

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED September 30, 2021.**

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

000-25734

(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 ☐

Smaller reporting company ☒

Non-accelerated filer ☒

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 October 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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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 September 30, 2021	One month ended September 30, 2020	Two months ended August 31, 2020
Sales and other operating revenues	\$ 394,201	\$ 117,834	\$ 184,791
Cost of goods and services sold	342,147	107,466	159,411
Gross profit	52,054	10,368	25,380
Selling, general, and administrative expenses	37,925	15,684	27,101
Other (expense) income, net	(1,816)	(1,933)	1,853
Restructuring and asset impairment charges	6,859	1,217	493
Operating income (loss)	5,454	(8,466)	(361)
Loss on deconsolidation of subsidiaries	2,456	—	—
Interest expense, net	28,477	8,149	14,683
Reorganization items, net	—	—	132,850
(Loss) income before income taxes and other items	(25,479)	(16,615)	117,806
Income tax (benefit) expense	(14,128)	(10,583)	8,460
Income from unconsolidated affiliates	1,328	234	1,538
Net (loss) income	(10,023)	(5,798)	110,884
Net loss attributable to noncontrolling interests	(342)	(485)	(314)
Net (loss) income attributable to Pyxus International, Inc.	\$ (9,681)	\$ (5,313)	\$ 111,198
(Loss) earnings per share:			
Basic	\$ (0.39)	\$ (0.21)	\$ 11.15
Diluted	\$ (0.39)	\$ (0.21)	\$ 11.12
Weighted average number of shares outstanding:			
Basic	25,000	25,000	9,976
Diluted	25,000	25,000	9,999

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>	Six months ended September 30, 2021	One month ended September 30, 2020	Five months ended August 31, 2020
Sales and other operating revenues	\$ 727,491	\$ 117,834	\$ 447,600
Cost of goods and services sold	633,317	107,466	402,594
Gross profit	94,174	10,368	45,006
Selling, general, and administrative expenses	71,770	15,684	87,858
Other expense, net	(1,654)	(1,933)	(539)
Restructuring and asset impairment charges	7,092	1,217	566
Operating income (loss)	13,658	(8,466)	(43,957)
Loss on deconsolidation of subsidiaries	2,456	—	—
Debt retirement expense	—	—	828
Interest expense, net	55,317	8,149	45,190
Reorganization items, net	—	—	105,984
(Loss) income before income taxes and other items	(44,115)	(16,615)	16,009
Income tax (benefit) expense	(22,567)	(10,583)	292
(Loss) income from unconsolidated affiliates	(103)	234	2,358
Net (loss) income	(21,651)	(5,798)	18,075
Net loss attributable to noncontrolling interests	(462)	(485)	(962)
Net (loss) income attributable to Pyxus International, Inc.	\$ (21,189)	\$ (5,313)	\$ 19,037
(Loss) earnings per share:			
Basic	\$ (0.85)	\$ (0.21)	\$ 1.91
Diluted	\$ (0.85)	\$ (0.21)	\$ 1.91
Weighted average number of shares outstanding:			
Basic	25,000	25,000	9,976
Diluted	25,000	25,000	9,992

See "Notes to Condensed Consolidated Financial Statements"

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

<i>(in thousands)</i>	Successor		Predecessor
	Three months ended September 30, 2021	One month ended September 30, 2020	Two months ended August 31, 2020
Net (loss) income	\$ (10,023)	\$ (5,798)	\$ 110,884
Other comprehensive (loss) income, net of tax:			
Foreign currency translation adjustment	(1,591)	(807)	4,517
Pension and other postretirement benefit plans	(512)	—	240
Cash flow hedges	(2,896)	—	—
Total other comprehensive (loss) income, net of tax	(4,999)	(807)	4,757
Total comprehensive (loss) income	(15,022)	(6,605)	115,641
Comprehensive loss attributable to noncontrolling interests	(342)	(464)	(306)
Comprehensive (loss) income attributable to Pyxus International, Inc.	\$ (14,680)	\$ (6,141)	\$ 115,947

<i>(in thousands)</i>	Successor		Predecessor
	Six months ended September 30, 2021	One month ended September 30, 2020	Five months ended August 31, 2020
Net (loss) income	\$ (21,651)	\$ (5,798)	\$ 18,075
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustment	(902)	(807)	4,377
Pension and other postretirement benefit plans	(512)	—	734
Cash flow hedges	1,432	—	(531)
Total other comprehensive income (loss), net of tax	18	(807)	4,580
Total comprehensive (loss) income	(21,633)	(6,605)	22,655
Comprehensive loss attributable to noncontrolling interests	(462)	(464)	(1,030)
Comprehensive (loss) income attributable to Pyxus International, Inc.	\$ (21,171)	\$ (6,141)	\$ 23,685

See "Notes to Condensed Consolidated Financial Statements"

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

<i>(in thousands)</i>	Successor		
	September 30, 2021	September 30, 2020	March 31, 2021
Assets			
Current assets			
Cash and cash equivalents	\$ 127,636	\$ 125,551	\$ 92,705
Restricted cash	3,028	23,285	4,619
Trade receivables, net	204,927	155,531	175,912
Other receivables	18,757	14,685	27,920
Inventories, net	802,428	844,693	727,893
Advances to tobacco suppliers, net	36,140	48,068	43,569
Recoverable income taxes	34,090	15,524	4,781
Prepaid expenses	32,718	39,456	29,532
Other current assets	15,895	15,024	15,569
Total current assets	1,275,619	1,281,817	1,122,500
Restricted cash	389	389	389
Investments in unconsolidated affiliates	87,420	67,859	96,356
Goodwill	36,853	54,876	36,853
Other intangible assets, net	49,353	66,024	51,417
Deferred income taxes, net	7,063	11,313	7,063
Long-term recoverable income taxes	4,166	3,468	4,133
Other noncurrent assets	38,487	44,699	40,355
Right-of-use assets	38,967	34,677	40,259
Property, plant, and equipment, net	137,239	173,177	140,137
Total assets	\$ 1,675,556	\$ 1,738,299	\$ 1,539,462
Liabilities and Stockholders' Equity			
Current liabilities			
Notes payable to banks	\$ 457,699	\$ 457,916	\$ 372,174
Accounts payable	72,138	91,665	125,876
Advances from customers	33,520	21,962	12,120
Accrued expenses and other current liabilities	72,574	81,129	71,656
Income taxes payable	—	7,166	8,254
Operating leases payable	8,418	10,088	9,529
Current portion of long-term debt	121,926	123	2,122
Total current liabilities	766,275	670,049	601,731
Long-term taxes payable	6,703	7,623	7,623
Long-term debt	543,233	550,196	551,235
Deferred income taxes	16,285	10,885	12,944
Liability for unrecognized tax benefits	15,850	12,677	14,835
Long-term leases	29,495	22,748	29,508
Pension, postretirement, and other long-term liabilities	65,496	75,088	67,646
Total liabilities	1,443,337	1,349,266	1,285,522

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

<i>(in thousands)</i>	Successor		
	September 30, 2021	September 30, 2020	March 31, 2021
Commitments and contingencies			
Stockholders' equity			
Common Stock—no par value:			
Authorized shares (250,000 for all periods)			
Issued shares (25,000 for all periods)	391,089	391,402	391,089
Retained deficit	(157,883)	(5,313)	(136,686)
Accumulated other comprehensive loss	(6,715)	(828)	(6,733)
Total stockholders' equity of Pyxus International, Inc.	226,491	385,261	247,670
Noncontrolling interests	5,728	3,772	6,270
Total stockholders' equity	232,219	389,033	253,940
Total liabilities and stockholders' equity	\$ 1,675,556	\$ 1,738,299	\$ 1,539,462

See "Notes to Condensed Consolidated Financial Statements"

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

(in thousands)	Attributable to Pyxus International, Inc.							Total Stockholders Equity
	Common Stock	Retained Deficit	Accumulated Other Comprehensive Loss					
			Currency Translation Adjustment	Pensions, Net of Tax	Derivatives, Net of Tax	Noncontrolling Interests		
Balance, March 31, 2021 (Successor)	\$ 391,089	\$ (136,686)	\$ (4,649)	\$ 541	\$ (2,625)	\$ 6,270	\$ 253,940	
Net loss attributable to Pyxus International, Inc.	—	(11,508)	—	—	—	(120)	(11,628)	
Other	—	(8)	—	—	—	8	—	
Other comprehensive income, net of tax	—	—	689	—	4,328	—	5,017	
Balance, June 30, 2021 (Successor)	391,089	(148,202)	(3,960)	541	1,703	6,158	247,329	
Net loss attributable to Pyxus International, Inc.	—	(9,681)	—	—	—	(342)	(10,023)	
Other	—	—	—	—	—	(88)	(88)	
Other comprehensive loss, net of tax	—	—	(1,591)	(512)	(2,896)	—	(4,999)	
Balance, September 30, 2021 (Successor)	\$ 391,089	\$ (157,883)	\$ (5,551)	\$ 29	\$ (1,193)	\$ 5,728	\$ 232,219	

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 attributable to Pyxus International, Inc.	—	(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 attributable to Pyxus International, Inc.	—	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 attributable to Pyxus International, Inc.	—	(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

See "Notes to Condensed Consolidated Financial Statements"

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

	Successor		Predecessor
	Six months ended September 30, 2021	One month ended September 30, 2020	Five months ended August 31, 2020
<i>(in thousands)</i>			
Operating Activities:			
Net (loss) income	\$ (21,651)	\$ (5,798)	\$ 18,075
Adjustments to reconcile net loss to net cash used by operating activities:			
Depreciation and amortization	8,170	3,495	16,580
Loss on deconsolidation of subsidiaries	2,456	—	—
Debt amortization/interest	11,656	1,527	4,862
Loss (gain) on foreign currency transactions	2,605	4,674	(11,077)
Asset impairment charges	5,689	295	213
(Loss) income from unconsolidated affiliates, net of dividends	9,248	(257)	2,915
Reorganization items, net	—	—	(130,215)
Changes in operating assets and liabilities, net	(243,504)	(17,875)	(67,544)
Other, net	(5,813)	(2,990)	(15,870)
Net cash used by operating activities	(231,144)	(16,929)	(182,061)
Investing Activities:			
Purchases of property, plant, and equipment	(8,568)	(1,331)	(7,757)
Collections on beneficial interests on securitized trade receivables	82,649	10,926	74,328
DIP loan to deconsolidated subsidiary	(5,229)	—	—
Collection of DIP loan from deconsolidated subsidiary	10,996	—	—
Payments to acquire businesses, net of cash acquired	—	—	(4,805)
Other, net	386	374	(109)
Net cash provided by investing activities	80,234	9,969	61,657
Financing Activities:			
Net proceeds and repayments from short-term borrowings	85,047	3,455	(99,969)
Proceeds from DIP facility	—	—	206,700
Repayment of DIP facility	—	—	(213,418)
Proceeds from DDTL facility	117,600	—	—
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
Repayment of revolving loans facilities	(11,000)	—	(44,900)
Proceeds from long-term borrowings	150	449	2,568
Repayment of second lien notes	—	—	(1,199)
Share repurchases	—	—	(1,000)
Debt issuance costs	(6,300)	(2,452)	(8,486)
DIP financing fees	—	—	(9,344)
Other debt restructuring costs	—	—	(7,574)
Other, net	(24)	(123)	(565)
Net cash provided by financing activities	185,473	38,829	63,669
Effect of exchange rate changes on cash	(1,223)	(620)	1,628

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

	Successor		Predecessor
	Six months ended September 30, 2021	One month ended September 30, 2020	Five months ended August 31, 2020
<i>(in thousands)</i>			
Increase (decrease) in cash, cash equivalents, and restricted cash	33,340	31,249	(55,107)
Cash and cash equivalents at beginning of period	92,705	93,138	170,208
Restricted cash at beginning of period	5,008	24,838	2,875
Cash, cash equivalents, and restricted cash at end of period	\$ 131,053	\$ 149,225	\$ 117,976
Other information:			
Cash paid for income taxes, net	\$ 12,030	\$ 2,990	\$ 5,560
Cash paid for interest, net	41,838	3,716	52,877
Cash paid for reorganization items	—	—	7,314
Noncash investing and financing activities:			
Purchases of property, plant, and equipment included in accounts payable	283	1,102	1,759
Noncash amounts obtained as a beneficial interest in exchange for transferring trade receivables in a securitization transaction	91,742	12,309	66,821
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 Company's consolidated financial statements and notes thereto included in the Annual Report on Form 10-K for the fiscal year ended March 31, 2021 filed on June 29, 2021. 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 commencement of the Chapter 11 Cases (as defined below), 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 (as defined below) 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 the Effective Date and the Fresh Start Reporting Date were not material to the Company's financial reporting on both a quantitative or qualitative basis. See "[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 after August 31, 2020 and results of operations for periods commencing after August 31, 2020. References to "Predecessor" relate to our financial position on or before August 31, 2020 and results of operations for periods ending on or before August 31, 2020.

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 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. See "[Note 3. Emergence from Voluntary Reorganization under Chapter 11](#)" for additional information.

Reclassifications

Certain prior period amounts relating to balances with related parties have been reclassified to conform to the current year presentation in the condensed consolidated balance sheets. See "[Note 23. Related Party Transactions](#)" for additional information.

Interest expense and interest income amounts reported in prior periods have been reclassified to conform to the current year's net presentation of interest expense in the condensed consolidated statements of operations. Cash paid for interest and cash received from interest as reported under other information in the condensed consolidated statements of cash flows have been reclassified to conform to the current year's net presentation of cash paid for interest. Asset impairment charges reported as changes in operating assets and liabilities, net in prior periods have been reclassified to conform to the current year's presentation.

2. New Accounting Standards

Recently Adopted Accounting Pronouncements

In December 2019, the FASB issued Accounting Standards Update ("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 became effective for the Company on April 1, 2021. The adoption of this new accounting standard did not have a material impact on the Company's financial condition, results of operations, cash flows, or 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.

Reorganization Items

Expenditures, gains, and losses that are 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, net in the condensed consolidated statements of operations, and include the following:

	Predecessor	
	Two months ended August 31, 2020	Five months ended August 31, 2020
Reorganization items, net:		
Gain on settlement of liabilities subject to compromise	462,304	462,304
Professional fees	(27,953)	(30,526)
United States trustee fees	(452)	(970)
Write-off of unamortized debt issuance costs and discount	(1,283)	(5,303)
Issuance of exit facility shares and DIP financing fees	(188,783)	(208,538)
Other debt restructuring costs	(19,442)	(19,442)
Fresh start reporting adjustments	(91,541)	(91,541)
	<u>\$ 132,850</u>	<u>\$ 105,984</u>

Summary Features of the Plan of Reorganization

On 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 satisfied in full in the ordinary course of business, and the existing trade and customer contracts and terms of Old Pyxus were maintained by the Company and its subsidiaries. Commencing upon the Effective Date, the Company, through its subsidiaries, continued to operate in the ordinary course the business formerly operated by Old Pyxus. 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 25,000 shares of common stock, no par value, of the Company (such common stock is referred to as "New Common Stock" and the 25,000 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 12,500 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 11,100 shares of New Common Stock to the Holders of the DIP Facility Claims pursuant to the Plan, and (vi) approximately 1,400 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 Sikkell, 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”). A detailed description of the ABL Credit Agreement and ABL Credit Facility is included in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2021. See ["Note 16. Debt Arrangements"](#) for additional information with respect to 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 \$213,400 (the “Term Loan Credit Facility”). A detailed description of the Term Loan Credit Agreement and Term Loan Credit Facility is included in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2021. See ["Note 16. Debt Arrangements"](#) for additional information with respect to the Term Loan Credit Agreement and the Term Loan Credit Facility.

Senior Secured First Lien Notes

On the Effective Date, Pyxus Holdings issued approximately \$280,800 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. A detailed description of the Notes and the Indenture is included in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2021. See ["Note 16. Debt Arrangements"](#) for additional information with respect to 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,

L.P. (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.

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.

The identified intangible assets of \$70,999, which principally consisted of trade names, technology, licenses, and customer relationships, were also valued with the assistance of financial advisors and were estimated based on either the relief-from-royalty or multi-period excess earnings methods. Significant assumptions included discount rates and certain assumptions that form the basis of the forecasted results such as revenue growth rates, margins, customer attrition, and royalty rates. Some of these estimates are inherently uncertain and may be affected by future economic and market conditions.

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"). Pre-petition liabilities that were allowed as claims in the Chapter 11 Cases are classified as liabilities subject to compromise within the condensed consolidated balance sheet.

As of August 31, 2020

		As of August 31, 2020					
		Fresh Start Reporting Adjustments					
		Reorganization Adjustments		As Reported at September 30, 2020		As Adjusted at December 31, 2020	
(in thousands)	Predecessor						Successor
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		<u>661,842</u>
Payment to holders of second lien notes electing cash option		(1,199)
Value of common stock issued to holders of second lien notes		<u>(198,339)</u>
Gain on discharge of second lien notes	\$	<u>462,304</u>

(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
	\$	<u>391,402</u>

(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. CCAA Proceeding and Deconsolidation of Subsidiaries

On January 21, 2021, Figr Norfolk Inc. ("Figr Norfolk") and Figr Brands, Inc. ("Figr Brands"), which are indirect subsidiaries of the Company, and Canada's Island Garden Inc. ("Figr East," and together with Figr Norfolk and Figr Brands, the "Canadian Cannabis Subsidiaries"), which, prior to its sale on June 28, 2021 was an indirect subsidiary 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 order issued by the Canadian 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") from another non-U.S. subsidiary of Pyxus (the "DIP Lender") in an initial amount of up to Cdn.\$8,000, which following approval by the Canadian Court was increased to Cdn.\$16,000;
- a stay of proceedings in respect of the Canadian Cannabis Subsidiaries and 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 DIP Lender for amounts borrowed under the Canadian DIP Facility.

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.

On May 10, 2021, a definitive agreement for the sale of the assets of Figr Norfolk was entered into for a purchase price of Cdn. \$5,000. On June 10, 2021, the Canadian Court approved the sale agreement. The consummation of the sale under this agreement is subject to approval of the buyers by Health Canada and the satisfaction of certain other conditions.

On May 25, 2021, a definitive agreement was entered into with a separate buyer for the sale of the outstanding equity of Figr East and certain intangible assets of Figr Brands for an aggregate purchase price of Cdn.\$24,750. On June 10, 2021, the Canadian Court approved the sale agreement. On June 25, 2021, Health Canada approved the buyers of Figr East and certain intangible assets of Figr Brands. The sale of Figr East and certain intangible assets of Figr Brands was completed on June 28, 2021.

As discussed below, the amount of recovery that the Company may receive from the pending sale of the assets of Figr Norfolk, the completed sale of the outstanding equity of Figr East, and the completed sale of certain intangible assets of Figr Brands will be impacted by the amount of claims against the Canadian Cannabis Subsidiaries submitted in the CCAA Proceeding, the extent to which such claims are approved by the Canadian Court, and the extent to which the Company's interest in the Canadian Cannabis Subsidiaries are determined by the Canadian Court to be debt claims entitled to recovery on the same basis as other unsecured creditor claims with respect to the Canadian Cannabis Subsidiaries.

Canadian DIP Financing

Pursuant to the Canadian DIP Facility, the DIP Lender provided Figr Brands with 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. These payments also funded 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. On July 8, 2021, the loans under the Canadian DIP Facility were fully repaid to the DIP Lender.

Deconsolidation of Subsidiaries

While the Canadian Cannabis Subsidiaries were at the time of the commencement of the CCAA Proceedings majority owned by the Company, the administration of the CCAA Proceeding, including the Canadian Court's appointment of the Monitor and the related authority of the Monitor, including approval rights with respect to significant actions of the Canadian Cannabis Subsidiaries during the pendency of the CCAA Proceeding, resulted in the Company losing control (in accordance with U.S. GAAP) of the Canadian Cannabis Subsidiaries at that time, and the deconsolidation of the Canadian Cannabis Subsidiaries' assets and liabilities and elimination of their equity components from the Company's consolidated financial statements as of January 21, 2021. The Canadian Cannabis Subsidiaries' financial results are included in the Company's consolidated results through January 20, 2021, which is the day prior to the Order Date. Prior to the deconsolidation of the Canadian Cannabis Subsidiaries, they comprised an operating segment within the Other Products and Services reportable segment. Upon deconsolidation, the Company accounts for its investment in the Canadian Cannabis Subsidiaries using the cost method of accounting.

Prior to the deconsolidation, the carrying value of the Company's related party note receivable from the Canadian Cannabis Subsidiaries was \$153,860. The Company fully impaired its equity investment in the Canadian Cannabis Subsidiaries, effective as of the Order Date, based on the Canadian Cannabis Subsidiaries carrying a retained deficit of \$77,518 and based on offers the Company received to buy the Canadian Cannabis Subsidiaries or certain assets and the allocation of consideration among the assets to be sold, as reflected in the sales agreements approved by the Canadian Court. Following consummation of the contemplated sales of the Canadian Cannabis Subsidiaries, and after repayment of the Canadian DIP Facility and satisfaction of administrative expenses from the CCAA Proceeding, the Company estimated recovering aggregate net cash consideration of \$6,100, which represents the fair value of the related party note receivable retained by the Company as of March 31, 2021. As a result, the Company recorded a net loss of \$70,242 for the year ended March 31, 2021 associated with the deconsolidation of the Canadian Cannabis Subsidiaries.

As of September 30, 2021, the Company's adjusted fair value estimate of the related party note receivable was \$3,519, which resulted in a loss on the deconsolidation of the Canadian Cannabis Subsidiaries of \$2,456 recorded within the condensed consolidated statements of operations for the three and six months ended September 30, 2021. The amount of recovery with respect to the related party note receivable is dependent on the actual amount of administrative claims in the CCAA Proceeding, the amount of claims of unsecured creditors against the Canadian Cannabis Subsidiaries submitted in the CCAA Proceeding, the extent to which such claims are approved by the Canadian Court, and the extent to which the Company's interest in the Canadian Cannabis Subsidiaries are determined by the Canadian Court to be debt claims entitled to recovery on the same basis as other unsecured creditor claims with respect to the Canadian Cannabis Subsidiaries, all of which matters are presently uncertain. In the event the Company's interests are not treated as debt claims by the Canadian Court, the Company may be unable to recover a substantial portion or all of the estimated fair value of the related-party note receivable and may incur additional impairment with respect thereto.

Related Party Relationship

The commencement of the CCAA Proceeding, the appointment of the Monitor, and the subsequent deconsolidation of the Canadian Cannabis Subsidiaries results in transactions with the Canadian Cannabis Subsidiaries no longer being eliminated in consolidation. As such, transactions between the Company and the Canadian Cannabis Subsidiaries, during their respective period of ownership by the Company, are treated as related-party transactions. See ["Note 23. Related Party Transactions"](#) for transactions between the Company and the Canadian Cannabis Subsidiaries.

6. 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. For the period ended September 30, 2020, the other products and services revenue was primarily composed of revenue from the sale of legal cannabis in Canada and e-liquids product revenue. For the period ended September 30, 2021, the other products and services revenue was primarily composed of e-liquids product revenue. The following disaggregates sales and other operating revenues by major source:

	Successor		Predecessor
	Three months ended September 30, 2021	One month ended September 30, 2020	Two months ended August 31, 2020
Leaf - North America:			
Product revenue	\$ 83,726	\$ 17,105	\$ 25,293
Processing and other revenues	6,795	2,872	2,544
Total sales and other operating revenues	90,521	19,977	27,837
Leaf - Other Regions:			
Product revenue	273,990	89,409	137,546
Processing and other revenues	26,444	7,579	15,212
Total sales and other operating revenues	300,434	96,988	152,758
Other Products and Services:			
Total sales and other operating revenues	3,246	869	4,196
Total sales and other operating revenues	\$ 394,201	\$ 117,834	\$ 184,791

	Successor		Predecessor
	Six months ended September 30, 2021	One month ended September 30, 2020	Five months ended August 31, 2020
Leaf - North America:			
Product revenue	\$ 130,010	\$ 17,105	\$ 51,211
Processing and other revenues	10,279	2,872	6,523
Total sales and other operating revenues	140,289	19,977	57,734
Leaf - Other Regions:			
Product revenue	539,447	89,409	355,902
Processing and other revenues	41,077	7,579	24,595
Total sales and other operating revenues	580,524	96,988	380,497
Other Products and Services:			
Total sales and other operating revenues	6,678	869	9,369
Total sales and other operating revenues	\$ 727,491	\$ 117,834	\$ 447,600

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

	Successor		Predecessor
	Three months ended September 30, 2021	One month ended September 30, 2020	Two months ended August 31, 2020
Balance, beginning of period	\$ (21,133)	\$ (15,361)	\$ (14,985)
Additions	(2,508)	—	—
Write-offs	—	270	(376)
Balance, end of period	(23,641)	(15,091)	(15,361)
Trade receivables	228,568	170,622	167,670
Trade receivables, net	\$ 204,927	\$ 155,531	\$ 152,309

	Successor		Predecessor
	Six months ended September 30, 2021	One month ended September 30, 2020	Five months ended August 31, 2020
Balance, beginning of period	\$ (20,900)	\$ (15,361)	\$ (15,893)
Additions	(2,888)	—	—
Write-offs	147	270	532
Balance, end of period	(23,641)	(15,091)	(15,361)
Trade receivables	228,568	170,622	167,670
Trade receivables, net	\$ 204,927	\$ 155,531	\$ 152,309

7. Restructuring and Asset Impairment Charges

The Company continued its focus on cost saving initiatives. The employee separation and impairment charges are primarily related to the write-off of the Company's remaining industrial hemp cannabidiol ("CBD") extraction equipment and the continued restructuring of certain leaf operations. The following summarizes the Company's restructuring and asset impairment charges:

	Successor		Predecessor
	Three months ended September 30, 2021	One month ended September 30, 2020	Two months ended August 31, 2020
Employee separation charges	\$ 1,256	\$ 922	\$ 313
Asset impairment and other non-cash charges	5,603	295	180
Restructuring and asset impairment charges	\$ 6,859	\$ 1,217	\$ 493

	Successor		Predecessor
	Six months ended September 30, 2021	One month ended September 30, 2020	Five months ended August 31, 2020
Employee separation charges	\$ 1,403	\$ 922	\$ 353
Asset impairment and other non-cash charges	5,689	295	213
Restructuring and asset impairment charges	\$ 7,092	\$ 1,217	\$ 566

The following summarizes the activity in the restructuring accrual for employee separation and other cash charges by reportable segment:

	Successor					Predecessor	
	Three months ended September 30, 2021			One month ended September 30, 2020		Two months ended August 31, 2020	
	Other Products and Services	Leaf - North America	Leaf - Other Regions	Leaf - North America	Leaf - Other Regions	Leaf - North America	Leaf - Other Regions
Beginning balance	\$ 1,902	\$ 689	\$ 659	\$ 312	\$ 255	\$ —	\$ 321
Period charges	7	215	1,034	922	—	312	—
Payments	(197)	(407)	(1,597)	(60)	(26)	—	(66)
Ending balance	\$ 1,712	\$ 497	\$ 96	\$ 1,174	\$ 229	\$ 312	\$ 255

	Successor					Predecessor	
	Six months ended September 30, 2021			One month ended September 30, 2020		Five months ended August 31, 2020	
	Other Products and Services	Leaf - North America	Leaf - Other Regions	Leaf - North America	Leaf - Other Regions	Leaf - North America	Leaf - Other Regions
Beginning balance	\$ 2,141	\$ 1,406	\$ 1,063	\$ 312	\$ 255	\$ —	\$ 407
Period charges	21	215	1,167	922	—	312	40
Payments	(450)	(1,124)	(2,134)	(60)	(26)	—	(192)
Ending balance	\$ 1,712	\$ 497	\$ 96	\$ 1,174	\$ 229	\$ 312	\$ 255

The following summarizes the asset impairment and other non-cash charges by reportable segment:

	Successor		Predecessor
	Three months ended September 30, 2021	One month ended September 30, 2020	Two months ended August 31, 2020
Leaf - North America	\$ —	\$ —	\$ (8)
Leaf - Other Regions	(21)	295	188
Other Products and Services	5,624	—	—
Total	\$ 5,603	\$ 295	\$ 180

	Successor		Predecessor
	Six months ended September 30, 2021	One month ended September 30, 2020	Five months ended August 31, 2020
Leaf - North America	\$ —	\$ —	\$ 17
Leaf - Other Regions	65	295	196
Other Products and Services	5,624	—	—
Total	\$ 5,689	\$ 295	\$ 213

8. Income Taxes

The effective tax rate for the six months ended September 30, 2021, the one month ended September 30, 2020, and the five months ended August 31, 2020 was 51.2%, 63.7%, and 1.8%, respectively. For the six months ended September 30, 2021, the one month ended September 30, 2020, and the five months ended August 31, 2020, the difference between the Company's effective rate and the U.S. statutory rate of 21% is primarily due to the impact of net foreign exchange effects, non-deductible interest, and variations in the expected jurisdictional mix of earnings. The change in the effective rate for the six months ended September 30, 2021 was primarily due to improved operational results and changes in the U.S. tax profile resulting from the Company's emergence from the Chapter 11 Cases. As of September 30, 2021, the Company recorded additional tax benefit to current taxes receivable as it expects the year-to-date loss to offset current taxes payable throughout the remainder of the current year.

9. (Loss) Earnings Per Share

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

	Successor		Predecessor
	Three months ended September 30, 2021	One month ended September 30, 2020	Two months ended August 31, 2020
<i>(in thousands, except per share data)</i>			
Basic (loss) earnings per share:			
Net (loss) income attributable to Pyxus International, Inc.	\$ (9,681)	\$ (5,313)	\$ 111,198
Shares:			
Weighted average number of shares outstanding	25,000	25,000	9,976
Basic (loss) earnings per share	\$ (0.39)	\$ (0.21)	\$ 11.15
Diluted (loss) earnings per share:			
Net (loss) income attributable to Pyxus International, Inc.	\$ (9,681)	\$ (5,313)	\$ 111,198
Shares:			
Weighted average number of shares outstanding	25,000	25,000	9,976
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 ⁽¹⁾	—	—	23
Adjusted weighted average number of shares outstanding	25,000	25,000	9,999
Diluted (loss) earnings per share	\$ (0.39)	\$ (0.21)	\$ 11.12

(1) 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 0 for the three months ended September 30, 2021.

	Successor		Predecessor
	Six months ended September 30, 2021	One month ended September 30, 2020	Five months ended August 31, 2020
<i>(in thousands, except per share data)</i>			
Basic (loss) earnings per share:			
Net (loss) income attributable to Pyxus International, Inc.	\$ (21,189)	\$ (5,313)	\$ 19,037
Shares:			
Weighted average number of shares outstanding	25,000	25,000	9,976
Basic (loss) earnings per share	\$ (0.85)	\$ (0.21)	\$ 1.91
Diluted (loss) earnings per share:			
Net (loss) income attributable to Pyxus International, Inc.	\$ (21,189)	\$ (5,313)	\$ 19,037
Shares:			
Weighted average number of shares outstanding	25,000	25,000	9,976
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 ⁽¹⁾	—	—	16
Adjusted weighted average number of shares outstanding	25,000	25,000	9,992
Diluted (loss) earnings per share	\$ (0.85)	\$ (0.21)	\$ 1.91

(1) 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 0 for the six months ended September 30, 2021.

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 September 30, 2021	One month ended September 30, 2020	Two months ended August 31, 2020
Antidilutive stock options and other awards	—	—	427
Weighted average exercise price	\$ —	\$ —	\$ 56.86

	Successor		Predecessor
	Six months ended September 30, 2021	One month ended September 30, 2020	Five months ended August 31, 2020
Antidilutive stock options and other awards	—	—	427
Weighted average exercise price	\$ —	\$ —	\$ 56.86

10. Restricted Cash

The following summarizes the composition of restricted cash:

	Successor		
	September 30, 2021	September 30, 2020	March 31, 2021
Compensating balance for short-term borrowings	\$ 2,051	\$ 970	\$ 1,017
Escrow ⁽¹⁾	949	22,172	3,459
Other	418	532	\$ 532
Total	\$ 3,418	\$ 23,674	\$ 5,008

⁽¹⁾ As of September 30, 2020, funds held in escrow was primarily related to professional fees for services rendered during the Chapter 11 Cases.

11. Inventories, Net

The following summarizes the composition of inventories, net:

	Successor		
	September 30, 2021	September 30, 2020	March 31, 2021
Processed tobacco	\$ 605,424	\$ 639,698	\$ 534,711
Unprocessed tobacco	162,676	147,128	156,915
Other tobacco related	21,374	18,123	25,979
Other ⁽¹⁾	12,954	39,744	10,288
Total	\$ 802,428	\$ 844,693	\$ 727,893

⁽¹⁾ Represents inventory from the Other Products and Services segment.

12. 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 was 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	Predecessor
	One month ended September 30, 2020	Two months ended August 31, 2020
Revenue	3	—
Operating loss	(1,131)	(2,326)
Net loss	(1,170)	(2,408)
Impact to (loss) earnings per share:		
Basic	(0.05)	(0.24)
Diluted	(0.05)	(0.24)

	Successor	Predecessor
	One month ended September 30, 2020	Five months ended August 31, 2020
Revenue	3	—
Operating loss	(1,131)	(3,117)
Net loss	(1,170)	(3,317)
Impact to (loss) earnings per share:		
Basic	(0.05)	(0.33)
Diluted	(0.05)	(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.

13. Equity Method Investments

The following summarizes the Company's equity method investments as of September 30, 2021:

	Location	Primary Purpose	The Company's Ownership Percentage	Basis Difference ⁽¹⁾
Adams International Ltd.	Thailand	purchase and process tobacco	49 %	\$ (4,526)
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 %	46,326
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 %	(6,098)

(1) The basis difference for the Company's equity method investments is primarily due to \$30,531 of fair value adjustments from fresh start reporting that were recorded in the fiscal year-ended March 31, 2021.

The following summarizes financial information for these equity method investments:

	Successor		Predecessor
	Three months ended September 30, 2021	One month ended September 30, 2020	Two months ended August 31, 2020
Operations statement:			
Sales	\$ 32,513	\$ 13,006	\$ 31,841
Gross profit	2,448	2,248	7,202
Net income	3,206	738	3,560
Company's dividends received	18	—	40

	Successor		Predecessor
	Six months ended September 30, 2021	One month ended September 30, 2020	Five months ended August 31, 2020
Operations statement:			
Sales	\$ 63,945	\$ 13,006	\$ 67,553
Gross profit	6,114	2,248	14,151
Net income	306	738	5,869
Company's dividends received	8,866	—	5,104

	Successor		
	September 30, 2021	September 30, 2020	March 31, 2021
Balance sheet:			
Current assets	\$ 280,561	\$ 246,852	\$ 224,106
Property, plant, and equipment and other assets	43,675	42,544	43,648
Current liabilities	214,321	185,187	138,833
Long-term obligations and other liabilities	3,144	4,185	3,937

14. 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		
	September 30, 2021	September 30, 2020	March 31, 2021
Investments in variable interest entities	\$ 80,205	\$ 61,432	\$ 89,560
Receivables with variable interest entities	7,721	1,541	13,497
Guaranteed amounts to variable interest entities (not to exceed)	55,991	56,040	56,067

15. Goodwill and Other Intangible Assets, Net

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

	Successor				
	Six months ended September 30, 2021				
	Weighted Average Remaining Useful Life	Beginning Gross Carrying Amount	Additions	Accumulated Amortization ⁽¹⁾	Ending Intangible Assets, Net
Intangibles subject to amortization:					
Customer relationships	10.61 years	\$ 29,200	\$ —	\$ (2,729)	\$ 26,471
Technology	6.23 years	15,080	840	(3,464)	12,456
Trade names	12.92 years	11,300	—	(874)	10,426
Intangibles not subject to amortization:					
Goodwill		36,853	—	—	36,853
Total		\$ 92,433	\$ 840	\$ (7,067)	\$ 86,206

(1) Amortization expense across intangible asset classes for the six months ended September 30, 2021 was \$2,905.

	Successor						
	Seven months ended March 31, 2021						
	Weighted Average Remaining Useful Life	Beginning Gross Carrying Amount	Additions	Accumulated Amortization ⁽¹⁾	Deconsolidation of Canadian Cannabis Subsidiaries	Impairment	Ending Intangible Assets, Net
Intangibles subject to amortization:							
Customer relationships	11.10 years	\$ 29,200	\$ —	\$ (1,470)	\$ —	\$ —	\$ 27,730
Technology	6.66 years	11,000	4,080	(2,222)	—	—	12,858
Licenses	0.00 years	19,000	—	(924)	(18,076)	—	—
Trade names	13.42 years	11,800	—	(497)	(474)	—	10,829
Intangibles not subject to amortization:							
Goodwill		37,935	—	—	—	(1,082)	36,853
Total		\$ 108,935	\$ 4,080	\$ (5,113)	\$ (18,550)	\$ (1,082)	\$ 88,270

(1) Amortization expense across intangible asset classes for the seven months ended March 31, 2021 was \$5,113.

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

For Fiscal Years Ended March 31	Customer Relationships	Technology	Trade Names	Total
2022 (excluding the six months ended September 30, 2021)	\$ 1,260	\$ 985	\$ 404	\$ 2,649
2023	2,519	1,970	807	5,296
2024	2,519	2,138	807	5,464
2025	2,519	1,987	807	5,313
2026	2,519	1,713	807	5,039
Thereafter	15,135	3,663	6,794	25,592
	\$ 26,471	\$ 12,456	\$ 10,426	\$ 49,353

16. Debt Arrangements

The following summarizes debt and notes payable:

	Successor			
	Outstanding		Lines and Letters Available	Interest Rate
	March 31, 2021	September 30, 2021	September 30, 2021	
<i>(in thousands)</i>				
Senior secured credit facilities:				
ABL Credit Facility	\$ 67,500	\$ 56,500	\$ 18,500	5.8 % ⁽¹⁾
DDTL Facility ⁽²⁾	—	119,263	—	10.6 % ⁽¹⁾
Senior secured notes:				
10.0% senior secured first lien notes ⁽³⁾	267,353	269,007	—	10.0 %
Term Loan Credit Facility ⁽⁴⁾	215,594	217,510	—	9.6 % ⁽¹⁾
Other long-term debt	2,910	2,879	314	2.3 % ⁽¹⁾
Notes payable to banks ⁽⁵⁾	372,174	457,699	167,016	6.2 % ⁽¹⁾
Total debt	\$ 925,531	\$ 1,122,858	\$ 185,830	
Short-term	\$ 372,174	\$ 457,699		
Long-term:				
Current portion of long-term debt	\$ 2,122	\$ 121,926		
Long-term debt	551,235	543,233		
	\$ 553,357	\$ 665,159		
Letters of credit	\$ 2,468	\$ 9,244	\$ 3,332	
Total credit available			\$ 189,162	

(1) Weighted average rate for the trailing twelve months ended September 30, 2021.

(2) Balance of \$119,263 is net of original issue discount of \$6,737. Total repayment will be \$126,000, which includes an estimated \$6,000 exit fee payable upon repayment.

(3) Balance of \$269,007 is net of original issue discount of \$11,837. Total repayment will be \$280,844.

(4) Upon emergence from the Chapter 11 Cases 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 Loan Credit Facility of \$217,510 includes \$4,092 of accrued paid-in-kind interest. The 9.6% interest rate does not include the paid-in-kind interest which is (a) 1.0% per annum from and after the first anniversary of the Effective Date until the second anniversary of the Effective Date, (b) 2.0% per annum from and after the second anniversary of the Effective Date until the third anniversary of the Effective Date, (c) 3.0% per annum from and after the third anniversary of the Effective Date until the fourth anniversary of the Effective Date and (d) from and after the fourth anniversary of the Effective Date, 4.0% per annum.

(5) 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 certain limitations. A detailed description of the ABL Credit Agreement and ABL Credit Facility is included in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2021. At September 30, 2021, Pyxus Holdings was in compliance with the covenants under the ABL Credit Agreement. At September 30, 2021, \$18,500 was available for borrowing under the ABL Credit Facility, after reducing availability by the aggregate borrowings under the ABL Credit Facility of \$56,500 outstanding on that date.

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, was converted into, or otherwise satisfied with the proceeds of, the Term Loan Credit Facility. A detailed description of the Term Loan Credit Agreement and Term Loan Credit Facility is included in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2021. At September 30, 2021, Pyxus Holdings was in compliance with the 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. A detailed description of the Notes and the Indenture is included in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2021. At September 30, 2021, Pyxus Holdings was in compliance with the covenants under the Indenture.

DDTL Facility

On April 23, 2021, Intabex Netherlands B.V. ("Intabex"), an indirect wholly owned subsidiary of the Company, entered into a Term Loan Credit Agreement (the "DDTL Facility Credit Agreement"), dated as of April 23, 2021 (the "Closing Date"), by and among (i) Intabex, as borrower, (ii) the Company, Pyxus Parent, Inc., Pyxus Holdings, Inc., Alliance One International, LLC, Alliance One International Holdings, Ltd, as guarantors (collectively, the "Parent Guarantors"), (iii) certain funds managed by Glendon Capital Management, L.P. and Monarch Alternative Capital LP, as lenders (collectively and, together with any other lender that is or becomes a party thereto as a lender, the "DDTL Facility Lenders"), and (iv) Alter Domus (US) LLC, as administrative agent and collateral agent. The DDTL Facility Credit Agreement established a \$120,000 delayed-draw term loan credit facility (the "DDTL Facility") under which the full amount has been drawn (the "DDTL Loans"). The proceeds of the DDTL Loans were used to provide working capital and for other general corporate purposes of Intabex, the Guarantors (as defined below) and their subsidiaries.

The DDTL Facility and all DDTL Loans made thereunder mature on July 31, 2022. The DDTL Loans may be prepaid by Intabex at any time without premium or penalty other than the Exit Fee described below and, in the case of any prepayment of LIBOR loans, subject to customary breakage. At September 30, 2021, the aggregate principal amount outstanding was \$119,263, net of original issue discount of \$6,737, which includes an estimated \$6,000 exit fee payable upon repayment. Amounts prepaid or repaid in respect of DDTL Loans may not be reborrowed under the DDTL Facility.

Interest on the aggregate principal amount of outstanding DDTL Loans accrues at an annual rate of LIBOR plus 9.00%, subject to a LIBOR floor of 1.50%, for LIBOR loans or, for loans that are not LIBOR loans, at an annual rate of an alternative base rate (as specified in the DDTL Facility Credit Agreement) plus 8.00%. Interest is to be paid in arrears in cash upon prepayment, acceleration, maturity, and on the last day of each interest period (and every three months in the case of interest periods in excess of three months) for LIBOR loans and on the last day of each calendar month for loans that are not LIBOR loans. Pursuant to the DDTL Facility Credit Agreement, the DDTL Facility Lenders received a non-refundable commitment fee equal to 2.00% of the aggregate commitments under the DDTL Facility, paid in cash in full on the Closing Date and netted from the proceeds of the DDTL Loan borrowed on the Closing Date. The DDTL Facility Credit Agreement provides for the payment by Intabex to the DDTL Facility Lenders of a non-refundable exit fee (the "Exit Fee") in the amounts set forth in the table below in respect of any DDTL Loans repaid (whether prepaid voluntarily or paid following acceleration or at maturity). The Exit Fee is deemed to have been earned on the Closing Date, and is due and payable in cash on each date of repayment or termination, as applicable, in respect of the DDTL Loans or commitments repaid or terminated on such date, as applicable.

Loan Repayment Date	Exit Fee
On or before September 30, 2021	1.00%
After September 30, 2021 and on or before December 31, 2021	2.50%
After December 31, 2021 and on or before March 31, 2022	3.50%
After March 31, 2022	5.00%

The obligations of Intabex under the DDTL Facility Credit Agreement (and certain related obligations) are (a) guaranteed by the Parent Guarantors and Alliance One International Tabak B.V., an indirect subsidiary of the Company, and each of the Company’s domestic and foreign subsidiaries that is or becomes a guarantor of borrowings under the Term Loan Credit Agreement (which subsidiaries are referred to collectively, together with the Parent Guarantors, as the “Guarantors”), and (b) are secured by the pledge of all of the outstanding equity interests of (i) Alliance One Brasil Exportadora de Tabacos Ltda. (“AO Brazil”), which principally operates the Company’s leaf tobacco operations in Brazil, and (ii) Alliance One International Tabak B.V., which owns a 0.001% interest of AO Brazil.

Affirmative and Restrictive Covenants

The DDTL Facility Credit Agreement contains representations and warranties, affirmative and negative covenants (subject, in each case, to exceptions and qualifications) and events of defaults applicable to the Company and its subsidiaries similar to those included in the Exit Term Loan Credit Agreement, including covenants that limit the Company’s ability to, among other things:

- incur additional indebtedness or issue disqualified stock or preferred stock;
- make certain investments and other restricted payments;
- enter into limitations on its ability to pay dividends, make loans or otherwise transfer assets to its immediate parent entity or to its subsidiaries;
- sell certain assets;
- create liens;
- consolidate, merge, sell or otherwise dispose of all or substantially all of its assets;
- enter into transactions with affiliates; and
- engage directly or indirectly in any business other than the businesses engaged in by it and its subsidiaries are currently engaged.

In addition, the DDTL Facility Credit Agreement includes a customary “passive holding company” covenant that contains certain additional restrictions on Intabex and its subsidiaries’ activities and requirements for Intabex to provide to the DDTL Facility Lenders certain periodic financial and operating reports for the Guarantors and their subsidiaries on a consolidated basis.

At September 30, 2021, Intabex and each Guarantor was in compliance with the covenants under the DDTL Facility Credit Agreement.

Related Party Transaction

Based on a Schedule 13D filed with the SEC on September 3, 2020 by Glendon Capital Management, L.P., Glendon Opportunities Fund, L.P. and Glendon Opportunities Fund II, L.P., Glendon Capital Management, L.P. reported beneficial ownership of 7,939 shares of the Company’s common stock, representing approximately 31.8% of the outstanding shares of the Company’s common stock. Based on a Schedule 13D filed with the SEC on September 3, 2020 by Monarch Alternative Capital LP, MDRA GP LP and Monarch GP LLC, Monarch Alternative Capital LP reported beneficial ownership of 6,033 shares of the Company’s common stock, representing approximately 24.1% of the outstanding shares of the Company’s common stock. Pursuant to the Shareholders Agreement, Holly Kim and Patrick Fallon were designated to serve as directors of Pyxus and each continues to serve as a director of Pyxus. Ms. Kim is a Partner at Glendon Capital Management, L.P. and Mr. Fallon is a Managing Principal at Monarch Alternative Capital LP.

The DDTL Facility Credit Agreement, any and all borrowings thereunder and the guaranty transactions described above were approved, and determined to be on terms and conditions at least as favorable to the Company and its subsidiaries as could reasonably have been obtained in a comparable arm’s-length transaction with an unaffiliated party, by a majority of the disinterested members of the Board of Directors of Pyxus.

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%.

On June 24, 2021, the Company, and certain of its subsidiaries, including the African Subsidiaries, entered into an Amendment Agreement (the “Amendment Agreement”) with TDB to amend the TDB Facility Agreement, which governs the terms of the separate foreign seasonal lines of credit of each of the African Subsidiaries with TDB. The Amendment Agreement became effective on June 28, 2021 and amended the TDB Facility Agreement as follows:

- It extended the term of the separate lines of credit of each of the Company’s subsidiaries in Malawi, Tanzania, and Zambia to June 25, 2022;
- It decreased the lending commitment with respect to the line of credit of the Company’s Malawi subsidiary from \$120,000 to \$80,000, effective from and including June 28, 2021;
- It includes provisions allowing for an increase in the lending commitment with respect to the line of credit of the Company’s Tanzania subsidiary from \$70,000 to \$85,000, subject to the satisfaction of certain documentation requirements;
- It terminated the separate lines of credit of the Companies’ subsidiaries in Kenya and Uganda, effective from and including June 30, 2021 (with outstanding borrowings thereunder to be repaid by June 30, 2021); and
- It required the Company and such subsidiaries to enter into an agreement to amend and restate the TDB Agreement by August 13, 2021 to reflect items specified in the Amendment Agreement.

On August 12, 2021, the Company and certain subsidiaries of the Company, including the Company’s subsidiaries in Malawi, Tanzania, and Zambia (the “African Subsidiary Borrowers”), entered into the Third Amendment and Restatement Agreement (the “Restated TDB Agreement”) with TDB to amend and restate the Second Amendment and Restatement Agreement dated August 24, 2020, as amended by an amendment letter dated December 30, 2020, an amendment letter dated February 19, 2021 and the Amendment Agreement dated as of June 24, 2021. The Restated TDB Agreement sets forth the terms that govern the foreign seasonal lines of credit of each of the African Subsidiary Borrowers with TDB and supersedes the prior terms in effect. The Restated TDB Agreement provides for a lending commitment with respect to the line of credit of the Company’s Malawi subsidiary of \$80.0 million, a lending commitment with respect to the line of credit of the Company’s Tanzania subsidiary of \$85.0 million, and a lending commitment with respect to the line of credit of the Company’s Zambia subsidiary of \$40.0 million, in each case with current borrowing availability reduced by the amount of outstanding loans borrowed under the respective existing line of credit with TDB. Loans under the Restated TDB Agreement bear interest at LIBOR plus 6%. The Restated TDB Agreement terminates on June 30, 2024, unless terminated sooner at TDB’s discretion on June 30, 2022 or June 30, 2023. The terms of the Restated TDB Agreement may also be modified at TDB’s discretion on those dates. Borrowings under the Restated TDB Agreement are due upon the termination of the Restated TDB Agreement.

Pursuant to the Restated TDB Agreement, each of the Company and its subsidiaries, Pyxus Parent, Inc., and Pyxus Holdings, guarantee the obligations of the African Subsidiary Borrowers under the Restated TDB Agreement. In addition, the Restated TDB Agreement provides that obligations of each African Subsidiary Borrower under the Restated TDB Agreement are secured by a first priority pledge of:

- tobacco purchased by that African Subsidiary Borrower 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 Borrower’s local collection account receiving customer payments for purchases of tobacco financed by TDB.

The Restated TDB 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 Restated TDB 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 Subsidiary Borrowers 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 Restated TDB 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.

At September 30, 2021, the Company and its subsidiaries party to the Restated TDB Agreement were, after giving effect to TDB's consent to certain investments by one of the African Subsidiary Borrowers, in compliance with all such covenants under the Restated TDB Agreement and \$51,677 was available for borrowing under the Restated TDB Agreement, after reducing availability by the aggregate borrowings under the Restated TDB Agreement of \$153,323 outstanding on that date.

Short-Term Borrowings

In addition to these credit arrangements, the Company has typically financed its non-U.S. operations with uncommitted unsecured short-term seasonal lines of credit arrangements with a number of banks. These operating lines are generally seasonal in nature, typically 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 and demand repayment of loans at any time. These loans are typically renewed at the outset of each tobacco season. Certain of the foreign seasonal lines of credit are secured by inventories as collateral.

17. 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 September 30, 2021, the 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 September 30, 2021, the 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 \$4,843, \$4,185, and \$3,651 as of September 30, 2021 and 2020, and March 31, 2021, respectively.

The following summarizes the accounts receivable securitization information:

	Successor		
	September 30, 2021	September 30, 2020	March 31, 2021
Receivables outstanding in facility	\$ 119,254	\$ 67,016	\$ 90,693
Beneficial interests	26,055	13,471	19,370
Servicing liability	49	—	14

	Successor		Predecessor
	Six months ended September 30, 2021	One month ended September 30, 2020	Five months ended August 31, 2020
Cash proceeds for the period ended:			
Cash purchase price	\$ 216,497	\$ 41,692	\$ 151,817
Deferred purchase price	82,649	10,926	74,328
Service fees	276	25	218
Total	\$ 299,422	\$ 52,643	\$ 226,363

18. 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 and a lease obligation for a former unconsolidated subsidiary. The following summarizes amounts guaranteed and the fair value of those guarantees:

	Successor		
	September 30, 2021	September 30, 2020	March 31, 2021
Amounts guaranteed (not to exceed)	\$ 93,982	\$ 84,345	\$ 93,489
Amounts outstanding under guarantee ⁽¹⁾	14,777	13,456	30,111
Fair value of guarantees	343	491	1,740
Amounts due to local banks on behalf of suppliers and included in accounts payable	—	—	10,930

(1) Of the guarantees outstanding at September 30, 2021, most expire within one year.

19. Derivative Financial Instruments

As of September 30, 2021, accumulated other comprehensive loss includes \$728, net of \$465 of tax, for net unrealized gains related to designated cash flow hedges. The Company recorded a net gain of \$(647) and \$(1,062) in cost of goods and services sold for the three and six months ended September 30, 2021, respectively. The Company recorded a net gain of \$(180) in selling, general, and administrative expenses for the three and six months ended September 30, 2021. The Company recorded current derivative assets of \$1,523 and current derivative liabilities of \$634 as of September 30, 2021 included in the condensed consolidated balance sheets. The U.S. Dollar notional amount of derivative contracts outstanding as of September 30, 2021 was \$72,522.

20. Fair Value Measurements

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

	Successor								
	September 30, 2021			September 30, 2020			March 31, 2021		
	Total			Total			Total		
	Level 2	Level 3	at Fair Value	Level 2	Level 3	at Fair Value	Level 2	Level 3	at Fair Value
Financial Assets:									
Derivative financial instruments	\$ 1,523	\$ —	\$ 1,523	\$ —	\$ —	\$ —	\$ 917	\$ —	\$ 917
Securitized beneficial interests	—	26,056	26,056	—	13,471	13,471	—	19,370	19,370
Total assets	\$ 1,523	\$ 26,056	\$ 27,579	\$ —	\$ 13,471	\$ 13,471	\$ 917	\$ 19,370	\$ 20,287
Financial Liabilities:									
Long-term debt	\$ 446,770	\$ 3,127	\$ 449,897	\$ 500,549	\$ 3,714	\$ 504,263	\$ 467,795	\$ 3,162	\$ 470,957
Guarantees	—	343	343	—	491	491	—	1,740	1,740
Total liabilities	\$ 446,770	\$ 3,470	\$ 450,240	\$ 500,549	\$ 4,205	\$ 504,754	\$ 467,795	\$ 4,902	\$ 472,697

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.
- Derivatives: The fair value of derivatives is based on the discounted cash flow analysis of the expected future cash flows. The primary inputs to the valuation include forward yield curves, implied volatilities, LIBOR rates, and credit valuation adjustments.

Level 3 measurements

- Guarantees: The fair value of guarantees is based the discounted cash flow analysis of the expected future cash flows or historical loss rates. The primary inputs to the discounted cash flow analysis of the expected future cash flows include historical loss rates ranging between 0.6% to 10.0% as of September 30, 2021. 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 103 to 107 days and discount rates of 1.4% to 3.5% as of September 30, 2021. 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 1.0% to 1.4% 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 September 30, 2021			One month ended September 30, 2020			Two months ended August 31, 2020		
	Securitized Beneficial Interests	Long-Term Debt	Guarantees	Securitized Beneficial Interests	Long-Term Debt	Guarantees	Securitized Beneficial Interests	Long-Term Debt	Guarantees
Beginning balance	\$ 20,271	\$ 3,164	\$ 1,962	\$ 11,159	\$ 3,892	\$ 1,256	\$ 14,949	\$ 3,804	\$ 3,313
Issuances of sales of receivables/guarantees	53,243	—	274	12,308	—	147	19,702	—	19
Settlements	(45,979)	(37)	(1,678)	(9,793)	(178)	(917)	(23,137)	—	(2,075)
Additions	—	—	—	—	—	—	—	88	—
(Losses) gains recognized in earnings	(1,479)	—	(215)	(203)	—	5	(355)	—	(1)
Ending balance	\$ 26,056	\$ 3,127	\$ 343	\$ 13,471	\$ 3,714	\$ 491	\$ 11,159	\$ 3,892	\$ 1,256

	Successor						Predecessor		
	Six months ended September 30, 2021			One month ended September 30, 2020			Five months ended August 31, 2020		
	Securitized Beneficial Interests	Long-Term Debt	Guarantees	Securitized Beneficial Interests	Long-Term Debt	Guarantees	Securitized Beneficial Interests	Long-Term Debt	Guarantees
Beginning balance	\$ 19,370	\$ 3,162	\$ 1,740	\$ 11,159	\$ 3,892	\$ 1,256	\$ 27,021	\$ 848	\$ 2,791
Issuances of sales of receivables/guarantees	91,741	—	497	12,308	—	147	66,821	—	667
Settlements	(82,674)	(37)	(1,704)	(9,793)	(178)	(917)	(81,038)	(100)	(2,192)
Additions	—	2	—	—	—	—	—	3,144	—
(Losses) gains recognized in earnings	(2,381)	—	(190)	(203)	—	5	(1,645)	—	(10)
Ending balance	\$ 26,056	\$ 3,127	\$ 343	\$ 13,471	\$ 3,714	\$ 491	\$ 11,159	\$ 3,892	\$ 1,256

For the six months ended September 30, 2021, one month ended September 30, 2020, and five months ended August 31, 2020, the impact to earnings attributable to the change in unrealized losses on securitized beneficial interests were \$826, \$53, and \$263, respectively.

21. Pension and Other Postretirement Benefits

The following summarizes the net periodic pension cost for the defined benefit pension plans:

	Defined Benefit Plans		
	Successor		Predecessor
	Three months ended September 30, 2021	One month ended September 30, 2020	Two months ended August 31, 2020
Operating expenses:			
Service cost	\$ 99	\$ 36	\$ 70
Interest expense:			
Interest expense	677	226	638
Expected return on plan assets	(728)	(244)	(494)
Amortization of prior service cost	(1)	—	7
Settlement loss ¹	(70)	—	—
Actuarial loss	4	—	347
Net periodic pension cost	\$ (19)	\$ 18	\$ 568

(1) Settlement accounting is triggered if the lump sums paid during a fiscal year exceeds the sum of the plan's service and interest cost. During the second quarter of fiscal 2022, the Company determined it was probable that a settlement would occur based on the lump sum cash payments activity incurred in the six months ended September 30, 2021. Settlement losses are recorded in interest expense.

Defined Benefit Plans			
	Successor		Predecessor
	Six months ended September 30, 2021	One month ended September 30, 2020	Five months ended August 31, 2020
Operating expenses:			
Service cost	\$ 198	\$ 36	\$ 176
Interest expense:			
Interest expense	1,354	226	1,594
Expected return on plan assets	(1,456)	(244)	(1,234)
Amortization of prior service cost	(2)	—	17
Settlement loss ¹	(70)	—	—
Actuarial loss	8	—	868
Net periodic pension cost	\$ 32	\$ 18	\$ 1,421

(1) Settlement accounting is triggered if the lump sums paid during a fiscal year exceeds the sum of the plan's service and interest cost. During the second quarter of fiscal 2022, the Company determined it was probable that a settlement would occur based on the lump sum cash payments activity incurred in the six months ended September 30, 2021. Settlement losses are recorded in interest expense.

The following summarizes the net periodic pension cost (income) for the postretirement health and life insurance benefits plans:

Other Postretirement Benefits			
	Successor		Predecessor
	Three months ended September 30, 2021	One month ended September 30, 2020	Two months ended August 31, 2020
Operating expenses:			
Service cost	\$ 2	\$ 1	\$ 1
Interest expense:			
Interest expense	49	18	46
Amortization of prior service cost	—	—	(118)
Actuarial loss	(3)	—	63
Net periodic benefit cost (income)	\$ 48	\$ 19	\$ (8)

Other Postretirement Benefits			
	Successor		Predecessor
	Six months ended September 30, 2021	One month ended September 30, 2020	Five months ended August 31, 2020
Operating expenses:			
Service cost	\$ 4	\$ 1	\$ 3
Interest expense:			
Interest expense	98	18	114
Amortization of prior service cost	—	—	(294)
Actuarial loss	(6)	—	157
Net periodic benefit cost (income)	\$ 96	\$ 19	\$ (20)

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

	Successor		Predecessor
	Three months ended September 30, 2021	One month ended September 30, 2020	Two months ended August 31, 2020
Contributions made during the period	\$ 1,553	\$ 651	\$ 1,066

	Successor		Predecessor
	Six months ended September 30, 2021	One month ended September 30, 2020	Five months ended August 31, 2020
Contributions made during the period	\$ 3,056	\$ 651	\$ 1,941
Contributions expected for the remainder of the fiscal year	2,815	3,245	—
Total	\$ 5,871	\$ 3,896	\$ 1,941

22. 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. At September 30, 2021, the assessment for intrastate trade tax credits taken is \$2,422 and the total assessment including penalties and interest is \$8,794. 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. At September 30, 2021, the assessment for intrastate trade tax credits taken is \$2,095 and the total assessment including penalties and interest is \$5,695. 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 \$10,578. 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.

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 as 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.

23. Related Party Transactions

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

	Successor		Predecessor
	Three months ended September 30, 2021	One month ended September 30, 2020	Two months ended August 31, 2020
Sales	\$ 8,176	\$ 539	\$ 6,325
Purchases	25,331	18,919	19,928

	Successor		Predecessor
	Six months ended September 30, 2021	One month ended September 30, 2020	Five months ended August 31, 2020
Sales	\$ 18,813	\$ 539	\$ 13,483
Purchases	47,673	18,919	38,655

The Company has the following related party balances included in its condensed consolidated balance sheets:

	Successor			Location in the Condensed Consolidated Balance Sheets
	September 30, 2021	September 30, 2020	March 31, 2021	
Accounts receivable, related parties	\$ 5,611	\$ 3,773	\$ 3,585	Other receivables
Notes receivable, related parties	3,519	—	11,890	Other receivables
Accounts payable, related parties	13,451	34,815	22,376	Accounts payable
Advances from related parties	14,550	—	—	Advances from customers

Transactions with the Glendon Investor and the Monarch Investor

On August 24, 2020, the Company entered into an Exit Term Loan Credit Agreement and issued Senior Secured First Lien Notes with certain lenders, including the Glendon Investor and the Monarch Investor (see [“Note 3. Emergence from Voluntary Reorganization under Chapter 11”](#) for additional information).

On April 23, 2021, the Company and certain of its subsidiaries with certain funds managed by the Glendon Investor and the Monarch Investor, as lenders, and related matters entered into a \$120,000 delayed-draw credit facility agreement (see [“Note 16. Debt Arrangements”](#) for additional information).

Accrued expenses and other current liabilities as presented in the condensed consolidated balance sheets as of September 30, 2021 and 2020, and March 31, 2021, includes \$4,369, \$2,192, and \$2,309, respectively, of interest payable to the Glendon Investor and the Monarch Investor. Interest expense as presented in the condensed consolidated statements of operations includes \$8,537 and \$16,036 for three and six months ended September 30, 2021, respectively, and \$2,192 for the three and six months ended September 30, 2020, that relates to the Glendon Investor and the Monarch Investor.

Transactions with the Deconsolidated Canadian Cannabis Subsidiaries

In connection with the CCAA Proceeding, the DIP Lender, another non-U.S. subsidiary of the Company, provided Figr Brands with secured debtor-in-possession financing 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. These payments also funded fees and expenses 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 agreed to by the DIP Lender.

As of September 30, 2021 and 2020, and March 31, 2021, the outstanding loan balance under the Canadian DIP Facility was \$0, \$0, and \$5,790, respectively, and is included in other receivables within the condensed consolidated balance sheets. As of September 30, 2021 and 2020, and March 31, 2021, other receivables as presented in the condensed consolidated balance sheets also includes \$0, \$0, and \$59, respectively, of interest receivable associated with the loans under the Canadian DIP Facility due from the Canadian Cannabis Subsidiaries. For the three and six months ended September 30, 2021, respectively, the Canadian Cannabis Subsidiaries have incurred \$19 and \$184 in interest expense associated with the Canadian DIP Facility, which is considered income to the Company and is recorded in interest expense, net within the condensed consolidated statements of operations. On July 8, 2021, the loans under the Canadian DIP Facility were fully repaid to the DIP Lender.

As of September 30, 2021 and 2020, and March 31, 2021, the fair value of the related party note receivable retained by the Company from the Canadian Cannabis Subsidiaries was \$3,519, \$0, and \$6,100, respectively, and is recorded in other receivables within the condensed consolidated balance sheets. See [“Note 5. CCAA Proceeding and Deconsolidation of Subsidiaries”](#) for additional information.

24. Segment Information

The Company's operations are managed and reported in nine 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 e-liquid products and industrial hemp and included, for periods prior to the Order Date, the Canadian Cannabis Subsidiaries. E-liquids and industrial hemp products are sold through retailers and directly to consumers via e-commerce platforms and other distribution channels. The Canadian Cannabis Subsidiaries collectively operate businesses, under licenses issued by Health Canada, for the production and sale of cannabis products to retailers in Canada.

The following summarizes segment information:

	Successor		Predecessor
	Three months ended September 30, 2021	One month ended September 30, 2020	Two months ended August 31, 2020
Sales and other operating revenues:			
Leaf - North America	\$ 90,521	\$ 19,977	\$ 27,837
Leaf - Other Regions	300,434	96,988	152,758
Other Products and Services	3,246	869	4,196
Total sales and other operating revenues	\$ 394,201	\$ 117,834	\$ 184,791
Operating income (loss):			
Leaf - North America	\$ 8,502	\$ 905	\$ 1,210
Leaf - Other Regions	9,881	3,892	5,153
Other Products and Services	(12,929)	(13,263)	(6,724)
Total operating income (loss)	\$ 5,454	\$ (8,466)	\$ (361)

	Successor		Predecessor
	Six months ended September 30, 2021	One month ended September 30, 2020	Five months ended August 31, 2020
Sales and other operating revenues:			
Leaf - North America	\$ 140,289	\$ 19,977	\$ 57,734
Leaf - Other Regions	580,524	96,988	380,497
Other Products and Services	6,678	869	9,369
Total sales and other operating revenues	\$ 727,491	\$ 117,834	\$ 447,600
Operating income (loss):			
Leaf - North America	\$ 11,098	\$ 905	\$ 376
Leaf - Other Regions	21,821	3,892	(1,028)
Other Products and Services	(19,261)	(13,263)	(43,305)
Total operating income (loss)	\$ 13,658	\$ (8,466)	\$ (43,957)

	Successor		
	September 30, 2021	September 30, 2020	March 31, 2021
Segment assets:			
Leaf - North America	\$ 315,593	\$ 271,593	\$ 247,265
Leaf - Other Regions	1,293,640	1,275,117	1,204,993
Other Products and Services	66,323	191,589	87,204
Total assets	\$ 1,675,556	\$ 1,738,299	\$ 1,539,462

25. Subsequent Events

Operating and Reportable Segment Considerations

The Company is reevaluating its operating and reportable segments under ASC Topic 280 – *Segment Reporting* following the effectiveness of the Plan in August 2020, the appointment of a new Board of Directors in fiscal 2021, the outcomes achieved from cost savings initiatives implemented in fiscal 2021, the Company's exit from its industrial hemp, CBD, and Canadian cannabis businesses in 2021, and the impact the COVID-19 pandemic has had on the Company's global operations. These events are changing how the Company is managed and the information used by Management to assess the Company's performance and allocation of its resources. The Company expects to conclude this evaluation during the three months ended December 31, 2021.

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

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, in our Annual Report on Form 10-K for the year ended March 31, 2021 and in our other filings with the Securities and Exchange Commission. These risks and uncertainties include:

- risks related to our indebtedness, including that the Company has substantial debt which may adversely affect it by limiting future sources of financing, interfering with its ability to pay interest, and principal on its indebtedness and subjecting it to additional risks, the Company requires a significant amount of cash to service indebtedness and its ability to generate cash depends on many factors beyond its control, the Company may not be able to refinance or renew its indebtedness, including indebtedness due within one year, which may have a material adverse effect on its financial condition, the Company may not be able to satisfy the covenants included in its financing arrangements, which could result in the default of its outstanding debt obligations, and despite current indebtedness levels, the Company may still be able to incur substantially more debt, which could exacerbate further the risks associated with its significant leverage;
- risks and uncertainties relating to the Chapter 11 Cases and the Company's liquidity and business strategy, including but not limited to: whether the Company's leaf tobacco customers, farmers and other suppliers might lose confidence in Pyxus as a result of the Chapter 11 Cases or otherwise and may seek to establish alternative commercial relationships, whether, as a result of the Chapter 11 Cases or otherwise, foreign lenders that have provided short-term operating credit lines to fund leaf tobacco operations at the local level may lose confidence in Pyxus and cease to provide such funding, uncertainty and continuing risks associated with the Company's ability to achieve its goals, which may adversely affect the Company's liquidity, unanticipated developments with respect to liquidity needs and sources of liquidity could result in a deficiency in liquidity, and the Company's Board of Directors, as reconstituted in connection with the Chapter 11 Cases, may implement further changes in the Company's business strategy that could affect the scope of its operations, including the countries in which it continues to operate and the business lines that it continues to pursue, and may result in the recognition of restructuring or asset impairment charges;
- risk and uncertainties related to the Company's leaf tobacco operations, including changes in the timing of anticipated shipments, changes in anticipated geographic product sourcing, changes in relevant capital markets affecting the terms and availability of short-term seasonal financing, political instability, currency and interest rate fluctuations, shifts in the global supply and demand position for tobacco products, 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 and uncertainties 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 the Company's 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 Pyxus or shippers to temporarily suspend operations in affected areas, whether the Company's operations that have been classified as "essential" under various governmental orders restricting business activities 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, negative consumer purchasing behavior with respect to the Company's products or the products of its leaf tobacco customers during periods of government mandates restricting activities imposed in response to the COVID-19 pandemic, and the extent to which the impact of the COVID-19 pandemic on the Company's operations and the demand for its products may not coincide with impacts experienced in the United States due to the international scope of its operations, including in emerging and other markets in which the Company operates where the timing and severity of COVID-19 outbreaks and the pace of COVID-19 vaccinations and treatments may differ from those in the United States; and
- risks and uncertainties related to the Company's Other Products and Services segment, including that the e-liquids business has a limited operating history, is in a developing market, may not generate the results that the Company anticipates and has needed, and may continue to need, significant investment to fund continued operations and

expansion, that its technologies, processes and formulations may become obsolete, that government approvals necessary for the continued sale of certain e-liquids products may not be obtained, the impact of increasing competition, uncertainties with respect to the development of the industry and market, 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 e-liquids business, the impact of regulation associated with the e-liquids business, including the risk of obtaining anticipated regulatory approvals, and risks and uncertainties related to the CCAA Proceeding (as defined below), including whether the remaining sale transaction with respect to the Canadian Cannabis Subsidiaries (as defined below) will be successfully completed within the anticipated time frame or at all and the extent of any recovery, or additional impairment, that Pyxus may recognize with respect to its investment in these subsidiaries.

We do not undertake to update any forward-looking statements that we make from time to time.

Executive Summary

Despite COVID-related shipping constraints that face many industries, the first half of fiscal 2022 reflects improved demand, increased leaf volumes, and improved operational performance. During the second quarter we continued to catch-up from prior-period shipping delays driven by the pandemic and customer shipping instructions. In addition, we continue to monitor the impact of COVID on our Company and our workforce, and adjust our operations to protect the health and safety of our employees while maintaining business continuity. The leaf business continues to be impacted by COVID-related shipping constraints, including vessel and equipment availability, port congestion, and rising freight costs. We are taking proactive steps to mitigate these challenges, including taking steps to accelerate shipments, exploring new ports for product export, and working closely with customers to determine if there are ways to expedite the process flow for their operations. We estimate that between \$90 million and \$120 million of revenue was delayed from the first half of the year into future quarters due to COVID-related shipping constraints. Despite these challenges, we continue to manage our working capital closely. Consistent with our expectations, inventory at September 30, 2021 decreased \$42.3 million or 5.0% to \$802.4 million when compared to September 30, 2020. In addition, our uncommitted inventory decreased compared to the prior year. Our customers continue to look for ways to reduce complexity in their supply chains through partnerships with suppliers who support their environmental, social, and governance ("ESG") objectives. The strengthening of our business in a sustainable manner remains a priority as our global team works together to achieve our purpose of growing a better world.

Overview

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.

We are committed to responsible crop production that 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 through processing and final shipment, our SENTRISM traceability system provides clear visibility into how products are produced throughout the supply chain, supporting product integrity.

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.

Our consolidated operations are managed and reported in nine 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. See "[Note 24. Segment Information](#)" to the "Notes to Condensed Consolidated Financial Statements" for additional information.

Operating and Reportable Segment Considerations

The Company is reevaluating its operating and reportable segments under ASC Topic 280 – *Segment Reporting* following the effectiveness of the Plan in August 2020, the appointment of a new Board of Directors in fiscal 2021, the outcomes achieved from cost savings initiatives implemented in fiscal 2021, the Company's exit from its industrial hemp, CBD, and Canadian cannabis businesses in 2021, and the impact the COVID-19 pandemic has had on the Company's global operations. These events are changing how the Company is managed and the information used by Management to assess performance and allocate resources. The Company expects to conclude this evaluation during the three months ended December 31, 2021.

U.S. 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 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. Accordingly, upon the effectiveness of the Plan the Company, through its subsidiaries, operated all of the businesses operated by Old Pyxus and its subsidiaries immediately prior to the effectiveness of the Plan and the Company is the successor issuer to Old Pyxus. Other than our Chief Executive Officer, our Board of Directors does not include any of the individuals who served as directors of Old Pyxus at the time the Chapter 11 Cases were commenced or at the effectiveness of the Plan. See ["Note 3. Emergence from Voluntary Reorganization under Chapter 11"](#) to the "Notes to Condensed Consolidated Financial Statements" for additional information.

Development of Businesses

Beginning in 2017, we undertook a strategic process designed to diversify the Company's products and services by leveraging our core strengths in agronomy and traceability. In general, our diversification strategy focused on products that were value-added, required some degree of processing and offered a higher margin potential than our core tobacco leaf business. In support of this strategy, the Company made investments in businesses that focused on e-liquids, industrial hemp/CBD, and legal cannabis in Canada.

Following the effectiveness of the Plan and the election of additional members of our Board of Directors in October 2020, our Board of Directors determined to exit the industrial hemp, CBD and Canadian cannabis businesses in light of the Company’s limited capital resources and the continuing capital requirements to develop and expand these early-stage businesses. 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. The Company’s CBD extraction facility has ceased operations.

CCAA Proceeding

On January 21, 2021, Figr Norfolk Inc. (“Figr Norfolk”) and Figr Brands, Inc. (“Figr Brands”), which are indirect subsidiaries of the Company, and Canada’s Island Garden Inc. (“Figr East,” and together with Figr Norfolk and Figr Brands, the “Canadian Cannabis Subsidiaries”), which, prior to its sale on June 28, 2021 was an indirect subsidiary 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.

On May 10, 2021, a definitive agreement for the sale of the assets of Figr Norfolk was entered into for an estimated purchase price of Cdn.\$5.0 million. On June 10, 2021, the Canadian Court approved the sale agreement. The consummation of the sale under this agreement is subject to approval of the buyers by Health Canada and the satisfaction of certain other conditions.

On May 25, 2021, a definitive agreement was entered into with a separate buyer for the sale of the outstanding equity of Figr East and certain intangible assets of Figr Brands for an estimated aggregate purchase price of Cdn.\$24.8 million. On June 10, 2021, the Canadian Court approved the sale agreement. On June 25, 2021, Health Canada approved the buyers of Figr East and certain intangible assets of Figr Brands. The sale of Figr East and certain intangible assets of Figr Brands was completed on June 28, 2021.

The amount of recovery that the Company may receive from the pending sale of the assets of Figr Norfolk, the completed sale of the outstanding equity of Figr East, and the completed sale of certain intangible assets of Figr Brands will be impacted by the amount of claims against the Canadian Cannabis Subsidiaries submitted in the CCAA Proceeding, the extent to which such claims are approved by the Canadian Court, and the extent to which the Company's interest in the Canadian Cannabis Subsidiaries are determined by the Canadian Court to be debt claims entitled to recovery on the same basis as other unsecured creditor claims with respect to the Canadian Cannabis Subsidiaries.

COVID-19

We continue to monitor the impact of the COVID-19 pandemic on our Company and workforce as well as the impact of COVID-related shipping constraints. The COVID-19 pandemic and government actions implemented to contain further spread of COVID-19 have severely restricted economic activity around the world, and the onset of new variants of COVID-19 threaten to prolong the effects of the pandemic. 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 in certain markets, we currently have adequate supply of products to meet the near-term forecasted demand. In addition, shipping constraints have resulted in delays in shipments to customers, which may continue for the remainder of the fiscal year and beyond.

Broad economic impacts from the COVID-19 pandemic, including increased unemployment rates and reduced consumer spending in some markets in which we operate, 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 in the markets in which we operate 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. Due to the geographic scope of our operations, including emerging markets, and our sale to customers around the world, our operations and the demand for our products are subject to the impact of the COVID-19 on a global scale. Improving economic conditions in the United States, for example, may not coincide with improvements in our results of operations because of our exposure to the impact of COVID-19 elsewhere in the world, particularly in emerging markets that lack access to adequate COVID-19 vaccines and medical treatments. 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.

Fresh Start Reporting

The Company applied Financial Accounting Standards Board ASC Topic 852 – Reorganizations in preparing the condensed consolidated financial statements. For periods subsequent to the commencement of the Chapter 11 Cases, 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. Our financial results for the two and five months ended August 31, 2020 are referred to as those of the “Predecessor.” Our financial results for the one month ended September 30, 2020, and for the three and six months ended September 30, 2021 are referred to as those of the “Successor.” Our results of operations as reported in our 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 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"](#) to the "Notes to Condensed Consolidated Financial Statements" for additional information.

We do not believe that reviewing the results of these periods 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 period when combined with the Predecessor period provides more meaningful comparisons to other periods 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 tables and discussions below also present the combined results for the three months and six months ended September 30, 2020. The combined results (referenced as “Combined (Non-GAAP)” or “combined”) for the three months and six months ended September 30, 2020 represent the sum of the reported amounts for the Predecessor period July 1, 2020 through August 31, 2020 combined with the Successor period from September 1, 2020 through September 30, 2020 and the Predecessor period from April 1, 2020 through August 31, 2020 combined with the Successor period from September 1, 2020 through September 30, 2020, respectively. These combined results are not considered to be prepared in accordance with U.S. GAAP and have not been prepared as pro forma results under applicable regulations. 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 three and six month periods ended September 30, 2020 are to the comparable U.S. GAAP measures for the respective three and six month periods ended September 30, 2021.

Results of Operations

Three Months Ended September 30, 2021 and 2020

(in millions)	Successor		Predecessor	Combined (Non-GAAP)
	Three months ended September 30, 2021	One month ended September 30, 2020	Two months ended August 31, 2020	Three months ended September 30, 2020
Sales and other operating revenues	\$ 394.2	\$ 117.8	\$ 184.8	\$ 302.6
Cost of goods and services sold	342.1	107.5	159.4	266.9
Gross profit*	52.1	10.4	25.4	35.8
Selling, general, and administrative expenses	37.9	15.7	27.1	42.8
Other (expense) income, net	(1.8)	(1.9)	1.9	—
Restructuring and asset impairment charges	6.9	1.2	0.5	1.7
Operating income (loss)*	5.5	(8.5)	(0.4)	(8.9)
Loss on deconsolidation of subsidiaries	2.5	—	—	—
Interest expense, net	28.5	8.1	14.7	22.8
Reorganization items	—	—	132.9	132.9
Income tax (benefit) expense	(14.1)	(10.6)	8.5	(2.1)
Income from unconsolidated affiliates	1.3	0.2	1.5	1.7
Net loss attributable to noncontrolling interests	(0.3)	(0.5)	(0.3)	(0.8)
Net (loss) income attributable to Pyxus International, Inc.*	\$ (9.7)	\$ (5.3)	\$ 111.2	\$ 105.9

* Amounts may not equal column totals due to rounding

Sales and other operating revenues increased \$91.6 million, or 30.3%, to \$394.2 million for the three months ended September 30, 2021 from \$302.6 million for the combined three months ended September 30, 2020. This increase was due to a 12.2% increase in leaf volume from \$82.9 million of shipments delayed by the COVID-19 pandemic and customer shipping instructions from fiscal 2021 into the current quarter and an 18.3% increase in leaf average sales price driven by product mix having a higher concentration of lamina. These increases were partially offset by the deconsolidation of the Canadian Cannabis Subsidiaries in the fourth quarter of fiscal 2021 and the decrease in e-liquids revenue related to a general industry slow-down amid evolving regulations.

Cost of goods and services sold increased \$75.2 million, or 28.2%, to \$342.1 million for the three months ended September 30, 2021 from \$266.9 million for the combined three months ended September 30, 2020. This increase was mainly due to the increase in sales and other operating revenues.

Gross profit as a percent of sales increased to 13.2% for the three months ended September 30, 2021 from 11.8% for the combined three months ended September 30, 2020. This increase was attributable to lower conversion costs per kilo, customer mix, and the deconsolidation of the Canadian Cannabis Subsidiaries in the fourth quarter of fiscal 2021. This increase was partially offset by foreign currency fluctuations and higher shipping costs.

Selling, general, and administrative ("SG&A") expenses decreased \$4.9 million, or 11.4%, to \$37.9 million for the three months ended September 30, 2021 from \$42.8 million for the combined three months ended September 30, 2020. SG&A expenses as a percent of sales decreased to 9.6% for the three months ended September 30, 2021 from 14.1% for the combined three months ended September 30, 2020. These decreases were mainly due to increased sales and other operating revenues, the deconsolidation of the Canadian Cannabis Subsidiaries in the fourth quarter of fiscal 2021, and savings from fiscal 2021 restructuring initiatives.

Restructuring and asset impairment charges increased \$5.2 million or 305.9% to \$6.9 million for the three months ended September 30, 2021 from \$1.7 million for the combined three months ended September 30, 2020 due to the write-off of the Company's remaining industrial hemp CBD extraction equipment and the continued restructuring of certain leaf operations.

Interest expense, net increased \$5.7 million or 25.0% to \$28.5 million for the three months ended September 30, 2021 from \$22.8 million for the combined three months ended September 30, 2020 due to the borrowings under the DDTL Facility in the current fiscal year.

Reorganization items of \$132.9 million were incurred in the prior fiscal year as a result of the Chapter 11 Cases.

Leaf - North America Supplemental Information

	Successor		Predecessor	Combined (Non-GAAP)
	Three months ended September 30, 2021	One month ended September 30, 2020	Two months ended August 31, 2020	Three months ended September 30, 2020
<i>(in millions, except per kilo amounts)</i>				
Kilos sold	12.8	2.9	4.4	7.3
Tobacco sales and other operating revenues:				
Sales and other operating revenues	\$ 83.7	\$ 17.1	\$ 25.3	\$ 42.4
Average price per kilo	6.54	5.90	5.75	5.81
Processing and other revenues	6.8	2.9	2.5	5.4
Total sales and other operating revenues	90.5	20.0	27.8	47.8
Tobacco cost of goods sold:				
Tobacco costs	69.4	13.5	19.4	32.9
Transportation, storage, and other period costs	3.6	1.3	3.0	4.3
Derivative financial instrument and exchange losses (gains)	—	(0.1)	—	(0.1)
Total tobacco cost of goods sold	73.0	14.7	22.4	37.1
Average cost per kilo	5.70	5.07	5.09	5.08
Processing and other revenues cost of services sold	4.9	2.4	1.7	4.1
Total cost of goods and services sold	77.9	17.1	24.1	41.2
Gross profit	12.6	2.9	3.7	6.6
Selling, general, and administrative expenses	3.5	1.8	2.3	4.1
Other expense, net	(0.5)	(0.1)	(0.2)	(0.3)
Restructuring and asset impairment charges	0.1	0.1	—	0.1
Operating income	\$ 8.5	\$ 0.9	\$ 1.2	\$ 2.1

Total sales and other operating revenues increased \$42.7 million, or 89.3%, to \$90.5 million for the three months ended September 30, 2021 from \$47.8 million for the combined three months ended September 30, 2020. This increase was primarily due to 75.3% higher volume from \$44.7 million of shipments delayed by the COVID-19 pandemic and customer shipping instructions from fiscal 2021 into the current quarter and a 12.6% increase in average sales price driven by product mix having a higher concentration of lamina.

Cost of goods and services sold increased \$36.7 million, or 89.1%, to \$77.9 million for the three months ended September 30, 2021 from \$41.2 million for the combined three months ended September 30, 2020. This increase was mainly due to the increase in total sales and other operating revenues.

Gross profit as a percent of sales decreased to 13.9% for the three months ended September 30, 2021 from 13.8% for the combined three months ended September 30, 2020. This decrease was primarily due to customer mix. This decrease was partially offset by lower conversion costs per kilo.

SG&A expenses as a percent of sales decreased to 3.9% for the three months ended September 30, 2021 from 8.6% for the combined three months ended September 30, 2020 driven by increased total sales and other operating revenues and savings from fiscal 2021 restructuring initiatives.

Leaf - Other Regions Supplemental Information

	Successor		Predecessor	Combined (Non-GAAP)
	Three months ended September 30, 2021	One month ended September 30, 2020	Two months ended August 31, 2020	Three months ended September 30, 2020
<i>(in millions, except per kilo amounts)</i>				
Kilos sold	73.6	25.7	44.0	69.7
Tobacco sales and other operating revenues:				
Sales and other operating revenues	\$ 273.9	\$ 89.4	\$ 137.6	\$ 227.0
Average price per kilo	3.72	3.48	3.13	3.26
Processing and other revenues	26.5	7.6	15.2	22.8
Total sales and other operating revenues	300.4	97.0	152.8	249.8
Tobacco cost of goods sold:				
Tobacco costs	223.5	72.6	109.2	181.8
Transportation, storage, and other period costs	15.8	5.9	8.4	14.3
Derivative financial instrument and exchange (gains) losses	(0.7)	0.4	(0.1)	0.3
Total tobacco cost of goods sold	238.6	78.9	117.5	196.4
Average cost per kilo	3.24	3.07	2.67	2.82
Processing and other revenues cost of services sold	19.6	5.3	12.7	18.0
Total cost of goods and services sold	258.2	84.2	130.2	214.4
Gross profit	42.2	12.8	22.6	35.4
Selling, general, and administrative expenses	30.1	8.4	17.3	25.7
Other (expense) income, net	(1.0)	0.6	0.4	1.0
Restructuring and asset impairment charges	1.2	1.1	0.5	1.6
Operating income	\$ 9.9	\$ 3.9	\$ 5.2	\$ 9.1

Total sales and other operating revenues increased \$50.6 million, or 20.3%, to \$300.4 million for the three months ended September 30, 2021 from \$249.8 million for the combined three months ended September 30, 2020. This increase was due to a 5.6% increase in volume from \$38.2 million of shipments delayed by the COVID-19 pandemic and customer shipping instructions from fiscal 2021 into the current quarter and a 14.1% increase in average sales price driven by product mix having a higher concentration of lamina.

Cost of goods and services sold increased \$43.8 million, or 20.4%, to \$258.2 million for the three months ended September 30, 2021 from \$214.4 million for the combined three months ended September 30, 2020. This increase was mainly due to the increase in total sales and other operating revenues.

Gross profit as a percent of sales was 14.0% for the three months ended September 30, 2021 from 14.2% for the combined three months ended September 30, 2020. This decrease was primarily due to foreign currency fluctuations and higher shipping costs. This decrease was partially offset by lower conversion costs per kilo.

SG&A expenses as a percent of sales decreased to 10.0% for the three months ended September 30, 2021 from 10.3% for the combined three months ended September 30, 2020 driven by increased total sales and other operating revenues.

Other Products and Services Supplemental Information

(in millions)	Successor		Predecessor	Combined (Non-GAAP)
	Three months ended September 30, 2021	One month ended September 30, 2020	Two months ended August 31, 2020	Three months ended September 30, 2020
Sales and other operating revenues	\$ 3.3	\$ 0.9	\$ 4.2	\$ 5.1
Cost of goods and services sold	5.9	6.3	5.2	11.5
Gross loss	(2.6)	(5.4)	(1.0)	(6.4)
Selling, general, and administrative expenses	4.4	5.5	7.4	12.9
Other (expense) income, net	(0.3)	(2.4)	1.7	(0.7)
Restructuring and asset impairment charges	5.6	—	—	—
Operating loss	\$ (12.9)	\$ (13.3)	\$ (6.7)	\$ (20.0)

Sales and other operating revenues decreased \$1.8 million, or 35.3%, to \$3.3 million for the three months ended September 30, 2021 from \$5.1 million for the combined three months ended September 30, 2020. This decrease was primarily due to the deconsolidation of the Canadian Cannabis Subsidiaries in the fourth quarter of fiscal 2021 and the decrease in e-liquids revenue related to a general industry slow-down amid evolving regulations.

Cost of goods and services sold decreased \$5.6 million, or 48.7%, to \$5.9 million for the three months ended September 30, 2021 from \$11.5 million for the combined three months ended September 30, 2020. This decrease was mainly due to the deconsolidation of the Canadian Cannabis Subsidiaries in the fourth quarter of fiscal 2021.

Gross loss as a percent of sales decreased to 78.8% for the three months ended September 30, 2021 from 125.5% for the combined three months ended September 30, 2020. This decrease was primarily attributable to the deconsolidation of the Canadian Cannabis Subsidiaries in the fourth quarter of fiscal 2021.

SG&A expenses decreased \$8.5 million, or 65.9%, to \$4.4 million for the three months ended September 30, 2021 from \$12.9 million for the combined three months ended September 30, 2020. SG&A expenses as a percent of sales decreased to 133.3% for the three months ended September 30, 2021 from 252.9% for the combined three months ended September 30, 2020. These decreases were mainly due to the deconsolidation of the Canadian Cannabis Subsidiaries in the fourth quarter of fiscal 2021 and savings from fiscal 2021 restructuring initiatives.

Restructuring and asset impairment charges were \$5.6 million for the three months ended September 30, 2021 primarily due to the write-off of the Company's remaining industrial hemp CBD extraction equipment.

Six Months Ended September 30, 2021 and 2020

	Successor		Predecessor	Combined (Non-GAAP)
	Six months ended September 30, 2021	One month ended September 30, 2020	Five months ended August 31, 2020	Six months ended September 30, 2020
<i>(in millions)</i>				
Sales and other operating revenues	\$ 727.5	\$ 117.8	\$ 447.6	\$ 565.4
Cost of goods and services sold	633.3	107.5	402.6	510.1
Gross profit*	94.2	10.4	45.0	55.4
Selling, general, and administrative expenses	71.8	15.7	87.9	103.6
Other expense, net	(1.7)	(1.9)	(0.5)	(2.4)
Restructuring and asset impairment charges	7.1	1.2	0.6	1.8
Operating income (loss)*	13.7	(8.5)	(44.0)	(52.5)
Loss on deconsolidation of subsidiaries	2.5	—	—	—
Debt retirement expense	—	—	0.8	0.8
Interest expense, net	55.3	8.1	45.2	53.3
Reorganization items	—	—	106.0	106.0
Income tax (benefit) expense	(22.6)	(10.6)	0.3	(10.3)
(Loss) income from unconsolidated affiliates	(0.1)	0.2	2.4	2.6
Net loss attributable to noncontrolling interests	(0.5)	(0.5)	(1.0)	(1.5)
Net (loss) income attributable to Pyxus International, Inc.*	\$ (21.2)	\$ (5.3)	\$ 19.0	\$ 13.7

* Amounts may not equal column totals due to rounding

Sales and other operating revenues increased \$162.1 million or 28.7% to \$727.5 million for the six months ended September 30, 2021 from \$565.4 million for the combined six months ended September 30, 2020. This increase was due to a 10.6% increase in leaf volume from \$160.1 million shipments delayed by the COVID-19 pandemic and customer shipping instructions from fiscal 2021 into the current fiscal year and a 17.8% increase in leaf average selling prices driven by product mix having a higher concentration of lamina. These increases were partially offset by the deconsolidation of the Canadian Cannabis Subsidiaries in the fourth quarter of fiscal 2021 and the decrease in e-liquids revenue related to a general industry slow-down amid evolving regulations.

Cost of goods and services sold increased \$123.2 million or 24.2% to \$633.3 million for the six months ended September 30, 2021 from \$510.1 million for the combined six months ended September 30, 2020. This increase was mainly due to the increase in total sales and other operating revenues.

Gross profit as a percent of sales increased to 12.9% for the six months ended September 30, 2021 from 9.8% for the combined six months ended September 30, 2020. This increase was attributable to lower conversion costs per kilo, customer mix, and the deconsolidation of the Canadian Cannabis Subsidiaries in the fourth quarter of fiscal 2021. This increase was partially offset by foreign currency fluctuations and higher shipping costs.

SG&A expenses decreased \$31.8 million or 30.7% to \$71.8 million for the six months ended September 30, 2021 from \$103.6 million for the combined six months ended September 30, 2020. SG&A expenses as a percent of sales decreased to 9.9% for the six months ended September 30, 2021 from 18.3% for the combined six months ended September 30, 2020. These decreases were driven by increased sales and other operating revenues, the deconsolidation of the Canadian Cannabis Subsidiaries in the fourth quarter of fiscal 2021, and savings from fiscal 2021 restructuring initiatives.

Restructuring and asset impairment charges increased \$5.3 million or 294.4% to \$7.1 million for the six months ended September 30, 2021 from \$1.8 million for the combined six months ended September 30, 2020. This increase was primarily due to the write-off of the Company's remaining industrial hemp CBD extraction equipment and the continued restructuring of certain leaf operations.

Interest expense, net increased \$2.0 million or 3.8% to \$55.3 million for the six months ended September 30, 2021 from \$53.3 million for the combined six months ended September 30, 2020. This increase was due to borrowings under the DDTL Facility in the current fiscal year.

Reorganization items of \$106.0 million were incurred in the prior fiscal year as a result of the Chapter 11 Cases.

Leaf - North America Supplemental Information

	Successor		Predecessor	Combined (Non-GAAP)
	Six months ended September 30, 2021	One month ended September 30, 2020	Five months ended August 31, 2020	Six months ended September 30, 2020
<i>(in millions, except per kilo amounts)</i>				
Kilos sold	20.0	2.9	9.5	12.4
Tobacco sales and other operating revenues:				
Sales and other operating revenues	\$ 130.0	\$ 17.1	\$ 51.2	\$ 68.3
Average price per kilo	6.50	5.90	5.39	5.51
Processing and other revenues	10.3	2.9	6.5	9.4
Total sales and other operating revenues	140.3	20.0	57.7	77.7
Tobacco cost of goods sold:				
Tobacco costs	106.2	13.5	39.3	52.8
Transportation, storage, and other period costs	7.5	1.3	5.6	6.9
Derivative financial instrument and exchange (gains) losses	—	(0.1)	0.3	0.2
Total tobacco cost of goods sold	113.7	14.7	45.2	59.9
Average cost per kilo	5.69	5.07	4.76	4.83
Processing and other revenues cost of services sold	7.2	2.4	4.4	6.8
Total cost of goods and services sold	120.9	17.1	49.6	66.7
Gross profit	19.4	2.9	8.1	11.0
Selling, general, and administrative expenses	7.4	1.8	7.2	9.0
Other expense, net	(0.8)	(0.1)	(0.5)	(0.6)
Restructuring and asset impairment charges	0.1	0.1	—	0.1
Operating income	\$ 11.1	\$ 0.9	\$ 0.4	\$ 1.3

Total sales and other operating revenues increased \$62.6 million or 80.6% to \$140.3 million for the six months ended September 30, 2021 from \$77.7 million for the combined six months ended September 30, 2020. This increase was due to 61.3% higher volume from \$57.1 million of shipments delayed by the COVID-19 pandemic and customer shipping instructions from fiscal 2021 into the current fiscal year and an 18.0% increase in average sales price due to product mix having a higher concentration of lamina.

Cost of goods and services sold increased \$54.2 million or 81.3% to \$120.9 million for the six months ended September 30, 2021 from \$66.7 million for the combined six months ended September 30, 2020. This increase was mainly due to the increase in total sales and other operating revenues.

Gross profit as a percent of sales decreased to 13.8% for the six months ended September 30, 2021 from 14.2% for the combined six months ended September 30, 2020. This decrease was primarily due to customer mix. This decrease was partially offset by lower conversion costs per kilo.

SG&A expenses decreased \$1.6 million or 17.8% to \$7.4 million for the six months ended September 30, 2021 from \$9.0 million for the combined six months ended September 30, 2020. SG&A expenses as a percent of sales decreased to 5.3% for the six months ended September 30, 2021 from 11.6% for the combined six months ended September 30, 2020. These decreases were driven by savings from restructuring initiatives.

Leaf - Other Regions Supplemental Information

	Successor		Predecessor	Combined (Non-GAAP)
	Six months ended September 30, 2021	One month ended September 30, 2020	Five months ended August 31, 2020	Six months ended September 30, 2020
<i>(in millions, except per kilo amounts)</i>				
Kilos sold	135.5	25.7	102.5	128.2
Tobacco sales and other operating revenues:				
Sales and other operating revenues	\$ 539.4	\$ 89.4	\$ 355.9	\$ 445.3
Average price per kilo	3.98	3.48	3.47	3.47
Processing and other revenues	41.1	7.6	24.6	32.2
Total sales and other operating revenues	580.5	97.0	380.5	477.5
Tobacco cost of goods sold:				
Tobacco costs	438.5	72.6	292.0	364.6
Transportation, storage, and other period costs	31.3	5.9	16.9	22.8
Derivative financial instrument and exchange losses (gains)	1.4	0.4	(1.6)	(1.2)
Total tobacco cost of goods sold	471.2	78.9	307.3	386.2
Average cost per kilo	3.48	3.07	3.00	3.01
Processing and other revenues cost of services sold	29.7	5.3	20.0	25.3
Total cost of goods and services sold	500.9	84.2	327.3	411.5
Gross profit	79.6	12.8	53.2	66.0
Selling, general, and administrative expenses	55.5	8.4	54.5	62.9
Other (expense) income, net	(0.9)	0.6	0.8	1.4
Restructuring and asset impairment charges	1.4	1.1	0.5	1.6
Operating income (loss)	\$ 21.8	\$ 3.9	\$ (1.0)	\$ 2.9

Total sales and other operating revenues increased \$103.0 million or 21.6% to \$580.5 million for the six months ended September 30, 2021 from \$477.5 million for the combined six months ended September 30, 2020. This increase was due to a 14.7% increase in average sales prices due to product mix having a higher concentration of lamina and a 5.7% increase in volume from \$103.1 million shipments delayed by the COVID-19 pandemic and customer shipping instructions from fiscal 2021 into the current fiscal year.

Cost of goods and services sold increased \$89.4 million or 21.7% to \$500.9 million for the six months ended September 30, 2021 from \$411.5 million for the combined six months ended September 30, 2020. This increase was mainly due to the increase in total sales and other operating revenues.

Gross profit as a percent of sales was 13.7% for the six months ended September 30, 2021 and 13.8% for the combined six months ended September 30, 2020. This decrease was primarily due to foreign currency fluctuations and higher shipping costs. This decrease was offset by lower conversion costs per kilo.

SG&A expenses decreased \$7.4 million or 11.8% to \$55.5 million for the six months ended September 30, 2021 from \$62.9 million for the combined six months ended September 30, 2020. SG&A expenses as a percent of sales decreased to 9.6% for the six months ended September 30, 2021 from 13.2% for the combined six months ended September 30, 2020. These decreases were related to the increase in sales and other operating revenues and current year savings from restructuring initiatives.

Other Products and Services Supplemental Information

	Successor		Predecessor	Combined (Non-GAAP)
	Six months ended September 30, 2021	One month ended September 30, 2020	Five months ended August 31, 2020	Six months ended September 30, 2020
<i>(in millions, except per kilo amounts)</i>				
Sales and other operating revenues	\$ 6.7	\$ 0.9	\$ 9.4	\$ 10.3
Cost of goods and services sold	11.4	6.3	25.7	32.0
Gross loss	(4.7)	(5.4)	(16.3)	(21.7)
Selling, general, and administrative expenses	9.0	5.5	26.2	31.7
Other expense, net	—	(2.4)	(0.8)	(3.2)
Restructuring and asset impairment charges	5.6	—	—	—
Operating loss	\$ (19.3)	\$ (13.3)	\$ (43.3)	\$ (56.6)

Sales and other operating revenues decreased \$3.6 million or 35.0% to \$6.7 million for the six months ended September 30, 2021 from \$10.3 million for the combined six months ended September 30, 2020. This decrease was primarily due to the deconsolidation of the Canadian Cannabis Subsidiaries in the fourth quarter of fiscal 2021 and the decrease in e-liquids revenue related to a general industry slow-down amid evolving regulations.

Cost of goods and services sold decreased \$20.6 million or 64.4% to \$11.4 million for the six months ended September 30, 2021 from \$32.0 million for the combined six months ended September 30, 2020. This decrease was mainly due to the deconsolidation of the Canadian Cannabis Subsidiaries in the fourth quarter of fiscal 2021 and fiscal 2021 inventory write-downs, including inventory write-offs of cannabis and industrial hemp inventory.

Gross loss as a percent of sales decreased to (70.1)% for the six months ended September 30, 2021 from (210.7)% for the combined six months ended September 30, 2020. This decrease was mainly due to the deconsolidation of the Canadian Cannabis Subsidiaries in the fourth quarter of fiscal 2021 and the inventory write-downs described above.

SG&A expenses decreased \$22.7 million or 71.6% to \$9.0 million for the six months ended September 30, 2021 from \$31.7 million for the combined six months ended September 30, 2020. SG&A expenses as a percent of sales decreased to 134.3% for the six months ended September 30, 2021 from 307.8% for the combined six months ended September 30, 2020. These decreases were mainly due to the deconsolidation of the Canadian Cannabis Subsidiaries in the fourth quarter of fiscal 2021 and savings from fiscal 2021 restructuring initiatives.

Restructuring and asset impairment charges of \$5.6 million for the six months ended September 30, 2021 were primarily due to the write-off of the Company's remaining industrial hemp CBD extraction equipment.

Liquidity and Capital Resources

Overview

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, 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 compared to fiscal year-end. The first three quarters generally represent the peak of our working capital requirements. Although we believe that our sources of liquidity will be sufficient to fund our anticipated operating needs for the next twelve months, we anticipate periods during which our liquidity needs for operations 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. Based on the assumption that COVID-related shipping constraints are moderately resolved during the remainder of the fiscal year, we are projecting to generate sufficient cash flow from operations during the third and fourth quarter of the fiscal year to satisfy the indebtedness under the DDTL Facility. To the extent we are unable to fully satisfy the indebtedness under the DDTL Facility, we may utilize cash flows from operations or cash on-hand to satisfy a portion of the DDTL Facility and refinance the remainder.

Working Capital

The following summarizes our working capital:

(in millions except for current ratio)	Successor		
	September 30, 2021	September 30, 2020	March 31, 2021
Cash and cash equivalents	\$ 127.6	\$ 125.6	\$ 92.7
Trade and other receivables, net	214.6	166.4	188.4
Inventories and advances to tobacco suppliers	838.6	892.8	771.5
Total current assets	1,275.6	1,281.8	1,122.5
Notes payable to banks	457.7	457.9	372.2
Accounts payable	58.7	56.9	103.5
Advances from customers	19.0	22.0	12.1
Current portion of long-term debt	121.9	—	2.1
Total current liabilities	766.3	670.0	601.7
Current ratio	1.7 to 1	1.9 to 1	1.9 to 1
Working capital	509.3	611.8	520.8
Long-term debt	543.2	550.2	551.2
Stockholders' equity attributable to Pyxus International, Inc.	226.5	385.3	247.7

Sources and Uses of Cash

Our primary sources of liquidity are cash generated from operations, cash collections from our securitized receivables, 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 generally seasonal in nature, normally extending for a term of 180 to 270 days, 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 16, "Debt Arrangements"](#) to the "Notes to Condensed Consolidated Financial Statements" 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	Combined (Non-GAAP)
	Six months ended September 30, 2021	One month ended September 30, 2020	Five months ended August 31, 2020	Six months ended September 30, 2020
Operating activities	\$ (231.1)	\$ (16.9)	\$ (182.1)	\$ (199.0)
Investing activities	80.2	10.0	61.7	71.7
Financing activities	185.5	38.8	63.7	102.5
Effect of exchange rate changes on cash	(1.2)	(0.6)	1.6	1.0
Increase (decrease) in cash, cash equivalents, and restricted cash*	33.3	31.2	(55.1)	(23.9)
Cash and cash equivalents at beginning of period	92.7	93.1	170.2	263.3
Restricted cash at beginning of period	5.0	24.8	2.9	27.7
Cash, cash equivalents, and restricted cash at end of period*	\$ 131.1	\$ 149.2	\$ 118.0	\$ 267.2

* Amounts may not equal column totals due to rounding

Net cash used by operating activities increased for the six months ended September 30, 2021 compared to the combined six months ended September 30, 2020, primarily driven by (excluding non-cash activities) higher receivables outstanding in the current period due to increased sales.

Net cash provided by investing activities increased for the six months ended September 30, 2021 compared to the combined six months ended September 30, 2020 primarily due to collection of the DIP loan made to the Canadian Cannabis Subsidiaries.

Net cash provided by financing activities increased for the six months ended September 30, 2021 compared to the combined six months ended September 30, 2020 primarily due to the borrowings under the DDTL Facility and higher net proceeds from short-term borrowings.

Approximately \$107.5 million of our outstanding cash balance at September 30, 2021 was held in foreign jurisdictions, certain of which are subject to exchange controls and tax consequences that could limit our ability to fully repatriate these funds. 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.

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. See ["Note 16. Debt Arrangements"](#) to the "Notes to Condensed Consolidated Financial Statements" for summary of our short-term and long-term debt.

We will continue to monitor and, as available, adjust funding sources as needed to enhance and drive various business opportunities. Available credit as of September 30, 2021 was \$189.2 million primarily comprised of \$167.0 million of foreign seasonal lines of credit, \$18.5 million from the ABL Credit Facility, and \$3.3 million of availability for letters of credit.

No cash dividends were paid to shareholders during the three months ended September 30, 2021. The payment of dividends is restricted under the terms the ABL Credit Agreement, the Term Loan Credit Agreement, and the Indenture.

Additional information with respect to the ABL Credit Agreement is set forth in ["Note 25. Subsequent Events"](#) to the "Notes to Condensed Consolidated Financial Statements".

Critical Accounting Policies and Estimates

As of the date of this report, there are no material changes to the critical accounting policies and estimates previously disclosed in Part I, Item 7 "Critical Accounting Policies and Estimates" in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2021.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no significant changes to our market risk exposures since March 31, 2021. For a discussion of our exposure to market risk, see Part II, Item 7A "Quantitative and Qualitative Disclosures About Market Risk" contained in our Annual Report on Form 10-K for the fiscal year ended March 31, 2021.

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 September 30, 2021. 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 September 30, 2021.

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.

There were no changes that occurred during the three months ended September 30, 2021 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

See ["Note 22. Contingencies and Other Information"](#) 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

In addition to the other information set forth in this report and in our other filings with the Securities and Exchange Commission, investors should carefully consider our risk factors, which could materially affect our business, financial condition, or operating results. Except as set forth below, as of the date of this report, there are no material changes or updates to the risk factors previously disclosed in Part I, Item 1A "Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2021.

The Company may be required to cease further sale of e-liquids products containing nicotine derived from tobacco pending determinations on applications filed with the FDA.

The Company and Purilum's nicotine-containing vaping products are subject to substantial and evolving regulation by the Food and Drug Administration (the "FDA"). The FDA has authority to regulate e-liquids, e-cigarettes and other vaping products that contain (or are used to consume e-liquid containing) tobacco-derived ingredients (e.g., nicotine) as "tobacco products" under the federal Food, Drug and Cosmetic Act (the "Food, Drug and Cosmetic Act"), as amended by Family Smoking Prevention and Tobacco Control Act of 2009 (the "Tobacco Control Act"). Via the issuance of the "Deeming Regulation" that became effective on August 8, 2016, the FDA began regulating e-liquids, e-cigarettes, and other vaping products that qualify as "tobacco products" under the Food, Drug and Cosmetic Act's requirements added by the Tobacco Control Act. The Deeming Regulations extended the FDA's "tobacco products" authorities to apply to most previously unregulated products that meet the statutory definition of "tobacco product," including e-liquids, e-cigarettes and other vaping products that contain (or are used to consume e-liquid containing) tobacco-derived ingredients ("Deemed Tobacco Products"). Beginning August 8, 2016, Deemed Tobacco Products became subject to all existing statutory controls initially applicable only to cigarettes, cigarette tobacco, roll-your-own tobacco, and smokeless tobacco (including components, parts, and accessories of such products) as well as some existing and some new FDA regulations related to the sale and distribution of tobacco products.

The Food, Drug and Cosmetic Act requires that any Deemed Tobacco Product that was not commercially marketed as of the "grandfathering" date of February 15, 2007 obtain premarket authorization before it can be marketed in the United States. However, the FDA has announced a compliance policy for such Deemed Tobacco Products that qualify as "new tobacco products" under which the agency will not enforce these requirements for non-finished products (i.e., those intended solely for use in future manufacturing), which include certain products manufactured by Purilum. As modified by orders issued by the United States District Court for the District of Maryland, the FDA's compliance policy also generally allows companies to market finished Deemed Tobacco Products that qualify as "new tobacco products" but that were on the U.S. market on August 8, 2016, until September 9, 2020, and the continued marketing of such products without otherwise-required authorization for up to one year during the FDA's review of a pending marketing application submitted by September 9, 2020.

FDA authorization to introduce a "new tobacco product" (or to continue marketing a "new tobacco product" covered by the compliance policy for Deemed Tobacco Products that were on the U.S. market on August 8, 2016) could be obtained via any of the following three authorization pathways: (1) submission of a premarket tobacco product application ("PMTA") and receipt of a marketing authorization order; (2) submission of a substantial equivalence report and receipt of a substantial equivalence order; or (3) submission of a request for an exemption from substantial equivalence requirements and receipt of a substantial equivalence exemption determination. Since there were few, if any, e-liquid, e-cigarette or other vaping products on the market as of February 15, 2007, there is no way to utilize the less onerous substantial equivalence or substantial equivalence exemption pathways that traditional tobacco corporations can utilize for cigarettes, smokeless tobacco, and other traditional tobacco products. In order to obtain marketing authorizations, manufacturers of practically all e-liquid, e-cigarette or other vaping products would have to use the PMTA pathway. The continued sale of any e-liquid product containing nicotine derived from tobacco for which a PMTA was filed by September 9, 2020 and continues to remain subject to pending FDA review is subject to the FDA's enforcement discretion, as the one-year period following the September 9, 2020 application deadline has expired even though the FDA had not yet taken action to approve or deny the PMTA.

The Company's subsidiaries, Humble Juice and Twelfth State Brands, filed PMTAs for their respective lines of finished Deemed New Tobacco Products by the September 9, 2020 deadline. On September 16, 2021, Humble Juice received a

Marketing Denial Order (the “MDO”) dated September 15, 2021 issued by the FDA with respect to the PMTAs filed by Humble Juice, denying the PMTAs with respect to Humble Juice’s product line other than its tobacco-flavored e-liquids products, the PMTA for which remains subject to further FDA review. On November 2, 2021, Humble Juice received notice dated November 2, 2021 from the FDA rescinding the MDO. As a result of the FDA’s rescission of the MDO, the PMTAs submitted by both Humble Juice and Twelfth State Brands remain subject to FDA review.

The Company cannot predict whether the PMTAs filed by the Company’s subsidiaries will ultimately be approved by the FDA to permit continued sale of these products. Further, the Company cannot predict whether the FDA, in its exercise of enforcement discretion with respect to Company products that are subject to PMTAs that are under pending review by the FDA, will continue not to seek enforcement to prohibit the sale of such products or that if it seeks enforcement will seek merely to cease any further sale of the products and not any additional remedies, including fines or penalties. The failure to ultimately obtain FDA marketing authorizations in response to these PMTAs could prevent the Company’s subsidiaries from marketing and selling their respective vaping products containing tobacco-derived ingredients in the United States and, thus, may have a material effect on the business, financial condition, and results of operations of the Company.

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](#) Third Amendment and Restatement Agreement dated 12 August 2021 among Pyxus International, Inc., Pyxus Parent, Inc., Pyxus Holdings, Inc., Alliance One International Holdings, Ltd., Alliance One Tobacco (Kenya) Limited, Alliance One Tobacco (Malawi) Limited, Alliance One Tobacco (Tanzania) Limited, Alliance One Tobacco (Uganda) Limited, Alliance One Zambia Limited and Eastern and Southern African Trade and Development Bank (filed herewith)
- [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: November 10, 2021

/s/ Philip C. Garofolo

Philip C. Garofolo

Vice President - Chief Accounting
Officer and Controller

(Principal Accounting Officer)