidated Operations in Other Income. In April 2006, the Brazilian Internal Revenue Service ("IRS") challenged the Company's valuation and application of the \$24,142 IPI credits in the Company's tax filing during 2005. Numerous rulings and appeals were rendered on behalf of both the Brazilian IRS and the Company from 2006 through 2020. As of December 31, 2020, it is reasonably possible that the Company may incur \$15,230 of losses associated with this matter.

Other Matters

In addition to the above-mentioned matters, certain of the Company's subsidiaries are involved in other litigation or legal matters incidental to their business activities, including tax matters. While the outcome of these matters cannot be predicted with certainty, the Company is vigorously defending them and does not currently expect that any of them will have a material adverse effect on its business or financial position. However, should one or more of these matters be resolved in a manner adverse to its current expectation, the effect on the Company's results of operations for a particular fiscal reporting period could be material.

Asset Retirement Obligations

The Company identified an asset retirement obligation ("ARO") associated with one of its facilities that requires it to restore the land to its initial condition upon vacating the facility. The Company has not recognized a liability under generally accepted accounting principles for this ARO because the fair value of restoring the land at this site cannot be reasonably estimated since the settlement date is unknown at this time. The settlement date is unknown because the land restoration is not required until title is returned to the government, and the Company has no current or future plans to return the title. The Company will recognize a liability in the period in which sufficient information is available to reasonably estimate its fair value.

22. Other Comprehensive Loss

The following summarizes amounts reclassified from accumulated other comprehensive loss to net income:

	Successor	Predecessor	Affected Line Item in the Condensed Consolidated
	Three months ended December 31, 2020	Three months ended December 31, 2019	Statements of Operations
Pension and other postretirement benefits ⁽¹⁾ :			
Actuarial loss	\$ —	\$ 560	
Amortization of prior service cost	—	(165)	
Amounts reclassified from accumulated other comprehensive loss to net income, gross	—	395	
Tax effects of amounts reclassified from accumulated other comprehensive loss to net income	—	(83)	
Amounts reclassified from accumulated other comprehensive loss to net income, net	\$ —	\$ 312	Interest expense

	Successor	Predecessor	Affected Line Item in the Condensed Consolidated
	Three months ended December 31, 2020	Three months ended December 31, 2019	Statements of Operations
Derivatives:			
Losses reclassified to cost of goods sold	\$ —	\$ 729	
Amounts reclassified from accumulated other comprehensive loss to net income, gross	—	729	
Tax effects of amounts reclassified from accumulated other comprehensive loss to net income	—	(153)	
Amounts reclassified from accumulated other comprehensive loss to net income, net	\$ —	\$ 576	Cost of goods and services sold

(1) Amounts are included in net periodic benefit costs for pension and other postretirement benefits. See ["Note 20. Pension and Other Postretirement Benefits"](#) for additional information.

	Successor		Predecessor		Affected Line Item in the Condensed Consolidated Statements of Operations
	Four months ended December 31, 2020		Five months ended August 31, 2020	Nine months ended December 31, 2019	
Pension and other postretirement benefits ⁽¹⁾ :					
Actuarial loss	\$ —		\$ 899	\$ 1,680	
Amortization of prior service cost	—		(165)	(495)	
Amounts reclassified from accumulated other comprehensive loss to net income, gross	—		734	1,185	
Tax effects of amounts reclassified from accumulated other comprehensive loss to net income	—		—	(251)	
Amounts reclassified from accumulated other comprehensive loss to net income, net	\$ —		\$ 734	\$ 934	Interest expense

	Successor		Predecessor		Affected Line Item in the Condensed Consolidated Statements of Operations
	Four months ended December 31, 2020		Five months ended August 31, 2020	Nine months ended December 31, 2019	
Derivatives:					
Losses reclassified to cost of goods sold	\$ —		\$ 164	\$ 3,189	
Amounts reclassified from accumulated other comprehensive loss to net income, gross	—		164	3,189	
Tax effects of amounts reclassified from accumulated other comprehensive loss to net income	—		(694)	(669)	
Amounts reclassified from accumulated other comprehensive loss to net income, net	\$ —		\$ (530)	\$ 2,520	Cost of goods and services sold

(1) Amounts are included in net periodic benefit costs for pension and other postretirement benefits. See ["Note 20. Pension and Other Postretirement Benefits"](#) for additional information.

23. Related Party Transactions

The Company engages in transactions with related parties primarily for the procuring and processing of inventory. The following summarizes sales and purchases transactions with related parties:

	Successor	Predecessor
	Three months ended December 31, 2020	Three months ended December 31, 2019
Sales	\$ 207	\$ 1,535
Purchases	28,815	41,116

	Successor	Predecessor	
	Four months ended December 31, 2020	Five months ended August 31, 2020	Nine months ended December 31, 2019
Sales	\$ 746	\$ 13,483	\$ 15,312
Purchases	47,734	38,655	96,252

The Company's accounts receivable, and accounts payable with related parties, as presented in the condensed consolidated balance sheets, relate to transactions with equity method investees. Accrued expenses and other current liabilities as presented in the condensed consolidated balance sheets as of December 31, 2020 includes \$4,099 of interest payable to the Glendon Investor and the Monarch Investor. Interest expense as presented in the condensed consolidated statements of operations includes \$5,317 and \$7,509 for the three and four months ended December 31, 2020, respectively, that relates to the Glendon Investor and the Monarch Investor. Refer to ["Note 3. Emergence from Voluntary Reorganization under Chapter 11"](#) for additional information.

24. Segment Information

The Company's operations are managed and reported in ten operating segments that are organized by product category and geographic area and aggregated into three reportable segments for financial reporting purposes: Leaf - North America, Leaf - Other Regions, and Other Products and Services. The types of products and services from which each reportable segment derives its revenues are as follows:

- Leaf - North America ships tobacco to manufacturers of cigarettes and other consumer tobacco products around the world. Leaf - North America is more concentrated on processing and other activities compared to the rest of the world.
- Leaf - Other Regions ships tobacco to manufacturers of cigarettes and other consumer tobacco products around the world. Leaf - Other Regions sells a small amount of processed but un-threshed flue-cured and burley tobacco in loose-leaf and bundle form to certain customers.
- Other Products and Services primarily consists of the Figr Brands division, which includes cannabis, e-liquid products, and industrial hemp. Cannabis was legalized for adult use in Canada on October 17, 2018. The cannabis products produced by certain of the Company's Canadian subsidiaries ("Figr") are sold primarily to municipally-owned retailers in most of the provinces in the Canadian market. E-liquids products are sold to consumers through retailers and directly to consumers via e-commerce platforms and other distribution channels.

The following summarizes segment information:

	Successor	Predecessor
	Three months ended December 31, 2020	Three months ended December 31, 2019
Sales and other operating revenues:		
Leaf - North America	\$ 60,544	\$ 53,016
Leaf - Other Regions	310,383	306,500
Other Products and Services	8,633	3,744
Total sales and other operating revenues	\$ 379,560	\$ 363,260
Operating income (loss):		
Leaf - North America	\$ 4,475	\$ 2,609
Leaf - Other Regions	21,100	25,508
Other Products and Services	(12,095)	(19,974)
Total operating income	\$ 13,480	\$ 8,143

	Successor	Predecessor	
	Four months ended December 31, 2020	Five months ended August 31, 2020	Nine months ended December 31, 2019
Sales and other operating revenues:			
Leaf - North America	\$ 80,521	\$ 57,734	\$ 139,421
Leaf - Other Regions	407,371	380,497	867,838
Other Products and Services	9,502	9,369	15,652
Total sales and other operating revenues	\$ 497,394	\$ 447,600	\$ 1,022,911
Operating income (loss):			
Leaf - North America	\$ 5,384	\$ 376	\$ 5,880
Leaf - Other Regions	24,988	(1,028)	59,016
Other Products and Services	(25,358)	(43,305)	(49,219)
Total operating income (loss)	\$ 5,014	\$ (43,957)	\$ 15,677

	Successor	Predecessor	
	December 31, 2020	December 31, 2019	March 31, 2020
Segment assets:			
Leaf - North America	\$ 285,500	\$ 319,433	\$ 266,253
Leaf - Other Regions	1,227,089	1,408,705	1,284,317
Other Products and Services	183,466	220,909	212,493
Total assets	\$ 1,696,055	\$ 1,949,047	\$ 1,763,063

25. Subsequent Event

CCAA Proceeding

On January 21, 2021, Canada's Island Garden Inc. ("Figr East"), Figr Norfolk Inc. ("Figr Norfolk") and Figr Brands, Inc. ("Figr Brands", and together with Figr East and Figr Norfolk, the "Canadian Cannabis Subsidiaries"), which are indirect subsidiaries of the Company, applied for relief from their respective creditors pursuant to Canada's Companies' Creditors Arrangement Act (the "CCAA") in the Ontario Superior Court of Justice (Commercial List) (the "Canadian Court") in Ontario, Canada as Court File No. CV-21-00655373-00CL (the "CCAA Proceeding"). On January 21, 2021 (the "Order Date"), upon application by the Canadian Cannabis Subsidiaries, the Canadian Court issued an order for creditor protection of the Canadian Cannabis

Subsidiaries pursuant to the provisions of the CCAA and the appointment of FTI Consulting Canada Inc. to serve as the Canadian Court-appointed monitor of the Canadian Cannabis Subsidiaries during the pendency of the CCAA Proceeding (the “Monitor”).

The Canadian Cannabis Subsidiaries collectively operate businesses for the production and sale to retailers in Canada of cannabis products under licenses issued by Health Canada. The Canadian Cannabis Subsidiaries are the only subsidiaries of the Company engaged in such business.

The order issued by the Court in the CCAA Proceeding on the Order Date included the following relief:

- approval for the Canadian Cannabis Subsidiaries to borrow under a debtor-in-possession financing facility (the “Canadian DIP Facility”);
- a stay of proceedings in respect of the Canadian Cannabis Subsidiaries, the directors and officers of the Canadian Cannabis Subsidiaries (the “Canadian Directors and Officers”) and the Monitor; and
- the granting of super priority charges against the property of the Canadian Cannabis Subsidiaries in favor of: (a) certain administrative professionals; (b) the Canadian Directors and Officers; and (c) the lender under the Canadian DIP Facility for amounts borrowed under the Canadian DIP Facility.

Pursuant to the Canadian DIP Facility, another non-U.S. subsidiary of Pyxus (the “DIP Lender”) provides Figr Brands with up to Cdn.\$8,000 in secured debtor-in-possession financing to permit Figr Brands, the parent entity of Figr East and Figr Norfolk, to fund the working capital needs of the Canadian Cannabis Subsidiaries in accordance with the cash flow projections approved by the Monitor and the DIP Lender, fees and expenses to be paid to the DIP Lender, professional fees and expenses incurred by the Canadian Cannabis Subsidiaries and the Monitor in respect of the CCAA Proceeding, and such other costs and expenses of the Canadian Cannabis Subsidiaries as may be agreed to by the DIP Lender. The terms of the Canadian DIP Facility include the following:

- Figr Brands may draw borrowings under the Canadian DIP Facility from time to time in an aggregate principal amount of up to Cdn.\$8,000;
- Loans bear interest at a rate of 8% per annum;
- Loans under the Canadian DIP Facility are guaranteed by Figr East and Figr Norfolk;
- Loans under the Canadian DIP Facility are secured by all of the properties, assets, and undertakings of the Canadian Cannabis Subsidiaries, as may be reasonably requested by the DIP Lender;
- The Canadian DIP Facility expires on June 30, 2021, and all outstanding loans are due and payable at that time; and
- Conditions to borrowing, representations, warranties, covenants, and agreements, as well as events of default and remedies, typical for this type of facility for a company in a proceeding under the CCAA.

On January 29, 2021, the Canadian Court issued an order permitting the Canadian Cannabis Subsidiaries to initiate a sale and investment solicitation process to be conducted by the Monitor and its affiliate to solicit interest in, and opportunities for, a sale of, or investment in, all or substantially all, or one or more components, of the assets and/or the business operations of the Canadian Cannabis Subsidiaries.

Prior to the commencement of the CCAA Proceeding, the required lenders under each of the ABL Credit Agreement and the Term Loan Credit Agreement waived defaults that would otherwise arise under the ABL Credit Agreement and the Term Loan Credit Agreement, respectively, in connection with the commencement of the CCAA Proceeding and other matters related to the CCAA Proceeding and holders of a majority of the aggregate outstanding principal amount of Notes waived defaults that would otherwise arise under the Indenture as a result of the commencement of the CCAA Proceeding and other matters related to the CCAA Proceeding.

As a result of the commencement of the CCAA Proceeding and the appointment of the Monitor, the Company has determined that, in accordance with U.S. generally accepted accounting principles, the Canadian Cannabis Subsidiaries will be deconsolidated from the Company’s financial statements as of the Order Date. The Company is evaluating whether, commencing with its Form 10-K for the fiscal year ending March 31, 2021, the Canadian Cannabis Subsidiaries and industrial hemp operations are to be treated as discontinued operations in the Company’s consolidated financial statements. In connection with and contemporaneous with the commencement of the CCAA Proceeding, the Company concluded that it may incur a material non-cash charge with respect to its investments in and advances to the Canadian Cannabis Subsidiaries, which is

expected to be recognized in the three months ending March 31, 2021. Due to a number of uncertainties with respect to the CCAA Proceeding, the Company is not yet able to estimate the amount or range of amounts of the non-cash charge.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Overview

Pyxus provides responsibly produced, independently verified, and traceable agricultural products, ingredients, and services to businesses and customers. Headquartered in the Research Triangle Park region of North Carolina, we contract with growers across five continents to help them produce sustainable, compliant crops.

Historically, Pyxus’ core business has been as a tobacco leaf merchant, purchasing, processing, packing, storing, and shipping tobacco to manufacturers of cigarettes and other consumer tobacco products throughout the world. Through our predecessor companies, we have a long operating history in the leaf tobacco industry with some customer relationships beginning in the early 1900s. In an increasing number of markets, we also provide agronomy expertise for growing leaf tobacco. Our contracted tobacco grower base often produces a significant volume of non-tobacco crop utilizing the agronomic assistance that our team provides. Pyxus is working to find markets for these crops as part of our ongoing efforts to improve farmer livelihoods and the communities in which they live.

We are committed to responsible crop production which supports economic viability for the grower, provides a safe working atmosphere for those involved in crop production, and minimizes negative environmental impact. Our agronomists maintain frequent contact with growers prior to and during the growing and curing seasons to provide technical assistance to improve the quality and yield of the crop. Throughout the entire production process, from seed-to-sale, our SENTRISM traceability system provides clear visibility into how products are produced throughout the supply chain, supporting product integrity.

Our consolidated operations are managed and reported in ten operating segments that are organized by product category and geographic area and aggregated into three reportable segments for financial reporting purposes: Leaf - North America, Leaf - Other Regions, and Other Products and Services.

Due to the seasonal nature of our business, the results of operations for a fiscal quarter are not necessarily indicative of the operating results that may be attained for other quarters or a full fiscal year.

COVID-19

We continue to monitor the impact of the COVID-19 outbreak on our Company and our workforce. In March 2020, the World Health Organization recognized the COVID-19 outbreak as a global pandemic. The COVID-19 pandemic and government actions implemented to contain further spread of COVID-19 have severely restricted economic activity around the world. Our production facilities are still operating but, in some instances, at lower production levels than planned due to social distancing requirements and safety practices implemented in accordance with Company policy. We continue to monitor the measures we implemented to reduce the spread of COVID-19 and make updates and improvements, as necessary. While our supply chains and distribution channels continue to experience delays due to COVID-19, we currently have adequate supply of products to meet the near-term forecasted demand. In addition, we have experienced procedural delays during fulfillment of customer orders for leaf tobacco due to COVID-19.

Broad economic factors from the COVID-19 pandemic, including increasing unemployment rates and reduced consumer spending, may extend billing and collection cycles. Deterioration in the collectability of accounts receivable from extended billing and collection cycles would adversely affect our results of operations, financial condition, and cash flows, leading to working capital constraints. If general economic conditions continue to deteriorate or remain uncertain for an extended period of time, our business, results of operations, financial condition, and cash flows will be adversely affected. We cannot predict the extent or duration of the COVID pandemic, the effects of the COVID pandemic on the global, national or local economy, or the effect of the COVID pandemic on our business, financial position, results of operations, and cash flows.

Bankruptcy Proceedings

On June 15, 2020 (the “Petition Date”), Old Holdco, Inc. (then named Pyxus International, Inc.) (“Old Pyxus”) and its then subsidiaries Alliance One International, LLC, Alliance One North America, LLC, Alliance One Specialty Products, LLC and GSP Properties, LLC (collectively, the “Debtors”) filed voluntary petitions (the “Chapter 11 Cases”) under Chapter 11 of the United States Bankruptcy Code with the Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”) to implement a prepackaged Chapter 11 plan of reorganization to effectuate a financial restructuring (the “Restructuring”) of Old Pyxus’ secured debt. On August 21, 2020, the Bankruptcy Court issued an order (the “Confirmation Order”) confirming the Amended Joint Prepackaged Chapter 11 Plan of Reorganization (the “Plan”) filed by the Debtors in the Chapter 11 Cases. On August 24, 2020 (the “Effective Date”), the Plan became effective in accordance with its terms, and the Debtors emerged from the Chapter 11 Cases. In connection with the satisfaction of the conditions to effectiveness as set forth in the Confirmation Order and the

Plan, Old Pyxus completed a series of transactions pursuant to which the business assets and operations of Old Pyxus were vested in a new Virginia corporation, Pyxus Holdings, Inc., which is an indirect subsidiary of the Company. Pursuant to the Confirmation Order and the Plan, at the effectiveness of the Plan all outstanding shares of common stock, and rights to acquire the common stock, of Old Pyxus were cancelled and the shares of common stock of the Company were delivered to certain creditors of Old Pyxus. Refer to [“Note 3. Emergence from Voluntary Reorganization under Chapter 11”](#) for additional information.

The Company applied Financial Accounting Standards Board (“FASB”) ASC Topic 852 – Reorganizations (“ASC 852”) in preparing the condensed consolidated financial statements. For periods subsequent to the Chapter 11 filing, ASC 852 requires distinguishing transactions associated with the reorganization separate from activities related to the ongoing operations of the business. Upon the effectiveness of the Plan and the emergence of the Debtors from the Chapter 11 Cases, the Company determined it qualified for fresh start reporting under ASC 852, which resulted in the Company becoming a new entity for financial reporting purposes on the Effective Date (as defined below). Our financial results for the five months ended August 31, 2020 and for the three and nine months ended December 31, 2019 are referred to as those of the “Predecessor.” Our financial results for the three and four months ended December 31, 2020 are referred to as those of the “Successor.” Our results of operations as reported in our Condensed Consolidated Financial Statements for these periods are prepared in accordance with fresh start reporting, which requires that we report on our results for the periods prior to the Effective Date separately from the period following the Effective Date. The Company elected to apply fresh start reporting using a convenience date of August 31, 2020 (the “Fresh Start Reporting Date”). The Company evaluated and concluded the events between August 24, 2020 and August 31, 2020 were not material to the Company’s financial reporting on both a quantitative or qualitative basis. Refer to [“Note 4. Fresh Start Reporting”](#) for additional information.

We do not believe that reviewing the results of periods that span the Fresh Start Reporting Date in isolation would be useful in identifying any trends in or reaching any conclusions regarding our overall operating performance. Management believes that operating metrics for the Successor for the four months ended December 31, 2020 when combined with those of the Predecessor for the five months ended August 31, 2020 provides a more meaningful comparison to the nine-month period ended December 31, 2019 and are useful in identifying current business trends. Accordingly, in addition to presenting our results of operations as reported in our Condensed Consolidated Financial Statements in accordance with U.S. GAAP, the table and discussion below also present the combined results for these periods. The combined results (referenced as “Combined (Non-GAAP)” or “combined”) for the nine months ended December 31, 2020 represent the sum of the reported amounts for the Predecessor period April 1, 2020 through August 31, 2020 combined with the Successor period from September 1, 2020 through December 31, 2020. These combined results are not considered to be prepared in accordance with U.S. GAAP. The combined operating results are presented for supplemental purposes only, may not reflect the actual results we would have achieved absent our emergence from bankruptcy, may not be indicative of future results and should not be viewed as a substitute for the financial results of the Predecessor period and Successor period presented in accordance with U.S. GAAP. In the following discussion of results of operations, comparisons of combined results for the nine-month period ended December 31, 2020 are to the comparable U.S. GAAP measures for the nine-month period ended December 31, 2019.

CCAA Proceeding

On January 21, 2021, Canada’s Island Garden Inc. (“Figr East”), Figr Norfolk Inc. (“Figr Norfolk”) and Figr Brands, Inc. (“Figr Brands”, and together with Figr East and Figr Norfolk, the “Canadian Cannabis Subsidiaries”), which are indirect subsidiaries of the Company, applied for relief from their respective creditors pursuant to Canada’s Companies’ Creditors Arrangement Act (the “CCAA”) in the Ontario Superior Court of Justice (Commercial List) (the “Canadian Court”) in Ontario, Canada as Court File No. CV-21-00655373-00CL (the “CCAA Proceeding”). On January 21, 2021, upon application by the Canadian Cannabis Subsidiaries, the Canadian Court issued an order for creditor protection of the Canadian Cannabis Subsidiaries pursuant to the provisions of the CCAA and the appointment of FTI Consulting Canada Inc. to serve as the Canadian Court-appointed monitor of the Canadian Cannabis Subsidiaries during the pendency of the CCAA Proceeding (the “Monitor”). On January 29, 2021, the Canadian Court issued an order permitting the Canadian Cannabis Subsidiaries to initiate a sale and investment solicitation process to be conducted by the Monitor and its affiliate to solicit interest in, and opportunities for, a sale of, or investment in, all or substantially all, or one or more components, of the assets and/or the business operations of the Canadian Cannabis Subsidiaries. These and other related matters are discussed in greater detail in [“Note 25. Subsequent Events”](#) to the “Notes to the Condensed Consolidated Financial Statements” included herein.

Results of Operations

Three Months Ended December 31, 2020 and 2019

	Successor	Predecessor	Change	
(in millions)	Three months ended December 31, 2020	Three months ended December 31, 2019	\$	%
Sales and other operating revenues	\$ 379.6	\$ 363.3	\$ 16.3	4.5
Cost of goods and services sold	317.0	308.1	8.9	2.9
Gross profit*	62.5	55.1	7.4	13.4
Selling, general, and administrative expenses	45.9	45.9	—	—
Other income (expense), net	4.7	(0.4)	5.1	1,275.0
Restructuring and asset impairment charges	7.8	0.7	7.1	1,014.3
Operating income	13.5	8.1	5.4	66.7
Interest expense	24.9	32.2	(7.3)	(22.7)
Interest income	0.1	0.4	(0.3)	(75.0)
Income tax expense (benefit)	4.5	(0.9)	5.4	600.0
Income from unconsolidated affiliates	7.6	0.3	7.3	2,433.3
Net loss attributable to noncontrolling interests	(0.1)	(0.5)	0.4	80.0
Net loss attributable to Pyxus International, Inc.*	\$ (8.2)	\$ (22.0)	\$ 13.8	62.7

* Amounts may not equal column totals due to rounding

Sales and other operating revenues increased \$16.3 million or 4.5% to \$379.6 million for the three months ended December 31, 2020 from \$363.3 million for the three months ended December 31, 2019. This increase was due to a 5.4% increase in leaf volume and an increase in cannabinoid revenue attributable to sales occurring in most of the Canadian provinces as well as the launch of the GO! cannabinoid product line. These increases were partially offset by a 1.8% decrease in leaf average sales prices. The 5.4% increase in leaf volume was driven by the timing of shipments in North America and South America and was partially offset by a decrease in volume from smaller crop sizes in Africa and shipping delays in Africa caused by the COVID-19 pandemic. The 1.8% decrease in leaf average sales prices was attributable to product mix in Africa, Asia, and Europe having a lower concentration of lamina and was partially offset by product mix having a higher concentration of lamina in North America and changes in foreign exchange rates in Europe.

Cost of goods and services sold increased \$8.9 million or 2.9% to \$317.0 million for the three months ended December 31, 2020 from \$308.1 million for the three months ended December 31, 2019. This increase was mainly due to the increase in sales and other operating revenues.

Gross profit as a percent of sales increased to 16.5% for the three months ended December 31, 2020 from 15.2% for three months ended December 31, 2019. This increase was attributable to lower conversion costs in South America and changes in foreign exchange rates in Europe. These increases were partially offset by product mix in Africa, Asia, and Europe having a lower concentration of lamina and higher conversion costs in Africa.

Selling, general, and administrative expenses were \$45.9 million for the three months ended December 31, 2020 and 2019. Selling, general, and administrative expenses for the three months ended December 31, 2020 included \$3.3 million of expenses associated with our emergence from the Chapter 11 Cases. Selling, general, and administrative expenses for the three months ended December 31, 2019 included \$1.9 million of costs incurred to evaluate and develop plans for a potential partial monetization of interests in subsidiaries in the Other Products and Services segment.

Restructuring and asset impairment charges increased \$7.1 million or 1,014.3% to \$7.8 million for the three months ended December 31, 2020 from \$0.7 million for the three months ended December 31, 2019. This increase was attributable to employee separation and impairment charges related to restructuring of certain U.S. operations, which included the industrial hemp and CBD businesses, and the continued restructuring of certain African operations.

Interest expense decreased \$7.3 million or 22.7% to \$24.9 million for the three months ended December 31, 2020 from \$32.2 million for the three months ended December 31, 2019. This decrease was driven by lower outstanding long-term debt balances as well as lower balances on the African seasonal lines of credit.

Leaf - North America Supplemental Information

	Successor	Predecessor	Change	
(in millions, except per kilo amounts)	Three months ended December 31, 2020	Three months ended December 31, 2019	\$	%
Kilos sold	7.4	7.3	0.1	1.4
Tobacco sales and other operating revenues:				
Sales and other operating revenues	\$ 46.6	\$ 39.1	\$ 7.5	19.2
Average price per kilo	6.30	5.36	0.94	17.5
Processing and other revenues	13.9	13.9	—	—
Total sales and other operating revenues	60.5	53.0	7.5	14.2
Tobacco cost of goods sold:				
Tobacco costs	36.7	30.9	5.8	18.8
Transportation, storage, and other period costs	3.8	5.1	(1.3)	(25.5)
Derivative financial instrument and exchange losses	—	0.1	(0.1)	(100.0)
Total tobacco cost of goods sold	40.5	36.1	4.4	12.2
Average cost per kilo	5.47	4.95	0.52	10.5
Processing and other revenues cost of services sold	12.2	10.9	1.3	11.9
Total cost of goods and services sold	52.7	47.0	5.7	12.1
Gross profit	7.8	6.0	1.8	30.0
Selling, general, and administrative expenses	3.0	2.8	0.2	7.1
Other expense, net	(0.2)	(0.7)	0.5	71.4
Restructuring and asset impairment charges	0.1	(0.1)	0.2	200.0
Operating income	\$ 4.5	\$ 2.6	1.9	73.1

Total sales and other operating revenues increased \$7.5 million or 14.2% to \$60.5 million for the three months ended December 31, 2020 from \$53.0 million for the three months ended December 31, 2019. This increase was primarily due to 1.4% higher volume driven by the timing of shipments and product mix having a higher concentration of lamina.

Cost of goods and services sold increased \$5.7 million or 12.1% to \$52.7 million for the three months ended December 31, 2020 from \$47.0 million for the three months ended December 31, 2019. This increase was mainly due to the increase in sales and other operating revenues.

Gross profit as a percent of sales increased to 12.9% for the three months ended December 31, 2020 from 11.3% for the three months ended December 31, 2019. This increase was primarily due to product mix having a higher concentration of lamina.

Leaf - Other Regions Supplemental Information

	Successor	Predecessor	Change	
	Three months ended December 31, 2020	Three months ended December 31, 2019	\$	%
<i>(in millions, except per kilo amounts)</i>				
Kilos sold	82.1	77.6	4.5	5.8
Tobacco sales and other operating revenues:				
Sales and other operating revenues	\$ 298.4	\$ 293.5	\$ 4.9	1.7
Average price per kilo	3.63	3.78	(0.15)	(4.0)
Processing and other revenues	12.0	13.0	(1.0)	(7.7)
Total sales and other operating revenues	310.4	306.5	3.9	1.3
Tobacco cost of goods sold:				
Tobacco costs	232.2	235.6	(3.4)	(1.4)
Transportation, storage, and other period costs	12.0	12.2	(0.2)	(1.6)
Derivative financial instrument and exchange losses (gains)	1.3	(0.8)	2.1	262.5
Total tobacco cost of goods sold	245.5	247.0	(1.5)	(0.6)
Average cost per kilo	2.99	3.18	(0.19)	(6.0)
Processing and other revenues cost of services sold	10.6	9.8	0.8	8.2
Total cost of goods and services sold	256.1	256.8	(0.7)	(0.3)
Gross profit	54.3	49.7	4.6	9.3
Selling, general, and administrative expenses	29.9	25.3	4.6	18.2
Other (expense) income, net	(0.7)	1.9	(2.6)	(136.8)
Restructuring and asset impairment charges	2.6	0.8	1.8	225.0
Operating income	\$ 21.1	\$ 25.5	\$ (4.4)	(17.3)

Total sales and other operating revenues increased \$3.9 million or 1.3% to \$310.4 million for the three months ended December 31, 2020 from \$306.5 million for the three months ended December 31, 2019. This increase was due to a 5.8% increase in volume, partially offset by a 4.0% decrease in average sales prices. The increase in volume was driven by the timing of shipments in South America. This volume increase was partially offset by a decrease in volume from smaller crop sizes in Africa and shipping delays in Africa caused by the COVID-19 pandemic. The decrease in average sales prices was attributable to product mix in Africa, Asia, and Europe having a lower concentration of lamina and was partially offset by changes in foreign exchange rates in Europe.

Cost of goods and services sold decreased \$0.7 million or 0.3% to \$256.1 million for the three months ended December 31, 2020 from \$256.8 million for the three months ended December 31, 2019. This decrease was mainly due to changes in foreign currency exchange rates in Europe.

Gross profit as a percent of sales increased to 17.5% for the three months ended December 31, 2020 from 16.2% for the three months ended December 31, 2019. This increase was attributable to lower conversion costs in South America and changes in foreign exchange rates in Europe. These increases were partially offset by product mix in Africa, Asia, and Europe having a lower concentration of lamina and higher conversion costs in Africa.

Selling, general, and administrative expenses increased \$4.6 million or 18.2% to \$29.9 million for the three months ended December 31, 2020 from \$25.3 million for the three months ended December 31, 2019. Selling, general, and administrative expenses as a percent of sales increased to 9.6% for the three months ended December 31, 2020 from 8.3% for the three months ended December 31, 2019. These increases were related to higher allocations of general corporate services. These increases were partially offset by decreases in travel expenses caused by the COVID-19 pandemic and current year savings from restructuring initiatives.

Other Products and Services Supplemental Information

(in millions)	Successor	Predecessor	Change	
	Three months ended December 31, 2020	Three months ended December 31, 2019	\$	%
Sales and other operating revenues	\$ 8.6	\$ 3.7	\$ 4.9	132.4
Cost of goods and services sold	8.2	4.3	3.9	90.7
Gross profit (loss)	0.4	(0.6)	1.0	166.7
Selling, general, and administrative expenses	13.1	17.8	(4.7)	(26.4)
Other income (expense), net	5.7	(1.6)	7.3	456.3
Restructuring and asset impairment charges	5.1	—	5.1	100.0
Operating loss	\$ (12.1)	\$ (20.0)	\$ 7.9	39.5

Sales and other operating revenues increased \$4.9 million or 132.4% to \$8.6 million for the three months ended December 31, 2020 from \$3.7 million for the three months ended December 31, 2019. This increase was primarily due to an increase in cannabinoid revenue attributable to sales occurring in most of the Canadian provinces, as well as the launch of the GO! cannabinoid product line in Canada.

Cost of goods and services sold increased \$3.9 million or 90.7% to \$8.2 million for the three months ended December 31, 2020 from \$4.3 million for the three months ended December 31, 2019. This increase was mainly due to the increase in sales and other operating revenues.

Gross profit (loss) as a percent of sales was 4.7% for the three months ended December 31, 2020 compared to gross profit (loss) as a percent of sales of (16.2)% for the three months ended December 31, 2019. This difference was due to lower conversion costs from higher sales volume.

Selling, general, and administrative expenses decreased \$4.7 million or 26.4% to \$13.1 million for the three months ended December 31, 2020 from \$17.8 million for the three months ended December 31, 2019. Selling, general, and administrative expenses as a percent of sales decreased to 152.3% for the three months ended December 31, 2020 from 481.1% for the three months ended December 31, 2019. These decreases were mainly due to higher expenses in the prior year for the evaluation of a partial monetization of the Company's investments in certain businesses in this segment.

Restructuring and asset impairment charges of \$5.1 million for the three months ended December 31, 2020 were incurred in connection with employee separation and impairment charges related to restructuring of certain U.S. operations, which included the industrial hemp and CBD businesses.

Nine Months Ended December 31, 2020 and 2019

	Successor	Predecessor	Combined (Non-GAAP)	Predecessor
(in millions)	Four months ended December 31, 2020	Five months ended August 31, 2020	Nine months ended December 31, 2020	Nine months ended December 31, 2019
Sales and other operating revenues	\$ 497.4	\$ 447.6	\$ 945.0	\$ 1,022.9
Cost of goods and services sold	424.5	402.6	827.1	867.9
Gross profit	72.9	45.0	117.9	155.1
Selling, general, and administrative expenses	61.6	87.9	149.5	142.6
Other income (expense), net	2.7	(0.5)	2.2	4.1
Restructuring and asset impairment charges	9.0	0.6	9.6	0.9
Operating income (loss)	5.0	(44.0)	(39.0)	15.7
Debt retirement expense	—	0.8	0.8	—
Interest expense	33.1	46.6	79.7	101.3
Interest income	0.2	1.4	1.6	3.0
Reorganization items	—	106.0	106.0	—
Income tax (benefit) expense	(6.1)	0.3	(5.8)	25.2
Income from unconsolidated affiliates	7.8	2.4	10.2	6.7
Net loss attributable to noncontrolling interests	(0.5)	(1.0)	(1.5)	(0.9)
Net (loss) income attributable to Pyxus International, Inc.*	\$ (13.5)	\$ 19.0	\$ 5.5	\$ (100.3)

* Amounts may not equal column totals due to rounding

Combined sales and other operating revenues decreased \$77.9 million or 7.6% to \$945.0 million for the nine months ended December 31, 2020 from \$1,022.9 million for the nine months ended December 31, 2019. This decrease was due to a 2.1% decrease in leaf volume, a 6.8% decrease in leaf average selling prices, and the global impact of the COVID-19 pandemic. These decreases were partially offset by an increase in cannabinoid revenue attributable to sales occurring in most of the Canadian provinces, as well as the launch of the GO! cannabinoid product line in Canada. The 2.1% decrease in leaf volume was due to smaller crop sizes in Africa and the timing of shipments in Asia, Europe, and North America, partially due to the COVID-19 pandemic. This decrease was partially offset by higher volume in Asia and South America driven by the timing of shipments. The 6.8% decrease in leaf average sales prices was due to product mix in Europe and South America having a lower concentration of lamina and changes in foreign exchange rates in Europe and South America. This decrease was partially offset by product mix having a higher concentration of lamina in Africa and North America.

Combined cost of goods and services sold decreased \$40.8 million or 4.7% to \$827.1 million for the nine months ended December 31, 2020 from \$867.9 million for the nine months ended December 31, 2019. This decrease was mainly due to the decrease in sales and other operating revenues and changes in foreign currency exchange rates in Europe and South America. This decrease was partially offset by inventory write-offs of cannabis and industrial hemp inventory driven by a shift in expected future products mix in response to market supply conditions and continued market price compression.

Combined gross profit as a percent of sales decreased to 12.5% for the nine months ended December 31, 2020 from 15.2% for the nine months ended December 31, 2019. This decrease was mainly due to the inventory write-downs described above. This decrease was partially offset by product mix having a higher concentration of lamina in North America.

Combined selling, general, and administrative expenses increased \$6.9 million or 4.8% to \$149.5 million for the nine months ended December 31, 2020 from \$142.6 million for the nine months ended December 31, 2019. Combined selling, general, and administrative expenses as a percent of sales increased to 15.8% for the nine months ended December 31, 2020 from 13.9% for the nine months ended December 31, 2019. These increases were driven by \$21.8 million of expenses associated with our emergence from the Chapter 11 Cases. These increases were partially offset by lower travel expenses caused by the COVID-19 pandemic, current year savings from restructuring initiatives, and \$13.8 million of costs incurred to evaluate and develop plans for a potential partial monetization of interests in subsidiaries in the Other Products and Services segment in the prior year.

Combined restructuring and asset impairment charges increased \$8.7 million or 966.7% to \$9.6 million for the nine months ended December 31, 2020 from \$0.9 million for the nine months ended December 31, 2019. This increase was attributable to employee separation and impairment charges related to restructuring of certain U.S. operations, which included the industrial hemp and CBD businesses, and the continued restructuring of certain African operations.

Combined interest expense decreased \$21.6 million or 21.3% to \$79.7 million for the nine months ended December 31, 2020 from \$101.3 million for the nine months ended December 31, 2019. This decrease was driven by lower outstanding long-term debt balances, as well as lower balances on the African seasonal lines of credit.

Combined reorganization items increased \$106.0 million or 100% for the nine months ended December 31, 2020 and were incurred in connection with the Chapter 11 Cases.

Combined income tax expense decreased \$31.0 million or 123.0% to a benefit of \$5.8 million for the nine months ended December 31, 2020 from expense of \$25.2 million for the nine months ended December 31, 2019. This decrease was primarily due to the change in the effective tax rate to 1,717.0% for the nine months ended December 31, 2020 from 44.3% for the nine months ended December 31, 2019 and the occurrence of certain discrete items during the nine months ended December 31, 2020.

Leaf - North America Supplemental Information

(in millions, except per kilo amounts)

	Successor	Predecessor	Combined (Non-GAAP)	Predecessor
	Four months ended December 31, 2020	Five months ended August 31, 2020	Nine months ended December 31, 2020	Nine months ended December 31, 2019
Kilos sold	10.2	9.5	19.7	21.6
Tobacco sales and other operating revenues:				
Sales and other operating revenues	\$ 63.7	\$ 51.2	\$ 114.9	\$ 114.5
Average price per kilo	6.25	5.39	5.83	5.30
Processing and other revenues	16.8	6.5	23.3	24.9
Total sales and other operating revenues	80.5	57.7	138.2	139.4
Tobacco cost of goods sold:				
Tobacco costs	50.2	39.3	89.5	88.5
Transportation, storage, and other period costs	5.1	5.6	10.7	13.8
Derivative financial instrument and exchange (gains) losses	(0.1)	0.3	0.2	0.1
Total tobacco cost of goods sold	55.2	45.2	100.4	102.4
Average cost per kilo	5.41	4.76	5.10	4.74
Processing and other revenues cost of services sold	14.6	4.4	19.0	18.7
Total cost of goods and services sold	69.8	49.6	119.4	121.1
Gross profit	10.7	8.1	18.8	18.3
Selling, general, and administrative expenses	4.7	7.2	11.9	11.3
Other expense, net	(0.3)	(0.5)	(0.8)	(1.2)
Restructuring and asset impairment charges	0.3	—	0.3	(0.1)
Operating income	\$ 5.4	\$ 0.4	\$ 5.8	\$ 5.9

Combined total sales and other operating revenues decreased \$1.2 million or 0.9% to \$138.2 million for the nine months ended December 31, 2020 from \$139.4 million for the nine months ended December 31, 2019. This decrease was due to a 8.8% decrease in volume attributable to timing of shipments. This decrease was partially offset by a 10.0% increase in average sales price due to product mix having a higher concentration of lamina.

Combined cost of goods and services sold decreased \$1.7 million or 1.4% to \$119.4 million for the nine months ended December 31, 2020 from \$121.1 million for the nine months ended December 31, 2019. This decrease was mainly due to the decrease in sales and other operating revenues.

Combined gross profit as a percent of sales increased slightly to 13.6% for the nine months ended December 31, 2020 from 13.1% for the nine months ended December 31, 2019 due to a 10.0% increase in average sales price due to product mix having a higher concentration of lamina.

Leaf - Other Regions Supplemental Information

(in millions, except per kilo amounts)

	Successor	Predecessor	Combined (Non-GAAP)	Predecessor
	Four months ended December 31, 2020	Five months ended August 31, 2020	Nine months ended December 31, 2020	Nine months ended December 31, 2019
Kilos sold	107.8	102.5	210.3	213.3
Tobacco sales and other operating revenues:				
Sales and other operating revenues	\$ 387.8	\$ 355.9	\$ 743.7	\$ 825.3
Average price per kilo	3.60	3.47	3.54	3.87
Processing and other revenues	19.6	24.6	44.2	42.5
Total sales and other operating revenues	407.4	380.5	787.9	867.8
Tobacco cost of goods sold:				
Tobacco costs	304.8	292.0	596.8	665.6
Transportation, storage, and other period costs	17.9	16.9	34.8	37.2
Derivative financial instrument and exchange losses (gains)	1.7	(1.6)	0.1	(0.4)
Total tobacco cost of goods sold	324.4	307.3	631.7	702.4
Average cost per kilo	3.01	3.00	3.00	3.29
Processing and other revenues cost of services sold	15.9	20.0	35.9	32.5
Total cost of goods and services sold	340.3	327.3	667.6	734.9
Gross profit	67.1	53.2	120.3	132.9
Selling, general, and administrative expenses	38.3	54.5	92.8	79.1
Other (expense) income, net	(0.1)	0.8	0.7	6.2
Restructuring and asset impairment charges	3.7	0.5	4.2	1.0
Operating income (loss)	\$ 25.0	\$ (1.0)	\$ 24.0	\$ 59.0

Combined total sales and other operating revenues decreased \$79.9 million or 9.2% to \$787.9 million for the nine months ended December 31, 2020 from \$867.8 million for the nine months ended December 31, 2019. This decrease was due to an 8.5% decrease in average sales prices and a 1.4% decrease in volume. The decrease in average sales price was due to product mix in Europe and South America having a lower concentration of lamina and changes in foreign exchange rates in Europe and South America. This decrease was partially offset by product mix in Africa having a higher concentration of lamina. The decrease in volume was driven by smaller crop sizes in Africa and the timing of shipments in Africa and Europe, partially due to the COVID-19 pandemic. This decrease was partially offset by higher volume in Asia and South America driven by the timing of shipments.

Combined cost of goods and services sold decreased \$67.3 million or 9.2% to \$667.6 million for the nine months ended December 31, 2020 from \$734.9 million for the nine months ended December 31, 2019. This decrease was mainly due to the decrease in sales and other operating revenues and changes in foreign currency exchange rates in Europe and South America.

Combined gross profit as a percent of sales was 15.3% for the nine months ended December 31, 2020 and 2019.

Combined selling, general, and administrative expenses increased \$13.7 million or 17.3% to \$92.8 million for the nine months ended December 31, 2020 from \$79.1 million for the nine months ended December 31, 2019. Combined selling, general, and administrative expenses as a percent of sales increased to 11.8% for the nine months ended December 31, 2020 from 9.1% for the nine months ended December 31, 2019. These increases were related to the decrease in sales and other operating revenues and higher allocations of general corporate services. These increases were partially offset by lower travel expenses caused by the COVID-19 pandemic and current year savings from restructuring initiatives.

Other Products and Services Supplemental Information

(in millions, except per kilo amounts)

	Successor	Predecessor	Combined (Non-GAAP)	Predecessor
	Four months ended December 31, 2020	Five months ended August 31, 2020	Nine months ended December 31, 2020	Nine months ended December 31, 2019
Sales and other operating revenues	\$ 9.5	\$ 9.4	\$ 18.9	\$ 15.7
Cost of goods and services sold	14.5	25.7	40.2	11.8
Gross (loss) profit	(5.0)	(16.3)	(21.3)	3.9
Selling, general, and administrative expenses	18.6	26.2	44.8	52.2
Other income (expense), net	3.3	(0.8)	2.5	(0.9)
Restructuring and asset impairment charges	5.1	—	5.1	—
Operating loss	\$ (25.4)	\$ (43.3)	\$ (68.7)	\$ (49.2)

Combined sales and other operating revenues increased \$3.2 million or 20.4% to \$18.9 million for the nine months ended December 31, 2020 from \$15.7 million for the nine months ended December 31, 2019. This increase was primarily due to an increase in cannabinoid revenue attributable to sales occurring in most of the Canadian provinces as well as the launch of the GO! cannabinoid product line in Canada. This increase was partially offset by a decrease in e-liquids revenue related to a general industry slow-down amid health and regulatory concerns, and the global impact of the COVID-19 pandemic.

Combined cost of goods and services sold increased \$28.4 million or 240.7% to \$40.2 million for the nine months ended December 31, 2020 from \$11.8 million for the nine months ended December 31, 2019. This increase was mainly due to inventory write-offs of cannabis and industrial hemp inventory driven by a shift in expected future products mix in response to market supply conditions and continued market price compression.

Combined gross (loss) profit as a percent of sales decreased to (112.7)% for the nine months ended December 31, 2020 from 24.8% for the nine months ended December 31, 2019. This decrease was mainly due to the inventory write-downs described above.

Combined selling, general, and administrative expenses decreased \$7.4 million or 14.2% to \$44.8 million for the nine months ended December 31, 2020 from \$52.2 million for the nine months ended December 31, 2019. Combined selling, general, and administrative expenses as a percent of sales decreased to 237.0% for the nine months ended December 31, 2020 from 332.5% for the nine months ended December 31, 2019. These decreases were mainly due to higher expenses in the prior year for the evaluation of a partial monetization of the Company's investments in certain businesses.

Restructuring and asset impairment charges of \$5.1 million for the nine months ended December 31, 2020 were incurred in connection with employee separation and impairment charges related to restructuring of certain U.S. operations, which included the industrial hemp and CBD businesses.

Liquidity and Capital Resources

Overview

The following transactions occurred at or prior to the Effective Date, as contemplated by the Plan:

- Claims with respect to the Company's \$275.0 million of 8.5% First Lien Notes due 2021 were satisfied by the issuance of 10.0% First Lien Notes due in 2024 in the aggregate principal amount of \$280.8 million.
- Claims with respect to the Company's \$635.7 million of 9.875% Second Lien Notes due 2021 were satisfied by the issuance of approximately 12.5 million shares of common stock and a \$2.2 million cash payment.
- Claims with respect to the DIP Facility were satisfied by the issuance of \$213.4 million aggregate principal amount of the Term Loans due February 24, 2025.
- Claims with respect to the \$60.0 million ABL in existence at the Petition Date were repaid in full during the pendency of the Chapter 11 Cases with proceeds from borrowings under the DIP Facility, and at the Effective Date the Company entered into the ABL Credit Agreement providing a new \$75.0 million ABL Credit Facility that is due on February 24, 2023, with \$67.5 million of borrowings thereunder outstanding as of December 31, 2020.

- The Company's \$255.0 million African seasonal line of credit with TDB was amended and restated, which resulted in an increase in the line of credit with TDB to \$285.0 million.

Our liquidity requirements are affected by various factors from our core tobacco leaf business, including crop seasonality, foreign currency and interest rates, green tobacco prices, customer mix and shipping requirements, crop size, and quality. Our leaf tobacco business is seasonal, and purchasing, processing, and selling activities have several associated peaks where cash on-hand and outstanding indebtedness may vary significantly during the fiscal year. Additionally, our liquidity requirements are affected by branding, marketing, and advertising expenses to support growth of the Other Products and Services segment, legal and professional costs, and funding obligations under the Canadian DIP Facility during the pendency of the CCAA Proceeding. Although we believe that our sources of liquidity will be sufficient to fund our anticipated needs for the next twelve months, we anticipate periods during which our liquidity needs will approach the levels of our anticipated available cash and permitted borrowings under our credit facilities. Unanticipated developments affecting our liquidity needs, including with respect to the foregoing factors, and sources of liquidity, including impacts affecting our cash flows from operations and the availability of capital resources (including an inability to renew or refinance seasonal lines of credit), may result in a deficiency in liquidity. To address a potential liquidity deficiency, we may undertake plans to minimize cash outflows, which could include exiting operations that do not generate positive cash flow. It is possible that, depending on the occurrence of events affecting our liquidity needs and sources of liquidity, such plans may not be sufficient to adequately or timely address a liquidity deficiency.

As of December 31, 2020, shipping of the Africa and South America crops continues with South America beginning to buy the next crop in January. The North America flue-cured crop and Asia are completing processing with Europe beginning to buy and process the next crop.

Working Capital

The following is a summary of items from the condensed consolidated balance sheets:

	Successor	Predecessor	
	December 31, 2020	December 31, 2019	March 31, 2020
<i>(in millions except for current ratio)</i>			
Cash and cash equivalents	\$ 123.2	\$ 72.2	\$ 170.2
Trade and other receivables, net	194.0	192.7	239.7
Inventories and advances to tobacco suppliers	833.6	933.4	768.9
Total current assets	1,217.9	1,254.0	1,232.4
Notes payable to banks	433.6	580.3	540.2
Accounts payable	51.9	61.1	67.1
Advances from customers	24.9	19.2	18.8
Total current liabilities	626.2	804.9	789.1
Current ratio	1.9 to 1	1.6 to 1	1.6 to 1
Working capital	591.7	449.1	443.3
Long-term debt	551.9	902.5	904.3
Stockholders' equity attributable to Pyxus International, Inc.	376.2	85.5	(78.0)

Working capital increased to \$591.7 million at December 31, 2020 from \$449.1 million at December 31, 2019 primarily due to lower balances on the African seasonal lines of credit resulting from cash payments and shorter crops resulting in decreased inventory purchases.

Sources and Uses of Cash

Our primary sources of liquidity are cash generated from operations, cash collections from our securitized receivables, borrowings under the ABL Credit Facility, and short-term borrowings under our foreign seasonal lines of credit. We have typically financed our non-U.S. tobacco operations with uncommitted short-term foreign seasonal lines of credit. These foreign lines of credit are seasonal in nature corresponding to the tobacco crop cycle in that market. These short-term foreign seasonal lines of credit are typically uncommitted and provide lenders the right to cease making loans and demand repayment of loans. These short-term foreign seasonal lines of credit are typically renewed at the outset of each tobacco season. We maintain various other financing arrangements to meet the cash requirements of our businesses. See [Note 15. "Debt Arrangements"](#) for additional information.

We utilize capital in excess of cash flow from operations to finance accounts receivable, inventory, and advances to tobacco suppliers in foreign countries. In addition, we may periodically elect to purchase, redeem, repay, retire, or cancel indebtedness prior to stated maturity under our various foreign credit lines.

The following summarizes our sources and uses of our cash flows:

(in millions)	Successor	Predecessor	
	Four months ended December 31, 2020	Five months ended August 31, 2020	Nine months ended December 31, 2019
Operating activities	\$ (25.5)	\$ (182.1)	\$ (387.2)
Investing activities	38.1	61.7	119.6
Financing activities	(2.9)	63.7	150.0
Effect of exchange rate changes on cash	(0.4)	1.6	(5.3)
Increase (decrease) in cash, cash equivalents, and restricted cash	9.4	(55.1)	(122.8)
Cash and cash equivalents at beginning of period	93.1	170.2	192.0
Restricted cash at beginning of period	24.8	2.9	5.8
Cash, cash equivalents, and restricted cash at end of period*	\$ 127.3	\$ 118.0	\$ 75.0

* Amounts may not equal column totals due to rounding

Net cash used by operating activities decreased on a combined basis for the four months ended December 31, 2020 and the five months ended August 31, 2020 compared to the nine months ended December 31, 2019, primarily due to (excluding non-cash activities) decreased inventory driven by smaller crop sizes in Africa and currency devaluation in Europe and South America.

Net cash provided by investing activities decreased on a combined basis for the four months ended December 31, 2020 and the five months ended August 31, 2020 compared to the nine months ended December 31, 2019 primarily due to lower collections on beneficial interests on securitized trade receivables driven by lower tobacco sales and lower qualifying receivables available for sale into the securitization facilities.

Net cash provided by financing activities decreased on a combined basis for the four months ended December 31, 2020 and the five months ended August 31, 2020 compared to the nine months ended December 31, 2019 primarily due to lower net proceeds resulting from higher repayments of short-term borrowings and the repayment of the ABL facility in place at the Petition Date, partially offset by proceeds from the DIP Facility and borrowings under the ABL Credit Facility.

Fluctuation of the U.S. dollar versus many of the currencies in which we have costs may have an impact on our working capital requirements. We will continue to monitor and hedge foreign currency costs, as needed.

Approximately \$75.4 million of our outstanding cash balance at December 31, 2020 was held in foreign jurisdictions, which includes approximately \$2.9 million held by our legal Canadian cannabis businesses. As a result of our cash needs abroad and legal restrictions with respect to repatriation of the proceeds from operations of our Canadian cannabis subsidiaries, it is our intention to permanently reinvest these funds in foreign jurisdictions regardless of the fact that the cost of repatriation would not have a material financial impact.

Debt Financing

We continue to finance our business with a combination of short-term and long-term seasonal credit lines, the long-term debt securities described above, advances from customers, and cash from operations when available. Refer to ["Note 15. Debt Arrangements"](#) for summary of our short-term and long-term debt.

The Company's subsidiary in Tanzania failed to satisfy a loan-to-value ratio requirement in November and December of 2020 under the TDB Facility Agreement. The failure to satisfy this requirement would have permitted TDB to declare an event of default with respect to the Tanzania subsidiary's borrowings under its credit facility under the TDB Facility Agreement and demand immediate repayment of that subsidiary's borrowings, which were approximately \$50.4 million at December 31, 2020. TDB entered into a First Amendment and Waiver Letter to the TDB Facility Agreement dated December 30, 2020 (the "TDB Waiver") in which TDB waived the defaults arising from the Tanzania subsidiary's failure to comply with this ratio in November and December 2020 and adjusted the required loan-to-value ratio for the Tanzania subsidiary for each month thereafter through June 2021. The existence of these defaults by the Tanzania subsidiary under the TDB Facility Agreement (the "Tanzania Default") resulted in defaults and events of default arising under the ABL Credit Facility and the Term Loan Credit Facility, which would have permitted the respective lenders thereunder to demand immediate repayment of all amounts outstanding under the respective facility. In December 2020, the required lenders under each of the ABL Credit Facility and the

Term Loan Credit Facility entered into agreements with the Company waiving the defaults and events of default arising under the respective facility as a result of the Tanzania Default.

We will continue to monitor and, as available, adjust funding sources as needed to enhance and drive various business opportunities. Available credit as of December 31, 2020 was \$305.5 million primarily comprised of \$293.9 million of foreign seasonal lines of credit (of which \$130.0 million of availability under the TDB Facility Agreement includes limits for borrowings for jurisdictions to fund the purchase of tobacco in that jurisdiction), \$7.5 million from the ABL Credit Facility, and \$3.7 million of availability for letters of credit. We believe that our sources of liquidity will be sufficient to fund our anticipated needs for the next twelve months.

No cash dividends were paid to shareholders during the three months ended December 31, 2020. The payment of dividends is restricted under the terms the ABL Credit Agreement, the Term Loan Credit Agreement, and the Indenture.

Zimbabwe Currency Considerations

The Company often holds Zimbabwe RTGS Dollars necessary for operations within Zimbabwe. RTGS is a local currency equivalent that, as of December 31, 2020, was exchanged at a government specified rate of 82:1 with the U.S. Dollar ("USD"). In order to convert Zimbabwe RTGS Dollars to U.S. Dollars, we must obtain foreign currency resources from the Reserve Bank of Zimbabwe, subject to the monetary and exchange control policy in Zimbabwe. If the foreign exchange restrictions and government-imposed controls become severe, we may have to reassess our ability to control our Zimbabwe subsidiary, Mashonaland Tobacco Company ("MTC"). As of December 31, 2020, MTC has \$43.1 million of net assets.

Critical Accounting Estimates

As of the date of this report, there are no material changes to the critical accounting estimates previously disclosed in Part I, Item 7 "Critical Accounting Estimates" in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2020, except for the following:

Application of Fresh Start Reporting

We applied FASB ASC 852 in preparing the condensed consolidated financial statements. For periods subsequent to the Chapter 11 filing, ASC 852 requires distinguishing transactions associated with the reorganization separate from activities related to the ongoing operations of the business. Upon the effectiveness of the Plan and the emergence of the Debtors from the Chapter 11 Cases, the Company determined it qualified for fresh start reporting under ASC 852, which resulted in the Company becoming a new entity for financial reporting purposes on the Effective Date. We elected to apply fresh start reporting using a convenience date of August 31, 2020. We evaluated and concluded that the events between August 24, 2020 and August 31, 2020 were not material to our financial reporting on both a quantitative or qualitative basis. In accordance with ASC 852 and the application of fresh start accounting, we allocated our reorganization value to our individual assets based on our estimated fair values in conformity with ASC 805, *Business Combinations*. The reorganization value represents the fair value of the Successor Company's assets before considering liabilities. The excess reorganization value over the fair value of identified tangible and intangible assets is reported as goodwill. Refer to "[Note 4. Fresh Start Reporting](#)" for additional information.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no significant changes to our market risk exposures since March 31, 2020. For a discussion of our exposure to market risk, refer to Part II, Item 7A "Quantitative and Qualitative Disclosures About Market Risk" contained in the Annual Report on Form 10-K for the fiscal year ended March 31, 2020 of Old Holdco, Inc. filed on August 24, 2020.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) designed to provide reasonable assurance that the information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that this information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. Due to inherent limitations, our disclosure controls and procedures, however well designed and operated, can provide only reasonable assurance (not absolute) that the objectives of the disclosure controls and procedures are met.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as required by Rule 13a-15(b) of the Exchange Act), as of December 31, 2020. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded our

disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) were effective to provide reasonable assurance as of December 31, 2020.

Changes in Internal Control over Financial Reporting

As required by Rule 13a-15(d) under the Exchange Act, our management, including our Chief Executive Officer and Chief Financial Officer, have evaluated our internal control over financial reporting to determine whether any changes occurred during the quarter covered by this quarterly report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

During the third quarter of 2020, we established additional controls over the monitoring of compliance with financial covenants included in the TDB Facility Agreement. Except for these additional monitoring controls, there were no changes that occurred during the three months ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

Refer to "[Note 21. Contingencies and Other Information](#)" and "[Note 25. Subsequent Events](#)" to the "Notes to Condensed Consolidated Financial Statements" for additional information with respect to legal proceedings, which are incorporated by reference herein.

Item 1A. Risk Factors

The following risk factors should be read carefully in connection with evaluating our business and the forward-looking statements contained in this Quarterly Report on Form 10-Q. Any of the following risks could materially adversely affect our business, our operating results, our financial condition, and the actual outcome of matters as to which forward-looking statements are made in this Quarterly Report.

We may from time to time make written or oral forward-looking statements, including statements contained in filings with the Securities and Exchange Commission, in reports to shareholders and in press releases and investor calls and webcasts. You can identify these forward-looking statements by use of words such as "strategy," "expects," "continues," "plans," "anticipates," "believes," "will," "estimates," "intends," "projects," "goals," "targets" and other words of similar meaning. You can also identify them by the fact that they do not relate strictly to historical or current facts.

We cannot guarantee that any forward-looking statement will be realized, although we believe we have been prudent in our plans and assumptions. Achievement of future results is subject to risks, uncertainties and inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated, or projected. Investors should bear this in mind as they consider forward-looking statements and whether to invest in or remain invested in the Company's securities. In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, we are identifying important risk factors that, individually or in the aggregate, could cause actual results and outcomes to differ materially from those contained in any forward-looking statements made by us; any such statement is qualified by reference to the following cautionary statements. We elaborate on these and other risks we face throughout this document. It is not possible to predict or identify all risk factors. Consequently, the following should not be considered a complete discussion of all potential risks or uncertainties. We do not undertake to update any forward-looking statement that we may make from time to time.

Risks Related to our Indebtedness

We have substantial debt which may adversely affect us by limiting future sources of financing, interfering with our ability to pay interest, and principal on our indebtedness and subjecting us to additional risks.

We have a significant amount of indebtedness and debt service obligations. As of December 31, 2020, we had approximately \$985.6 million in aggregate principal amount of indebtedness.

Our substantial debt could have important consequences, including:

- making it more difficult for us to satisfy our obligations with respect to the ABL Credit Facility, the Term Loans, the Notes, and our other obligations;
- limiting our ability to obtain additional financing on satisfactory terms and to otherwise fund working capital, capital expenditures, debt refinancing, acquisitions, and other general corporate requirements;
- hampering our ability to adjust to changing market conditions;
- increasing our vulnerability to general adverse economic and industry conditions;
- placing us at a competitive disadvantage compared to our competitors that have less debt or are less leveraged;
- limiting our flexibility in planning for, or reacting to, changes in our business, and the industries in which we operate; and
- restricting us from making strategic acquisitions or exploiting business opportunities.

We require a significant amount of cash to service our indebtedness. Our ability to generate cash depends on many factors beyond our control.

We require a significant amount of cash to service our indebtedness, and a substantial portion of our cash flow is required to fund the interest payments on our indebtedness. Our ability to service our indebtedness and to fund planned capital expenditures depends on our ability to generate cash. This is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control, including the impact of the COVID-19 pandemic. Also, a substantial portion of our debt, including any borrowings under the ABL Credit Facility, bears interest at variable rates. If market interest rates increase, variable-rate debt will create higher debt-service requirements, which would adversely affect our cash flow. We cannot assure you that our businesses will generate sufficient cash flow from operations or that future borrowings will be available to us under an amount sufficient to enable us to service our indebtedness or to fund our other liquidity needs.

We may not be able to refinance or renew our indebtedness, including the ABL Credit Facility, the Term Loans, the Notes, or indebtedness under the TDB Facility Agreement, other seasonal credit lines, or other credit facilities, which may have a material adverse effect on our financial condition.

We may not be able to renew or refinance our indebtedness, including the ABL Credit Facility, the Term Loans, the Notes, or indebtedness under the TDB Facility Agreement, other seasonal credit lines, or other credit facilities, on substantially similar terms, or at all. Our ability to access short-term and long-term lending and capital markets to obtain, and the availability of acceptable terms and conditions of, financing are impacted by many factors, including: (i) our credit ratings; (ii) the liquidity and volatility of the overall lending and capital markets; and (iii) the current state of the economy, including the tobacco industry. There can be no assurances that we will be able to access the lending and capital markets to refinance our indebtedness. We may have to pay additional fees and expenses that we might not have to pay under normal circumstances, and we may have to agree to terms that could increase the cost of our debt structure. If we are unable to renew or refinance our indebtedness on terms that are not materially less favorable than the terms currently available to us or obtain alternative or additional financing arrangements, we may not be able to timely repay certain of our indebtedness, which may result in a default under other indebtedness. Failure to refinance or renew any material indebtedness would have a material adverse effect on our financial condition.

We may not be able to satisfy the covenants included in our financing arrangements, which could result in the default of our outstanding debt obligations.

The agreement governing the ABL Credit Facility includes certain restrictive covenants and a springing covenant requiring that our fixed charge coverage ratio be no less than 1.00 to 1.00 during any Dominion Period. Certain agreements governing our seasonal credit facilities, including the TDB Agreement, include financial and restrictive covenants applicable to the subsidiaries that borrow thereunder and in certain cases with respect to Pyxus. The agreements governing our other indebtedness, including the Term Loan Credit Agreement and the Indenture, also include restrictive covenants. These covenants limit our ability to, among other things:

- incur additional indebtedness or issue disqualified stock or preferred stock;
- make investments;
- pay dividends and make other restricted payments;
- sell certain assets;
- create liens;
- consolidate, merge, sell or otherwise dispose of all or substantially all of their assets;
- enter into transactions with affiliates; and
- designate subsidiaries as Unrestricted Subsidiaries (as defined in the ABL Credit Agreement and Term Loan Credit Agreement).

Complying with these covenants may cause us to take actions that we otherwise would not take or not take actions that we otherwise would take.

Our failure to comply with certain of these covenants could result in an event of default which, if not cured or waived, could result in the acceleration of a substantial portion of our indebtedness, much of which is cross-defaulted to other indebtedness. In the past, we sought and obtained waivers and amendments under our then-existing financing arrangements to avoid future non-compliance with financial covenants and cure past defaults under restrictive covenants, including recent waivers with respect to

financial covenants included in the TDB Facility Agreement. We also paid significant fees to obtain these waivers and consents. You should consider this in evaluating our ability to comply with financial and restrictive covenants in our debt instruments and the financial costs of our ability to do so. We cannot assure you that we will be able to maintain compliance with, or obtain waivers and amendments related to, financial or restrictive covenants in the future.

Despite current indebtedness levels, we may still be able to incur substantially more debt. This could exacerbate further the risks associated with our significant leverage.

We may be able to incur substantial additional indebtedness in the future to the extent permitted under the ABL Credit Agreement, the Term Loan Credit Agreement and the Indenture. As of December 31, 2020, \$305.5 million was available for borrowing under our short and long-term credit facilities. If new debt is added to our current debt levels, the risks discussed above could intensify.

Risks Related to Our Liquidity

Unanticipated developments with respect to our liquidity needs and sources of liquidity could result in a deficiency in liquidity.

Our liquidity requirements are affected by various factors from our core tobacco leaf business, including crop seasonality, foreign currency and interest rates, green tobacco prices, customer mix and shipping requirements, crop size, and quality. Our leaf tobacco business is seasonal, and purchasing, processing, and selling activities have several associated peaks where cash on-hand and outstanding indebtedness may vary significantly during the fiscal year. Additionally, our liquidity requirements are affected by legal and professional costs and costs to support the Other Products and Services segment, including funding the Canadian DIP Facility during the pendency of the CCAA Proceeding. We anticipate periods in the next twelve months during which our liquidity needs will approach the levels of our anticipated available cash and permitted borrowings under our credit facilities. Unanticipated developments affecting our liquidity needs, including with respect to the foregoing factors, and sources of liquidity, including impacts affecting our cash flows from operations and the availability of capital resources (including an inability to renew or refinance seasonal lines of credit), may result in a deficiency in liquidity. To address a potential liquidity deficiency, we may continue to undertake plans to minimize cash outflows, which could include exiting operations that do not generate positive cash flow. It is possible that, depending on the occurrence of events affecting our liquidity needs and sources of liquidity, such plans may not be sufficient to adequately or timely address a liquidity deficiency.

Risks Related to the Chapter 11 Cases

The Chapter 11 Cases may have a material adverse impact on our business, financial condition, results of operations, and cash flows.

The Chapter 11 Cases could have a material adverse effect on our business, financial condition, results of operations and liquidity. In the months prior to and during the pendency of the Chapter 11 Cases, our management was required to spend a significant amount of time and effort dealing with the restructuring instead of focusing on our business operations. In addition, as a result of the Chapter 11 Cases, our customers, farmers and other suppliers might lose confidence in us and may seek to establish alternative commercial relationships, which may cause, among other things, our suppliers, farmers, vendors, counterparties and service providers to renegotiate the terms of our agreements, attempt to terminate their relationship with us or require financial assurances from us. Many of our suppliers, farmers, vendors and other providers may require stricter terms and conditions, and we may not find these terms and conditions acceptable. Any failure to timely obtain suitable inventory at competitive prices could materially adversely affect our businesses, financial condition, liquidity and results of operations.

We have typically financed our non-U.S. local leaf tobacco operations with short-term operating credit lines at the local level. These operating lines are typically seasonal in nature, normally extending for a term of 180 to 270 days corresponding to the tobacco crop cycle in that location. Certain of these facilities are uncommitted in that the lenders have the right to cease making loans or demand payment of outstanding loans at any time. As a result of the Chapter 11 Cases, these local lenders may lose confidence in us and, with respect to uncommitted facilities, may cease making loans or demand payment of outstanding loans or, with respect to committed facilities, decline to renew or extend existing facilities, or require stricter terms and conditions with respect to future facilities, and we may not find these terms and conditions acceptable or they may overly restrict our ability to conduct our businesses successfully. An inability to maintain adequate financing to fund our non-U.S. local leaf tobacco operations in any significant location could result in a significant decline in our revenues, profitability and cash flow.

Even though the Plan has been consummated, we may not be able to achieve our stated goals and we cannot assure you of our ability to continue as a going concern.

Even though the Plan has been consummated, we may continue to face a number of risks, such as changes in economic conditions, continued impacts of the COVID-19 pandemic, changes in the leaf tobacco market and the markets for our other products, other changes in demand for our products and increasing expenses. Some of these risks may become more acute because of our involvement in the Chapter 11 Cases. As a result of these risks and others, we cannot guarantee that the Plan will

achieve our stated goals. Furthermore, even though certain of our debts will be discharged through the Plan, we may need to raise additional funds through public or private debt or equity financing or other various means to fund our business after the completion of the Chapter 11 Cases, including short-term operating credit lines to fund the needs of our non-U.S. local leaf tobacco operations. Our access to necessary financing may be limited, if it is available at all. Therefore, adequate funds may not be available when needed or may not be available on favorable terms, or at all. As a result, we cannot assure you of our ability to continue as a going concern notwithstanding the consummation and effectiveness of the Plan.

Risks Related to Our Business Strategy

Our Board of Directors was reconstituted in connection with and following the effectiveness of the Plan in the Chapter 11 Cases and may implement changes in our business strategy that could affect the scope of our operations, including the countries in which we continue to operate and the business lines that we continue to pursue, and may result in the recognition of restructuring or asset impairment charges.

Our corporate business strategy is subject to continued development and evaluation by our management and Board of Directors. In connection with the effectiveness of the Plan in the Chapter 11 Cases, the Company's Board of Directors was reconstituted, with six of the seven members of the Board of Directors having joined the Board of Directors at or after the August 24, 2020 effective date of the Plan. The new directors have different backgrounds, experiences and perspectives from those individuals who previously served on the board of directors of Old Pyxus at the time of the commencement of the Chapter 11 Cases and, thus, may have different views on the issues that will determine our future, including our strategic plans. The Board of Directors, as reconstituted, has determined to change our business strategy to exit our industrial hemp and Canadian cannabis businesses. The Board of Directors may further determine, from time to time, to implement additional changes in our business strategy, which could affect the scope of our operations, including the countries in which we continue to operate and the business lines that we continue to pursue. Such changes could result in our incurring restructuring charges or the impairment of assets that could materially adversely impact our results of operations.

Risks Related to the COVID-19 Pandemic

We have been and will likely continue to be negatively impacted by the COVID-19 global pandemic and its related impacts to our employees, operations, customers and suppliers.

The COVID-19 pandemic has adversely affected, and is likely to continue to adversely affect, our businesses, and we have experienced and expect to continue to experience delays in shipments of leaf tobacco and other disruptions to our operations. Although, in many jurisdictions, our operations have been classified as "essential" under various governmental orders restricting business activities implemented in response to the COVID-19 outbreak, that classification has not been universal and we have been, and may in the future be, required to suspend operations at certain facilities as a result of similar governmental orders. We cannot predict whether our operations classified as "essential" will continue to be so classified or, even if so classified, whether site-specific health and safety concerns related to COVID-19 might otherwise require operations at any of our facilities to be halted for some period of time. Other operational disruptions may result from restrictions on the ability of employees and others in the supply chain to travel and work, such as caused by quarantine or individual illness, or which may result from border closures imposed by governments to deter the spread of COVID-19, or determinations by us or shippers to temporarily suspend operations in affected areas, or other actions which restrict the ability to ship our products or which may otherwise negatively impact our ability to ship our products. Ports or channels of entry may be closed, operate at only a portion of capacity or require quarantining of vessels, or transportation of products within a region or country may be limited, if workers are unable to report to work due to travel restrictions or personal illness. These factors have also impacted certain of our suppliers and we have been and will likely continue to be impacted by disruptions in the supply of certain materials used in our operations.

The COVID-19 pandemic may further damage our business due to negative consumer purchasing behavior with respect to the products of our leaf tobacco customers and our other products. Public health officials around the world have recommended, and local, state, and national governments have mandated, precautions to mitigate the spread of COVID-19, including prohibitions on congregating in groups, shelter-in-place orders or similar measures. Consumer purchasing behavior may be impacted by reduced consumption by consumers who may not be able to leave home or otherwise shop in a normal manner as a result of these restrictions. In addition, in view of uncertainties with respect to the spread of COVID-19 and the duration and terms of related governmental orders restricting activities, we cannot predict whether demand for our products will persist at current levels or decrease on a global or regional basis.

Due to the scope of our operations, including emerging markets, and our sale to customers around the world, the impact of the COVID-19 pandemic on our operations and the demand for our products may not coincide with impacts experienced in the United States in the event that the impacts in the United States improve over time due to increased vaccinations or improved medical treatments. Accordingly, to the extent that the impact of the COVID-19 pandemic in the United States may improve over time, results of operations may continue to be adversely affected by COVID-19 impacts in other areas of the world.

Risks Relating to Our Leaf Tobacco Operations

Our reliance on a small number of significant customers may adversely affect our financial statements.

The customers of our leaf tobacco business are manufacturers of cigarette and other tobacco products. Several of these customers individually account for a significant portion of our sales in a normal year.

For the year ended March 31, 2020, each of Philip Morris International, Inc. and China Tobacco International Inc., including their respective affiliates, accounted for more than 10% of our revenues from continuing operations. In addition, tobacco product manufacturers have experienced consolidation and further consolidation among our customers could decrease such customers' demand for our leaf tobacco or processing services. The loss of any one or more of our significant customers could have a material adverse effect on our financial statements.

Continued vertical integration by our customers could materially adversely affect our financial statements.

Demand for our leaf tobacco or processing services could be materially reduced if cigarette manufacturers continue to significantly vertically integrate their operations, either through acquisition of our competitors, establishing new operations or contracting directly with suppliers. Japan Tobacco, Inc. has vertically integrated operations in Malawi, Brazil, and the United States. In addition, Philip Morris International, Inc. acquired supplier contracts and related assets in Brazil in order to procure leaf directly. In general, our results of operations have been adversely affected by vertical integration initiatives. Although some customers have reversed certain aspects of their previous vertical integration of operations, further vertical integration by our customers could have a material adverse effect on our financial statements.

Global shifts in sourcing customer requirements may negatively affect our organizational structure and asset base.

The global leaf tobacco industry has experienced shifts in the sourcing of customer requirements for tobacco. For example, significant tobacco production volume decreases have occurred in the United States and Europe from historical levels. At the same time, production volumes in other sourcing origins have stabilized. Additional shifts in sourcing may occur as a result of currency fluctuations, including changes in currency exchange rates against the United States Dollar ("USD"), the imposition of tariffs and other changes in international trade policies. A shift in sourcing origins in Europe has been influenced by modifications to the tobacco price support system in the European Union ("EU"). Customer requirements have changed due to these variations in production, which could influence our ability to plan effectively for the longer term in the United States and Europe.

We may not be able to timely or efficiently adjust to shifts in sourcing origins, and adjusting to shifts may require changes in our production facilities in certain origins and changes in our fixed asset base. We have incurred, and may continue to incur, restructuring charges as we continue to adjust to shifts in sourcing. Adjusting our capacity and adjusting to shifts in sourcing may have an adverse impact on our ability to manage our costs and could have an adverse effect on our financial performance.

We may not have access to available capital to finance our local leaf tobacco operations in non-U.S. jurisdictions.

We have typically financed our non-U.S. local leaf tobacco operations with uncommitted short-term operating credit lines at the local level. These operating lines are typically seasonal in nature, normally extending for a term of 180 to 270 days corresponding to the tobacco crop cycle in that location. These facilities are typically uncommitted in that the lenders have the right to cease making loans or demand payment of outstanding loans at any time. In addition, each of these operating lines must be renewed with each tobacco crop season in that jurisdiction. Although our foreign subsidiaries are the borrowers under these lines, many of them are guaranteed by us.

Because the lenders under these operating lines typically have the right to cancel the loan at any time and each line must be renewed with each crop season, we cannot assure you that this capital will be available to our subsidiaries. If a number of these lenders cease lending to our subsidiaries or dramatically decrease such lending, it could have a material adverse effect on our liquidity. Further, there is additional risk that certain banks that are lenders under seasonal lines could be unable to meet contractually obligated borrowing requests in the future if their financial condition were to deteriorate.

Our financial results will vary according to growing conditions, customer indications and other factors, which reduces your ability to gauge our quarterly and annual financial performance.

Our financial results, particularly the quarterly financial results, may be significantly affected by fluctuations in tobacco growing seasons and crop sizes which affect the supply of tobacco. Crop sizes may be affected by, among other things, crop infestation and disease, the volume of annual tobacco plantings and yields realized by suppliers, and suppliers' elections to grow crops other than tobacco. The cultivation period for tobacco is dependent upon a number of factors, including the weather and other natural events, such as hurricanes or tropical storms, and our processing schedule and results of operations for any quarterly period can be significantly altered by these factors.

The cost of acquiring tobacco can fluctuate greatly due to crop sizes and increased competition in certain markets in which we purchase tobacco. For example, short crops in periods of high demand translate into higher average green prices, higher throughput costs and less volume to sell. Furthermore, large crops translate into lower average green prices, lower throughput costs and excess volume to sell.

The timing and unpredictability of customer indications, orders, and shipments cause us to keep tobacco in inventory, increase our risk, and result in variations in quarterly and annual financial results. The timing of shipments can be materially impacted by shortages of containers and vessels for shipping as well as infrastructure and accessibility issues in ports we use for shipment. We may, from time to time in the ordinary course of business, keep a significant amount of processed tobacco in inventory for our customers to accommodate their inventory management and other needs. Sales recognition by us and our subsidiaries is based on the passage of ownership, usually with shipment of product. Because individual shipments may represent significant amounts of revenue, our quarterly and annual financial results may vary significantly depending on our customers' needs and shipping instructions. These fluctuations result in varying volumes and sales in given periods, which also reduces your ability to compare our financial results in different periods or in the same periods in different years.

Suppliers who have historically grown tobacco and from whom we have purchased tobacco may elect to grow other crops instead of tobacco, which affects the world supply of tobacco and may impact our quarterly and annual financial performance.

Increases in the prices for other crops have led and may in the future lead suppliers who have historically grown tobacco, and from whom we have purchased tobacco, to elect to grow these other, more profitable, items instead of tobacco. A decrease in the volume of tobacco available for purchase may increase the purchase price of such tobacco. As a result, we could experience an increase in tobacco crop acquisition costs, which may impact our quarterly and annual financial performance.

Our advancement of inputs to tobacco suppliers could expose us to losses.

Advances to tobacco suppliers are settled as part of the consideration paid upon the suppliers delivering us unprocessed tobacco at market prices. Two primary factors determine the market value of the tobacco suppliers deliver to us: the quantity of tobacco delivered and the quality of the tobacco delivered. Unsatisfactory quantities or quality of the tobacco delivered could result in losses with respect to advances to our tobacco suppliers or the deferral of those advances.

When we purchase tobacco directly from suppliers, we bear the risk that the tobacco will not meet our customers' quality and quantity requirements.

In countries where we contract directly with tobacco suppliers, we bear the risk that the tobacco delivered will not meet quality and quantity requirements of our customers. If the tobacco does not meet such market requirements, we may not be able to sell the tobacco we agreed to buy and may not be able to meet all of our customers' orders, which would have an adverse effect on our profitability and results of operations.

Weather and other conditions can affect the marketability of our inventory.

Like other agricultural products, the quality of tobacco is affected by weather and the environment, which can change the quality or size of the crop. If a weather event is particularly severe, such as a major drought or hurricane, the affected crop could be destroyed or damaged to an extent that it would be less desirable to our customers, which would result in a reduction in revenues. If such an event is also widespread, it could affect our ability to acquire the quantity of products required by customers. In addition, other items can affect the marketability of tobacco, including, among other things, the presence of:

- non-tobacco related material;
- genetically modified organisms; and
- excess residues of pesticides, fungicides and herbicides.

A significant event impacting the condition or quality of a large amount of any of the tobacco crops we buy could make it difficult for us to sell such tobacco or to fill our customers' orders. In addition, in the event of climate change, adverse weather patterns could develop in the growing regions in which we purchase tobacco. Such adverse weather patterns could result in more permanent disruptions in the quality and size of the available crop, which could adversely affect our business.

We face increased risks of doing business due to the extent of our international operations.

Some of the countries we do business in do not have stable economies or governments. Our international operations are subject to international business risks, including unsettled political conditions, uncertainty in the enforcement of legal obligations, including the collection of accounts receivable, fraud risks, expropriation, import and export restrictions, exchange controls, inflationary economies, currency risks, and risks related to the restrictions on repatriation of earnings or proceeds from liquidated assets of foreign subsidiaries. These risks are exacerbated in countries where we have advanced substantial sums or guaranteed local loans or lines of credit for the purchase of tobacco from suppliers. For example, in 2006 as a result of the political environment, economic instability, foreign currency controls, and governmental regulations in Zimbabwe, we

deconsolidated our Zimbabwe subsidiary, Mashonaland Tobacco Company LTD ("MTC"). Subsequently, we determined that the significant doubt about our ability to control MTC was eliminated and reconsolidated MTC as of March 31, 2016. The Company utilizes the Zimbabwe RTGS system for local transactions. RTGS is a local currency equivalent that is exchanged at a government specified rate with the USD. In order to convert these units to USD, the Company must obtain foreign currency resources from the Reserve Bank of Zimbabwe, which are subject to the monetary and exchange control policy in Zimbabwe. If the foreign exchange restrictions and government-imposed controls become severe, we may have to reassess our ability to control MTC.

Our international operations are in areas where the demand is for the export of lower priced tobacco. We have significant investments in our purchasing, processing and exporting operations in Argentina, Brazil, Malawi, Tanzania and Turkey.

In recent years, economic problems in certain countries where we have international operations have received wide publicity related to devaluation and appreciation of the local currency and inflation, including the classification of the Argentina, Malawi, and Zimbabwe economies as highly inflationary. Devaluation and appreciation of the local currency and inflation can affect our purchase costs of tobacco and our processing costs. In addition, we conduct business with suppliers and customers in countries that have recently had or may be subject to dramatic political regime change. In the event of such dramatic changes in the government of such countries, we may be unable to continue to operate our business, or adequately enforce legal obligations, after the change in a manner consistent with prior practice.

Failure of foreign banks in which our subsidiaries deposit funds or the failure to transfer funds or honor withdrawals may affect our results of operations.

Funds held by our foreign subsidiaries are often deposited in their local banks. In addition, we maintain deposit accounts with numerous financial institutions around the world in amounts that exceed applicable governmental deposit insurance levels. Banks in certain foreign jurisdictions may be subject to a higher rate of failure or may not honor withdrawals of deposited funds. In addition, the countries in which these local banks operate may lack sufficient regulatory oversight or suffer from structural weaknesses in the local banking system. Due to uncertainties and risks relating to the political stability of certain foreign governments, these local banks also may be subject to exchange controls and therefore unable to perform transfers of certain currencies. If our ability to gain access to these funds was impaired, it could have a material adverse effect on our results of operations.

We are subject to the Foreign Corrupt Practices Act (the "FCPA") and we operate in jurisdictions that pose a high risk of potential FCPA violations.

We are subject to the FCPA, which generally prohibits companies and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or keeping business and/or other benefits. We operate in a number of jurisdictions that pose a high risk of potential FCPA violations. Although our corporate policy prohibits foreign bribery and we have adopted procedures to promote compliance, we cannot assure you that our policy or procedures will work effectively all of the time or protect us against liability under the FCPA for actions taken by our agents, employees, and intermediaries with respect to our business or any businesses that we acquire. Failure to comply with the FCPA, other anti-corruption laws and other laws governing the conduct of business with government entities (including local laws) could lead to criminal and civil penalties and other remedial measures (including further changes or enhancements to our procedures, policies, and controls, the imposition of a compliance monitor at our expense and potential personnel changes and/or disciplinary actions), any of which could have an adverse impact on our business, financial condition, results of operations, and liquidity. Any investigation of any potential violations of the FCPA or other anti-corruption laws by U.S. or foreign authorities also could have an adverse impact on our business, financial condition, and results of operations.

In 2010, we entered into settlements with the SEC and the U.S. Department of Justice to resolve their investigations regarding potential criminal and civil violations of the FCPA. The settlements resulted in the disgorgement in profits and fines totaling \$19.45 million, which have been paid. Both settlements also required us to retain an independent compliance monitor for a three-year term that was completed September 30, 2013.

Our exposure to foreign tax regimes, and changes in U.S. or foreign tax regimes, could adversely affect our business.

We do business in countries that have tax regimes in which the rules are not clear, are not consistently applied and are subject to sudden change. This is especially true with regard to international transfer pricing. Our earnings could be reduced by the uncertain and changing nature of these tax regimes. Certain of our subsidiaries are and may in the future be involved in tax matters in foreign countries. While the outcome of any of these existing matters cannot be predicted with certainty, we are vigorously defending them and do not currently expect that any of them will have a material adverse effect on our business or financial position. However, should one or more of these matters be resolved in a manner adverse to our current expectation, the effect on our results of operations for a particular fiscal reporting period could be material.

We seek to optimize our tax footprint across all operations in U.S. and non-U.S. jurisdictions alike. These benefits are contingent upon existing tax laws and regulations in the U.S. and in the countries in which our international operations are located. Future changes in domestic or international tax laws and regulations could adversely affect our ability to continue to realize these tax benefits.

Fluctuations in foreign currency exchange and interest rates could adversely affect our results of operations.

We conduct our business in many countries around the world. Our business is generally conducted in USD, as is the business of the leaf tobacco industry as a whole. We generally must purchase tobacco in non-U.S. countries using local currency. As a result, local country operating costs, including the purchasing and processing costs for tobaccos, are subject to the effects of exchange fluctuations of the local currency against the USD. When the USD weakens against foreign currencies, our costs for purchasing and processing tobacco in such currencies increases. We attempt to minimize such currency risks by matching the timing of our working capital borrowing needs against the tobacco purchasing and processing funds requirements in the currency of the country where the tobacco is grown. Fluctuations in the value of foreign currencies can significantly affect our operating results.

In addition, the devaluation of foreign currencies has resulted and may in the future result in reduced purchasing power from customers whose capital resources are denominated in those currencies. We may incur a loss of business as a result of the devaluation of these currencies now or in the future.

Competition could erode our earnings.

The leaf tobacco industry is highly competitive. Competition is based primarily on the prices charged for products and services as well as the merchant's ability to meet customer specifications in the buying, processing, and financing of tobacco. In addition, there is competition in all countries to buy the available tobacco. The loss or substantial reduction of any large or significant customer could reduce our earnings.

In addition to the two primary global independent publicly held leaf tobacco merchants, the cigarette manufacturers increasingly buy tobacco directly from suppliers. We also face increasing competition from new local and regional independent leaf merchants with low fixed costs and overhead and good local customer connections, where the new entrants have been able to capitalize in the global transition to those markets. Any of these sources of new competition may result in less tobacco available for us to purchase and process in the applicable markets.

Risks Related to Our E-liquids Businesses

The results of operations and financial position of our e-liquids businesses may differ materially from the expectations of the Company's management.

Due to numerous uncertainties, the results of operations, and financial position of our e-liquids businesses may differ materially from the expectations of the Company's management. The process for estimating the revenue, net income, and cash flow of these businesses requires the use of judgment in determining the appropriate assumptions and estimates. These estimates and assumptions may be revised as additional information becomes available and as additional analyses are performed. In addition, the assumptions used in planning may not prove to be accurate, and other factors may affect the financial condition or results of operations of these businesses.

As the markets in which our e-liquids businesses compete continue to develop, competition from market participants may have a negative impact on their business and prospects.

The markets in which our e-liquids businesses compete are competitive and are expected to become increasingly competitive. Certain of these competitors have significantly greater financial, production, marketing, research & development, technical, and human resources than we do. The commercial opportunity for these businesses could be reduced or eliminated if their competitors produce and commercialize products that, among other things, are safer, more effective, more convenient or less expensive, have greater sales, marketing, and distribution support, enjoy enhanced timing of market introduction and perceived advantages of better quality and receive more favorable publicity. As a result, these competitors may be more successful in gaining market penetration and market share. If our e-liquids businesses do not achieve an adequate level of acceptance in their respective markets, they may not generate sufficient revenue from their products, and their businesses may not be profitable.

To remain competitive while complying with regulatory requirements, our e-liquids businesses will require continued significant investment in regulatory compliance, research and development, marketing, sales, and customer support. These businesses may not have sufficient resources to maintain research and development, marketing, sales and customer support efforts on a competitive basis, which could materially and adversely affect the business, financial condition and results of operations of the Company.

Changing consumer preferences may adversely affect consumer retention and results of operations.

As a result of changing consumer preferences, many novel products attain financial success for a limited period of time. Even if certain of our e-liquids products find retail success, we cannot assure you that any of these products will continue to see extended financial success. The success of our e-liquids businesses will be significantly dependent upon their ability to develop new and improved product lines and to adapt to consumer preferences. Even if we are successful in introducing new products or developing current products, a failure to gain consumer acceptance or to update products with compelling content could cause a decline in popularity of these products that could reduce revenues and harm the Company's e-liquids brands, business, financial condition, and results of operations.

Consumer perception and reputational risk may negatively affect the new business lines.

The respective markets for the products of our e-liquids businesses are highly dependent upon consumer perception regarding the safety, efficacy and quality of their products. Consumer perception can be significantly influenced by scientific research or findings, regulatory proceedings, litigation, media attention and other publicity regarding the consumption of these products. We cannot assure you that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to these markets or any particular product, or consistent with currently held views. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the respective industries and demand for the products of our e-liquids businesses, which could affect their businesses, results of operations and cash flows. This dependence upon consumer perception means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on our e-liquids businesses and their respective business, financial condition, results of operations and cash flows. Further, adverse publicity, reports or other media attention regarding the safety, efficacy and quality of the vaping industry in general, or associating the consumption of these types of products with illness or other negative effects or events, could have a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products legally, appropriately, or as directed. Any litigation that might affect consumer perception regarding the products of our e-liquids businesses could take the form of class proceedings or individual proceedings.

There have been a number of highly publicized cases involving lung and other illness and deaths that appear to be related to vaporizer devices or products used in such devices. For example, in February 2020, the U.S. Centers for Disease Control (the "CDC") reported that federal and state agencies were investigating an outbreak of over 2,807 lung injury cases involving patients from all 50 states and one U.S. territory, including 68 confirmed deaths. As a result of the outbreak or future developments related to potential health risks associated with vaping, governments and private sector parties initiated actions aimed at reducing the incidence of vaping and/or seeking to hold manufacturers of nicotine e-liquids, and other vaping products, responsible for the adverse health effects associated with the use of vaping products. As there has been a limited period of time to study the long-term effects of vaporizer use, there is limited data on the safety and health effects. If scientific or medical research ultimately determines that use of vaporizer devices poses a significant risk to health or safety, the demand for vaporizer products may decrease, and regulation of these products could become significantly more restricted. Certain states and local governments have already implemented regulations that prohibit the sale of vaporizers, the sale of flavored products (including nicotine, non-nicotine, e-liquid, e-cigarette and other vaping products) or have implemented additional restrictions on the composition of the product. Additional states and localities may implement similar restrictions and the regulations may become more restrictive at the federal level. Additional or more restrictive regulatory changes may have a material adverse effect on the Company's business, financial condition and results of operations.

Actions by the U.S. Food and Drug Administration (the "FDA") and other federal, state, or local governments or agencies may impact consumers' acceptance of or access to nicotine e-liquids, and other vaping products (for example, through product standards related to flavored products promulgated by the FDA), limit consumers' choices, delay or prevent the launch of new or modified products or products with claims of reduced risk, require the recall or other removal of products from the marketplace (for example, as a result of product contamination or regulations that ban certain flavors or ingredients), restrict communications to consumers, restrict the ability to differentiate products, create a competitive advantage or disadvantage for certain companies, impose additional manufacturing, labeling, or packaging requirements, interrupt manufacturing or otherwise significantly increase the cost of doing business, or restrict or prevent the use of specified products in certain locations or the sale of products by certain retail establishments. Any one or more of these actions may have a material adverse impact on the Company's business, financial condition, and results of operations.

Restrictions on our ability to ship e-liquids products to consumers from on-line sales, including recently enacted prohibitions with respect to shipments through on the U.S. Postal Service, could materially adversely affect our e-liquids businesses.

Provisions included in the Consolidated Appropriations Act, 2021, the omnibus appropriations and COVID-19 stimulus bill signed by the President on December 27, 2020 (the "2021 Appropriations Act"), require the United States Postal Service to

issue regulations within 120 days after enactment prohibiting the mailing of e-cigarettes and other vaping devices, as well as nicotine e-liquids products. It has generally been reported that other private delivery services, such as FedEx, are considering voluntarily implementing similar prohibitions on the use of their services for the delivery of e-cigarettes and other vaping devices, as well as nicotine e-liquids products. A substantial portion of our e-liquids products are sold to consumers through online orders. Accordingly, our nicotine e-liquids businesses will be materially adversely effected if such prohibitions and other restrictions preclude our ability to effect shipment of e-liquids products to consumers through reliable and efficient delivery services.

Other provisions of the 2021 Appropriations Act significantly increase the federal regulation of the online sale of our nicotine e-liquids products, which may increase our costs and affect the competitiveness of our products as compared to those sold by local retailers, and violations of these regulations could expose us to significant penalties.

Provisions of the 2021 Appropriations Act subject e-cigarettes and other vaping devices, as well as nicotine e-liquids products, to the provisions of the Prevent All Cigarette Trafficking Act of 2009 (the “PACT Act”), which imposes stringent rules on online sellers. Under the PACT Act, online retailers are required to (i) register with the U.S. Attorney General, (ii) verify the age of customers using a commercially available database, (iii) use private shipping services that collect an adult signature at the point of delivery, (iv) if selling in states that tax vaping products, register with the federal government and with the tobacco tax administrators of the states, (v) collect all applicable local and state taxes, and affix any required tax stamps to the products sold, (vi) send each taxing state’s tax administrator a list of all transactions with customers in their state, including the names and addresses of each customer sold to, and the quantities and type of each product sold and (vii) maintain records for five years of any delivery interrupted because the carrier or delivery service determines or has reason to believe that the person ordering the delivery is in violation of the PACT Act. Sellers who do not register or do not comply with the shipping and reporting rules of the PACT Act are subject to civil and criminal penalties, including up to three years in prison. Accordingly, compliance with the requirements of the PACT Act may significantly increase the costs of our nicotine e-liquids online businesses, increasing the prices of our online products and making them less attractive to consumers as compared to products sold at local retailers. In addition, failure to comply with the PACT Act could expose us to significant penalties that could materially adversely affect our nicotine e-liquids businesses and our financial condition and results of operations.

There are limited long-term data with respect to the efficacy and side effects of the nicotine e-liquids products, and future studies may lead to conclusions that dispute or conflict with the Company's understanding and belief regarding the benefits, viability, safety, efficacy, dosing and social acceptance of such products.

In particular, the rapid development of nicotine e-liquids and other vaping products has not provided sufficient time for the medical profession to study the long-term health effects of using such products. Therefore, it is uncertain as to whether or not nicotine e-liquids and other vaping products are safe for their intended use. If the medical profession were to determine that using nicotine e-liquids and other vaping products posed a significant threat to long-term human health, consumption could decline rapidly and we may be forced to modify our e-liquids and other vaping products. Such an outcome may have a material adverse effect on the Company's financial condition, and results of operations. In addition, these products could have unexpected side effects, the discovery of which could materially and adversely affect the Company's business, financial condition, and results of operations.

Our e-liquids businesses face inherent risk of exposure to product liability claims, regulatory action, and litigation if their products are alleged to have caused significant loss, injury, or death.

As manufacturers and distributors of products which are ingested or otherwise consumed by humans, our e-liquids businesses face the risk of exposure to product liability claims, regulatory action and litigation (including class proceedings and individual proceedings) if their products are alleged to have caused loss, injury or death. They may be subject to these types of claims due to allegations that their products caused or contributed to injury, illness or death, made false, misleading or impermissible claims, failed to include adequate labelling and instructions for use or failed to include adequate warnings concerning possible side effects or interactions with other substances. Previously unknown adverse reactions resulting from human consumption of our e-liquids products alone or in combination with other medications or substances could also occur. In addition, the manufacture and sale of any ingested or consumable product involves a risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Our e-liquids businesses may in the future have to recall certain of their products as a result of potential contamination and quality assurance concerns. A product liability claim or regulatory action against these businesses could result in increased costs and could adversely affect their reputation and goodwill with their consumers. We cannot assure you that product liability insurance can be maintained on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could result in the Company becoming subject to significant liabilities that are uninsured and also could adversely affect commercial arrangements between our e-liquids businesses and third parties.

The risk of class-based litigation (and individual litigation) for manufacturers and distributors of nicotine e-liquids and other vaping products, and others involved in the vaping industry, is significant, particularly in the face of increasing health and

marketing concerns, the potential for product recalls or other product-related issues. The United States has highly active plaintiffs' bar. Recent years have seen an increasing number of purported class action lawsuits in the United States against manufacturers and distributors of nicotine e-liquids and other vaping products. These circumstances create enhanced risk and exposure for the Company given the nature of its operations, the products it manufactures, distributes and sells, and its business environment.

The Company could incur unexpected expenses due to product recalls and any legal proceedings that may arise in connection with product recalls.

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the Company's products, including our e-liquids businesses, are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant attention from management. Although the Company has detailed procedures in place for testing its products, we cannot assure you that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the products produced by the Company were subject to recall, the image and reputation of that product and the Company as a whole could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations, financial condition and reputation of the Company.

Additionally, product recalls may lead to increased scrutiny of the Company's operations by applicable regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Risks Relating to the CCAA Proceedings

Sales contemplated in the CCAA Proceeding may not occur within time periods or at price levels that we would anticipate, in the event that sales or other recoveries do not occur we may be unable to recover funds advanced to the Canadian Cannabis Subsidiaries under the Canadian DIP Facility and Pyxus may be liable under its guarantees of obligations of the Canadian Cannabis Subsidiaries to the extent that those obligations are not fully satisfied by the Canadian Cannabis Subsidiaries in the CCAA Proceeding.

In the CCAA Proceeding, the Canadian Cannabis Subsidiaries have received approval permitting them to initiate a sale and investment solicitation process to be conducted by the Monitor and its affiliate to solicit interest in, and opportunities for, a sale of, or investment in, all or substantially all, or one or more components, of the assets and/or the business operations of the Canadian Cannabis Subsidiaries. Any such sale of investment transactions may not occur within the time periods anticipated by the Canadian Cannabis Subsidiaries or at all, and if they completed they may not generate sufficient net proceeds to fund repayment in full of aggregate borrowings owed under the Canadian DIP Facility. In addition, Pyxus has guaranteed certain obligations of the Canadian Cannabis Subsidiaries, including office lease obligations and severance that may be owed to certain executives of the Canadian Cannabis Subsidiaries. To the extent that such obligations are not satisfied by the Canadian Cannabis Subsidiaries, Pyxus may have liability under such guarantees. In addition, the Canadian Cannabis Subsidiaries may be unable to develop a plan approved by the Canadian Court in the CCAA Proceeding and the development and approval of any plan is subject to numerous, unanticipated potential delays. To the extent that consummation of a plan in the CCAA Proceeding is delayed, borrowings of the Canadian Cannabis Subsidiaries under the Canadian DIP Facility may be greater than anticipated and exacerbate concerns with respect to our maintenance of necessary liquidity.

Risks Relating to Other Aspects of Our Operations

Low investment performance by our defined benefit pension plan assets may increase our pension expense, and may require us to fund a larger portion of our pension obligations, thus, diverting funds from other potential uses.

We sponsor defined benefit pension plans that cover certain eligible employees. Our pension expense and required contributions to our pension plans are directly affected by the value of plan assets, the projected rate of return on plan assets, the actual rate of return on plan assets, and the actuarial assumptions we use to measure the defined benefit pension plan obligations.

If plan assets perform below the assumed rate of return used to determine pension expense, future pension expense will increase. Further, as a result of the global economic instability or other economic market events, our pension plan investment portfolio may experience significant volatility.

The proportion of pension assets to liabilities, which is called the funded status, determines the level of contribution to the plan that is required by law. In recent years, we have funded the plan in amounts as required, but changes in the plan's funded status

related to the value of assets or liabilities could increase the amount required to be funded. We cannot predict whether changing market or economic conditions, regulatory changes or other factors will further increase our pension funding obligations, diverting funds that would otherwise be available for other uses.

We rely on internal and externally hosted information technology systems and disruption, failure, or security breaches of these systems could adversely affect our business.

We rely on information technology ("IT") systems, including systems hosted by service providers. The enterprise resource planning system ("SAP") we have implemented throughout the Company, for example, is hosted by Capgemini and our domestic employee payroll system is hosted by Ceridian. Although we have disaster recovery plans and several intrusion preventive mitigating tools and services in place, which are active inline services or are tested routinely, our portfolio of hardware and software products, solutions and services and our enterprise IT systems, including those hosted by service providers, may be vulnerable to damage or disruption caused by circumstances beyond our control, such as catastrophic events, power outages, natural disasters, computer system, or network failures, computer viruses or other malicious software programs, and cyber-attacks, including system hacking and other cyber-security breaches. For example, in April 2019, the Company discovered that the email accounts of two Canadian employees had been compromised resulting in the unauthorized access of customer and vendor data. These incidents were neither material nor compromised the Company's other IT systems. The failure or disruption of our IT systems to perform as anticipated for any reason could disrupt our business and result in decreased performance, significant remediation costs, transaction errors, loss of data, processing inefficiencies, downtime, litigation, and the loss of suppliers or customers. A significant disruption or failure could have a material adverse effect on our business operations, financial performance and financial condition.

We cannot assure you that material weaknesses will not be identified in the future.

In certain prior years, we identified material weaknesses in our internal control over financial reporting. Although we intend to continue to aggressively monitor and improve our internal controls, we cannot assure you that other material weaknesses will not occur in the future. Any failure to implement required new or improved controls, or difficulties encountered in their implementation, could cause us to fail to meet our reporting obligations or result in misstatements in our financial statements in amounts that could be material. Ineffective internal controls could cause investors to lose confidence in our reported financial information, which could have a negative effect on the value of our common stock and could also require additional restatements of our prior reported financial information.

Regulations regarding environmental matters may affect the Company by substantially increasing the Company's costs and exposing it to potential liability.

The Company is subject to environmental, health, and safety laws and regulations in each jurisdiction in which the Company operates. Such regulations govern, among other things, emissions of pollutants into the air, wastewater discharges, waste disposal, the investigation and remediation of soil, and groundwater contamination, and the health and safety of the Company's employees. For example, the Company's products and the raw materials used in its production processes are subject to numerous environmental laws and regulations. The Company may be required to obtain environmental permits from governmental authorities for certain of its current or proposed operations. The Company may not have been, nor may it be able to be at all times, in full compliance with such laws, regulations and permits. If the Company violates or fails to comply with these laws, regulations or permits, the Company could be fined or otherwise sanctioned by regulators.

As with other companies engaged in similar activities or that own or operate real property, the Company faces inherent risks of environmental liability at its current and historical production sites. Certain environmental laws impose strict and, in certain circumstances, joint and several liability on current or previous owners or operators of real property for the cost of the investigation, removal or remediation of hazardous substances as well as liability for related damages to natural resources. In addition, the Company may discover new facts or conditions that may change its expectations or be faced with changes in environmental laws or their enforcement that would increase its liabilities. Furthermore, its costs of complying with current and future environmental, health, and safety laws, or the Company's liabilities arising from past or future releases of, or exposure to, regulated materials, may have a material adverse effect on its business, financial condition, and results of operations.

Derivative transactions may expose us to potential losses and counterparty risk.

We may, from time to time, enter into certain derivative transactions, including interest rate swaps and foreign exchange contracts. Changes in the fair value of these derivative financial instruments that are not accounted for as cash flow hedges are reported as income, and accordingly could materially affect our reported income in any period. In addition, the counterparties to these derivative transactions may be financial institutions or affiliates of financial institutions, and we would be subject to risks that these counterparties default under these transactions. In some of these transactions, our exposure to counterparty credit risk may not be secured by any collateral. Global economic conditions over the last few years have resulted in the actual or perceived failure or financial difficulties of many financial institutions, including bankruptcy. If one or more of the counterparties to one or more of our derivative transactions not secured by any collateral becomes subject to insolvency

proceedings, we would become an unsecured creditor in those proceedings with a claim equal to our exposure at the time under those transactions. We cannot assure you of the financial stability or viability of any of our counterparties.

To the extent that any of our indebtedness that extends beyond 2021 bears interest at rates based on LIBOR, the interest rates for these obligations might be subject to change based on recent regulatory changes.

On July 27, 2017, the United Kingdom's Financial Conduct Authority, which regulates LIBOR, announced that it intends to phase out LIBOR by the end of 2021. It is unclear if at that time whether LIBOR will cease to exist or if new methods of calculating LIBOR will be established such that it continues to exist after 2021. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, is considering replacing USD LIBOR with a new index calculated by short-term repurchase agreements, backed by Treasury securities. The future of LIBOR at this time is uncertain. If LIBOR ceases to exist, we may need to renegotiate any agreements extending beyond 2021 that utilize LIBOR as a factor in determining the interest rate to replace LIBOR with the new standard that is established, which may have an adverse effect on our interest expense and results of operations.

Risks Relating to the Ownership of Our Common Stock

Upon our emergence from Chapter 11 proceedings, the composition of our shareholder base and concentration of equity ownership changed significantly and, as a result of the concentration of our equity ownership, certain shareholders may have the ability to exercise controlling influence on various corporate matters.

Upon our emergence from Chapter 11, two shareholders and their respective affiliates (i.e., the Glendon Investor and the Monarch Investor which are together referred to as the "Significant Shareholders") beneficially own in the aggregate approximately 56% of our issued and outstanding common stock and, therefore, have significant control on the outcome of matters submitted to a vote of shareholders, including, but not limited to, electing directors and approving corporate transactions. Pursuant to the terms of the Shareholders Agreement, each of the Glendon Investor and the Monarch Investor has the right (depending on its continued ownership of a specified percentage of the outstanding shares of our common stock) to nominate up to two individuals for election as directors, and each of them and the other shareholders that are parties to the Shareholders Agreement has agreed to take all necessary action to elect such nominees as directors. Under our articles of incorporation, the affirmative vote of each of the Glendon Investor and the Monarch Investor, so long as it continues to maintain an Investor Percentage Interest (as defined in the Shareholders Agreement) of at least five percent, is required for the approval of any amendment to the articles of incorporation. It is our understanding that each of the Glendon Investor and the Monarch Investor hold a significant amount of the Notes and the Term Loans. Circumstances may occur in which the interests of the Significant Shareholders could be in conflict with the interests of other shareholders, and the Significant Shareholders could have substantial influence to cause us to take actions that align with their interests. Should conflicts arise, we can provide no assurance that the Significant Shareholders would act in the best interests of other shareholders or that any conflicts of interest would be resolved in a manner favorable to our other shareholders.

The price of our common stock may be negatively impacted by factors that are unrelated to our operations.

Although our common stock is currently listed for quotation on the OTC Markets, we understand that no securities brokerage firm is making a market in the Company's common stock. Trading through the OTC Markets is frequently thin and may be highly volatile. There is no assurance that a sufficient market will continue in our stock, in which case it could be difficult for shareholders to sell their stock. The market price of our common stock could fluctuate substantially due to a variety of factors, including market perception of the markets in which our businesses operate, quarterly operating results of our competitors, trading volume in our common stock, changes in general conditions in the economy and the financial markets or other developments affecting our competitors or us. In addition, the stock market is subject to extreme price and volume fluctuations. This volatility has had a significant effect on the market price of securities issued by many companies for reasons unrelated to their operating performance and could have the same effect on our common stock.

Our actual financial results may vary significantly from the projections that were filed with the Bankruptcy Court.

Certain projected financial information was included in the disclosure statement relating to the Plan filed with the Bankruptcy Court to support the feasibility of the Plan and our ability to continue operations upon emergence from the Chapter 11 Cases. This projected financial information was prepared by, and is the responsibility of, our management. At the time they were prepared, the projections reflected numerous assumptions concerning our anticipated future performance and with respect to prevailing and anticipated market and economic conditions that were and remain beyond our control and that may not materialize. Projections are inherently subject to substantial and numerous uncertainties and to a wide variety of significant business, economic and competitive risks and the assumptions underlying the projections and/or valuation estimates may prove to be wrong in material respects. Actual results may vary significantly from those contemplated by the projections. Those projections were prepared solely for the purpose of the Chapter 11 Cases and have not been, and will not be, updated on an ongoing basis. Accordingly, such projections are now stale and should no longer be relied upon as a forecast of expected results.

Risks Relating to the Tobacco Industry

Reductions in demand for consumer tobacco products could adversely affect our results of operations.

The tobacco industry, both in the United States and abroad, continues to face a number of issues that may reduce the consumption of cigarettes and adversely affect our business, sales volume, results of operations, cash flows and financial condition.

These issues, some of which are more fully discussed below, include:

- governmental actions seeking to ascribe to tobacco product manufacturers liability for adverse health effects associated with smoking and exposure to environmental tobacco smoke;
- smoking and health litigation against tobacco product manufacturers;
- increased consumer acceptance of electronic cigarettes;
- tax increases on consumer tobacco products;
- current and potential actions by state attorneys general to enforce the terms of the Master Settlement Agreement, or MSA, between state governments in the United States and tobacco product manufacturers;
- governmental and private bans and restrictions on smoking;
- actual and proposed price controls and restrictions on imports in certain jurisdictions outside the United States;
- restrictions on tobacco product manufacturing, marketing, advertising and sales;
- the diminishing social acceptance of smoking;
- increased pressure from anti-smoking groups;
- other tobacco product legislation that may be considered by Congress, the states, municipalities and other countries; and
- the impact of consolidation among multinational cigarette manufacturers.

Tobacco product manufacturer litigation may reduce demand for our products and services.

Our primary customers, the leading cigarette manufacturers, have faced thousands of lawsuits brought throughout the United States and, to a lesser extent, the rest of the world. These lawsuits have been brought by different types of plaintiffs, including: (1) individuals and classes of individuals alleging personal injury and/or misleading advertising; (2) governments (including governmental and quasi-governmental entities in the United States and abroad) seeking recovery of health care costs allegedly caused by cigarette smoking; and (3) other groups seeking recovery of health care expenditures allegedly caused by cigarette smoking, including third-party health care payors, such as unions and health maintenance organizations. Damages claimed in some of the smoking and health cases have ranged into the billions of dollars. There have been many jury verdicts for plaintiffs in tobacco product litigation over the past several years. Additional plaintiffs continue to file lawsuits. The effects of the previous and current lawsuits on our customers could reduce their demand for tobacco from us.

Legislation and regulatory and other governmental initiatives could impose burdensome restrictions on the tobacco industry and reduce consumption of consumer tobacco products and demand for our services.

The Tobacco Control Act, which amended the Food, Drug, and Cosmetic Act, extends the authority of the FDA to regulate tobacco products. This act authorizes the FDA to adopt product standards for tobacco products, including the level of nicotine yield and the reduction or elimination of other constituents of the products, along with provisions for the testing of products against these standards. The act imposes further restrictions on advertising of tobacco products, authorizes the FDA to limit the sales of tobacco products to face-to-face transactions permitting the verification of the age of the purchaser, authorizes a study to determine whether the minimum age for the purchase of tobacco products should be increased and requires submission of reports from manufacturers of tobacco products to the FDA regarding product ingredients and other matters, including reports on health, toxicological, behavioral, or physiologic effects of tobacco products and their constituents. The act also mandates warning labels and requires packaging to indicate the percentage of domestically grown tobacco and foreign grown tobacco included in the product, although the FDA has issued guidance to the industry announcing its intent to enforce the latter requirements until further notice. The FDA has adopted regulations under the act establishing requirements for the sale, distribution, and marketing of cigarettes, as well as package warnings and advertising limitations.

The act directs the FDA to promulgate regulations requiring that the methods used in, and the facilities and controls used for, the manufacture, preproduction design validation, packing, and storage of a tobacco product conform to current good manufacturing practice. Regulations under the act do not apply to tobacco leaf that is not in the possession of a manufacturer of tobacco products, or to the producers of tobacco leaf, including tobacco suppliers, tobacco warehouses, and tobacco supplier cooperatives unless those entities are controlled by a tobacco product manufacturer, but do apply to our U.S. cut rag processing facility with respect to covered tobacco products.

In May 2016, the FDA finalized regulations, which became effective in August 2016, that extend its regulatory authority under the act to tobacco products not previously covered by its regulations, including vaporizers, vape pens, hookah pens, electronic

cigarettes (or, e-cigarettes), e-pipes, and other types of electronic nicotine delivery systems, including e-liquids used in these devices, as well as pipe tobacco and cigars (including little cigars and cigarillos), and future novel tobacco products. These regulations require manufacturers of these additional tobacco products to, among other things submit an application and obtain FDA authorization to market a new tobacco product (as noted above); register establishment(s) and submit product listing to FDA; submit listing of ingredients; submit information on harmful and potentially harmful constituents; submit tobacco health documents; not introduce into interstate commerce modified-risk tobacco products (e.g., products with label, labeling, or advertising representing that they reduce risk or are less harmful compared to other tobacco products on the market) without an FDA order; and include the required warning statement on packaging and advertisements. These regulations apply to certain of our operations that had not previously been subject to the act, including the processing of pipe tobacco and tobacco for little cigars and cigarillos at our U.S. cut rag processing facility, and to joint ventures and subsidiaries that develop, produce and sell consumable e-liquids. In addition, the May 2016 regulations make these additional tobacco products subject to certain existing restrictions on the sale of cigarettes, including then-existing restrictions prohibiting sale to individuals under 18 years of age. In addition, recent federal legislation established a national minimum purchase age of 21 for tobacco and tobacco-based products, including e-liquids.

The full impact of the act, including the May 2016 regulations and any future regulatory action to implement the act, is uncertain. However, if the effect of the act and FDA regulations under the act is a significant reduction in consumption of tobacco products, it could materially adversely affect our business, volume, results of operations, cash flows and financial condition.

Reports with respect to the harmful physical effects of cigarette smoking have been publicized for many years, and the sale, promotion and use of cigarettes continue to be subject to increasing governmental regulation. Since 1964, the Surgeon General of the United States and the Secretary of Health and Human Services have released a number of reports linking cigarette smoking with a broad range of health hazards, including various types of cancer, coronary heart disease and chronic lung disease, and recommending various governmental measures to reduce the incidence of smoking. More recent reports focus upon the addictive nature of cigarettes, the effects of smoking cessation, the decrease in smoking in the United States, the economic and regulatory aspects of smoking in the Western Hemisphere, and cigarette smoking by adolescents, particularly the addictive nature of cigarette smoking in adolescence. Numerous state and municipal governments have taken and others may take actions to diminish the social acceptance of smoking of tobacco products, including banning smoking in certain public and private locations.

A number of foreign nations also have taken steps to restrict or prohibit cigarette advertising and promotion, to increase taxes on cigarettes and to discourage cigarette smoking. In some cases, such restrictions are more onerous than those in the United States. For example, advertising and promotion of cigarettes has been banned or severely restricted for a number of years in Australia, Canada, Finland, France, Italy, Singapore and other countries. Further, in February 2005, the World Health Organization (“WHO”) treaty, the Framework Convention for Tobacco Control (“FCTC”), entered into force. This treaty, which is binding on 181 nations as of March 31, 2019, requires signatory nations to enact legislation that would require, among other things, specific actions to prevent youth smoking; restrict or prohibit tobacco product marketing; inform the public about the health consequences of smoking and the benefits of quitting; regulate the content of tobacco products; impose new package warning requirements including the use of pictorial or graphic images; eliminate cigarette smuggling and counterfeit cigarettes; restrict smoking in public places; increase and harmonize cigarette excise taxes; abolish duty-free tobacco sales; and permit and encourage litigation against tobacco product manufacturers.

Due to the present regulatory and legislative environment, a substantial risk exists that past growth trends in tobacco product sales may not continue and that existing sales may decline. A significant decrease in worldwide tobacco consumption brought about by existing or future governmental laws and regulations would reduce demand for tobacco products and services and could have a material adverse effect on our results of operations.

Government actions can have a significant effect on the sourcing of tobacco. If some of the current efforts are successful, we could have difficulty obtaining sufficient tobacco to meet our customers’ requirements, which could have an adverse effect on our performance and results of operations.

The WHO, through the FCTC, created a formal study group to identify and assess crop diversification initiatives and alternatives to leaf tobacco growing in countries whose economies depend upon tobacco production. The study group began its work in February 2007. In its initial report published later that year, the study group indicated that the FCTC did not aim to phase out tobacco growing, but the study group’s focus on alternatives to tobacco crops was in preparation for its anticipated eventual decrease in demand resulting from the FCTC’s other tobacco control initiatives.

If the objective of the FCTC study group were to change to seek to eliminate or significantly reduce leaf tobacco production and certain countries were to partner with the study group in pursuing this objective, we could encounter difficulty in sourcing leaf tobacco to fill customer requirements, which could have an adverse effect on our results of operations.

In addition, continued government and public emphasis on environmental issues, including climate change, conservation, and natural resource management, could result in new or more stringent forms of regulatory oversight of industry activities, which may lead to increased levels of expenditures for environmental controls, land use restrictions affecting us or our suppliers, and other conditions that could have a material adverse effect on our business, financial condition, and results of operations. For example, certain aspects of our business generate carbon emissions. Regulatory restrictions on greenhouse gas emissions have been proposed in certain countries in which we operate. These may include limitations on such emissions, taxes or emission allowance fees on such emissions, various restrictions on industrial operations, and other measures that could affect land-use decisions, the cost of agricultural production, and the cost and means of processing and transporting our products. These actions could adversely affect our business, financial condition, and results of operations.

We have been subject to governmental investigations into, and litigation concerning, leaf tobacco industry buying and other payment practices.

The leaf tobacco industry, from time to time, has been the subject of government investigations regarding trade practices. For example, we were the subject of an investigation by the Antitrust Division of the United States Department of Justice into certain buying practices alleged to have occurred in the industry, we were named defendants in an antitrust class action litigation alleging a conspiracy to rig bids in the tobacco auction markets, and we were the subject of an administrative investigation into certain tobacco buying and selling practices alleged to have occurred within the leaf tobacco industry in some countries within the European Union, including Spain, Italy, Greece and potentially other countries.

Item 6. Exhibits

- [2.01](#) Order dated August 21, 2020 of the U.S. Bankruptcy Court for the District of Delaware Approving the Adequacy of the Disclosure Statement and the Prepetition Solicitation Procedures and Confirming the Amended Joint Prepackaged Plan of Reorganization in Case No. 20-11570 (LSS), *In re: Pyxus International, Inc. et al.*, incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K of Old Holdco, Inc., filed on August 24, 2020 (File No. 001-13684)
- [2.02](#) Amended Joint Prepackaged Chapter 11 Plan of Reorganization of Pyxus International, Inc. and Its Affiliated Debtors dated August 13, 2020, incorporated by reference to Exhibit 2.2 to the Current Report on Form 8-K of Old Holdco, Inc., filed on August 24, 2020 (File No. 001-13684)
- [10.01](#) Form of Indemnification Agreement entered into by Pyxus International, Inc. on November 18, 2020 with each of Robert George, Carl Hausmann, Cynthia Moehring, J. Pieter Sikkell and Richard Topping (filed herewith)
- [10.02](#) First Amendment and Waiver Letter dated as of December 30, 2020 between Eastern and Southern African Trade and Development Bank, as Agent, and Pyxus International, Inc., as Obligor's Agent (filed herewith)
- [10.03](#) Pyxus International, Inc. 2020 Incentive Plan, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Pyxus International, Inc., filed on November 20, 2020 (File No. 001-13684)
- [31.01](#) Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
- [31.02](#) Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
- [32](#) Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)
- 101.INS XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
- 101.SCH Inline XBRL Taxonomy Extension Schema (filed herewith)
- 101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase (filed herewith)
- 101.DEF Inline XBRL Taxonomy Extension Definition Linkbase (filed herewith)
- 101.LAB Inline XBRL Taxonomy Extension Label Linkbase (filed herewith)
- 101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase (filed herewith)
- 104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in the Interactive Data Files submitted as Exhibits 101.*)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Pyxus International, Inc.

Date: February 9, 2021

/s/ Philip C. Garofolo

Philip C. Garofolo

Vice President - Controller

(Principal Accounting Officer)