Verso Corp
Form 10-Q
May 09, 2018

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

FORM 10-Q

þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2018

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from __________ to __________

VERSO CORPORATION
(Exact name of registrant as specified in its charter)

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

8540 Gander Creek Drive
Miamisburg, Ohio 45342
(Address, including zip code, of principal executive offices)
(877) 855-7243
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. þ Yes o No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). þ Yes o 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	o	Accelerated filer	þ
Non-accelerated filer	o (Do not check if a smaller reporting company)	Smaller reporting company	o
		Emerging growth company	o

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:o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). o Yes þ No

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.
þ Yes o No
As of April 30, 2018, Verso Corporation had 34,308,438 shares of Class A common stock, par value $0.01 per share, and 147,035 shares of Class B common stock, par value $0.01 per share, outstanding.

Entity Names and Organization

In this report, the term “Verso” refers to Verso Corporation and its subsidiaries, which is the ultimate parent entity and the issuer of Class A common stock listed on the New York Stock Exchange. In December 2016, Verso Corporation completed a consolidation and reorganization of its subsidiaries, or the “Internal Reorganization.” After the Internal Reorganization, Verso is the sole member of Verso Holding LLC, which is the sole member of Verso Paper Holding LLC. As used in this report, the term “Verso Holding” refers to Verso Holding LLC, and the term “Verso Paper” refers to Verso Paper Holding LLC. Prior to the Internal Reorganization, Verso was the sole member of Verso Paper Finance Holdings One LLC, which was the sole member of Verso Paper Finance Holdings LLC, which was the sole member of Verso Paper Holdings LLC. As used in this report, the term “Verso Finance” refers to Verso Paper Finance Holdings LLC; and the term “VPH” refers to Verso Paper Holdings LLC. The term “NewPage” refers to NewPage Holdings Inc., which was an indirect, wholly owned subsidiary of Verso prior to the Internal Reorganization; the term “NewPage Corp” refers to NewPage Corporation, which was an indirect, wholly owned subsidiary of NewPage prior to the Internal Reorganization. Each of Verso Finance, VPH, NewPage and NewPage Corp were either merged into other subsidiaries of Verso, converted into limited liability corporations, and/or renamed in the Internal Reorganization and do not exist on and after the Internal Reorganization. The term for any such entity includes its direct and indirect subsidiaries when referring to the entity’s consolidated financial condition or results. Unless otherwise noted, references to “the Company,” “we,” “us,” and “our” refer to Verso.

Forward-Looking Statements

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

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ITEM 1. FINANCIAL STATEMENTS
VERSO CORPORATION
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in millions)	December 31, 2017	March 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$7	$7
Accounts receivable, net	208	222
Inventories	385	398
Prepaid expenses and other assets	14	12
Total current assets	614	639
Property, plant and equipment, net	1,062	1,047
Intangibles and other assets, net	56	55
Total assets	$1,732	$1,741
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$176	$194
Accrued liabilities	129	115
Current maturities of long-term debt	60	18
Total current liabilities	365	327
Long-term debt	130	185
Pension benefit obligation	457	449
Other liabilities	34	34
Total liabilities	986	995
Commitments and contingencies (Note 10)		
Equity:		
Preferred stock -- par value $0.01 (50,000,000 shares authorized, no shares issued)	—	—
Common stock -- par value $0.01 (210,000,000 Class A shares authorized with 34,173,571 shares issued and 34,164,434 outstanding on December 31, 2017 and 34,317,575 shares issued and 34,308,438 outstanding on March 31, 2018; 40,000,000 Class B shares authorized with 291,039 shares issued and outstanding on December 31, 2017 and 147,035 shares issued and outstanding on March 31, 2018)	—	—
Treasury stock -- at cost (9,137 shares on December 31, 2017 and March 31, 2018)	—	—
Paid-in-capital (including Warrants of $10 million)	676	677
Retained deficit	(62)	(71)
Accumulated other comprehensive income	132	140
Total equity	746	746
Total liabilities and equity	$1,732	$1,741

See notes to Unaudited Condensed Consolidated Financial Statements.

VERSO CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in millions, except per share amounts)	Three Months Ended March 31, 2017	Three Months Ended March 31, 2018
Net sales	$616	$639
Costs and expenses:		
Cost of products sold (exclusive of depreciation, amortization and depletion)	562	581
Depreciation, amortization and depletion	33	27
Selling, general and administrative expenses	33	25
Restructuring charges	2	1
Operating income (loss)	(14)	5
Interest expense	9	11
Other (income) expense	(2)	(4)
Income (loss) before income taxes	(21)	(2)
Income tax expense	—	—
Net income (loss)	$(21)	$(2)
Income (loss) per common share:		
Basic	$(0.61)	$(0.06)
Diluted	(0.61)	(0.06)
Weighted average common shares outstanding (in thousands)		
Basic	34,391	34,465
Diluted	34,391	34,465

See notes to Unaudited Condensed Consolidated Financial Statements.

VERSO CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Dollars in millions)	Three Months Ended March 31, 2017	Three Months Ended March 31, 2018
Net income (loss)	$ (21)	$ (2)
Other comprehensive income (loss), net of tax:		
Defined benefit pension/other postretirement plans:		
Pension/other postretirement liability adjustment, net	—	1
Other comprehensive income (loss), net of tax	—	1
Comprehensive income (loss)	$ (21)	$ (1)

See notes to Unaudited Condensed Consolidated Financial Statements.

VERSO CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)

(Dollars in millions, shares in thousands)	Class A Common Shares	Class A Common Stock	Class B Common Shares	Class B Common Stock	Treasury Shares	Treasury Stock	Paid-in-Capital	Retained Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity (Deficit)
Balance - December 31, 2016	33,367	$ —	1,024	$ —		$ —	$ 675	$ (32)	$ 127	$ 770
Net income (loss)	—	—	—	—	—	—	—	(21)	—	(21)
Class B stock converted to Class A stock	63	—	(63)	—	—	—	—	—	—	—
Balance - March 31, 2017	33,430	$ —	961	$ —		$ —	$ 675	$ (53)	$ 127	$ 749
Balance - December 31, 2017	34,173	$ —	291	$ —	(9)	$ —	$ 676	$ (62)	$ 132	$ 746
Net income (loss)	—	—	—	—	—	—	—	(2)	—	(2)
Other comprehensive income (loss), net	—	—	—	—	—	—	—	—	1	1
Class B stock converted to Class A stock	144	—	(144)	—	—	—	—	—	—	—
Equity award expense	—	—	—	—	—	—	1	—	—	1
Reclassification of stranded tax effects (ASU 2018-02)	—	—	—	—	—	—	—	(7)	7	—
Balance - March 31, 2018	34,317	$ —	147	$ —	(9)	$ —	$ 677	$ (71)	$ 140	$ 746

See notes to Unaudited Condensed Consolidated Financial Statements.

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VERSO CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in millions)	Three Months Ended March 31, 2017	Three Months Ended March 31, 2018
Cash Flows From Operating Activities:		
Net income (loss)	$ (21)	$ (2)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation, amortization and depletion	33	27
Net periodic pension cost (income)	2	(2)
Pension plan contributions	(6)	(6)
Amortization of debt issuance cost and discount	2	6
Equity award expense	—	1
Changes in assets and liabilities:		
Accounts receivable, net	(5)	(14)
Inventories	(17)	(13)
Prepaid expenses and other assets	2	2
Accounts payable	16	22
Accrued liabilities	(29)	(13)
Net cash provided by (used in) operating activities	(23)	8
Cash Flows From Investing Activities:		
Capital expenditures	(10)	(14)
Net cash provided by (used in) investing activities	(10)	(14)
Cash Flows From Financing Activities:		
Borrowings on ABL Facility	71	147
Payments on ABL Facility	(25)	(95)
Payments on Term Loan Facility	(12)	(46)
Net cash provided by (used in) financing activities	34	6
Change in Cash and cash equivalents and restricted cash	1	—
Cash and cash equivalents and restricted cash at beginning of period	9	9
Cash and cash equivalents and restricted cash at end of period	$ 10	$ 9

See notes to Unaudited Condensed Consolidated Financial Statements.

VERSO CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business — We operate in the following two market segments: paper and pulp. However, we determined that the operating income (loss) of the pulp segment is immaterial for disclosure purposes. Our core business platform is as a producer of coated freesheet, specialty and coated groundwood papers. Our products are used primarily in media and marketing applications, including catalogs, magazines, commercial printing applications, such as high-end advertising brochures, annual reports and direct-mail advertising, and specialty applications, such as flexible packaging and label and converting. Our market kraft pulp is used to manufacture printing, writing and specialty paper grades and tissue products. Our assets are utilized across segments in our integrated mill system and are not identified by segment or reviewed by management on a segment basis. We operate primarily in one geographic location, North America.

Basis of Presentation — This report contains the Unaudited Condensed Consolidated Financial Statements of Verso as of December 31, 2017 and March 31, 2018 and for the three months ended March 31, 2017 and March 31, 2018. The December 31, 2017, Unaudited Condensed Consolidated Balance Sheet data was derived from audited financial statements, but it does not include all disclosures required annually by accounting principles generally accepted in the United States of America, or “GAAP.” In the opinion of Management, the Unaudited Condensed Consolidated Financial Statements include all adjustments that are necessary for the fair presentation of Verso’s respective financial conditions, results of operations and cash flows for the interim periods presented. Except as disclosed in the notes to the Unaudited Condensed Consolidated Financial Statements, such adjustments are of a normal, recurring nature. Variable interest entities for which Verso is the primary beneficiary are consolidated. Intercompany balances and transactions are eliminated in consolidation. The results of operations and cash flows for the interim periods presented may not necessarily be indicative of full-year results. It is suggested that these financial statements be read in conjunction with the audited consolidated financial statements and notes thereto of Verso contained in its Annual Report on Form 10-K for the year ended December 31, 2017.

Going Concern — The Unaudited Condensed Consolidated Financial Statements have been prepared on a going-concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

2. RECENT ACCOUNTING PRONOUNCEMENTS

Accounting Guidance Adopted in 2018
ASC Topic 220, Income Statement - Reporting Comprehensive Income. In February 2018, the Financial Accounting Standards Board, or “FASB,” issued Accounting Standards Update, or “ASU,” 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (Topic 220). This guidance allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. We early adopted this guidance in the first quarter of 2018 and recorded an adjustment from Accumulated other comprehensive income to Retained deficit of $7 million associated with pension obligations. Our accounting to reflect the provisions of the Tax Cuts and Jobs Act is complete after recording this adjustment.

ASC Topic 715, Compensation - Retirement Benefits. In March 2017, the FASB issued ASU 2017-07, Compensation - Retirement Benefits (Topic 715), which amends the existing guidance relating to the presentation of net periodic benefit cost for an entity’s sponsored defined benefit pension and other postretirement plans. On January 1, 2018, we retrospectively adopted the presentation of service cost separate from the other components of net benefit cost. The interest costs, expected long-term return on plan assets, amortization of prior service costs and other costs have been reclassified from Cost of products sold and Selling, general and administrative expenses to Other (income) expense. We elected to apply the practical expedient, which allows us to reclassify amounts disclosed previously in the retirement benefits note as the basis for applying retrospective presentation for comparative periods. On a prospective basis, only service costs will be capitalized in inventory or property, plant & equipment.

The effect of the retrospective presentation change related to the net periodic pension and other postretirement benefits plans on our Unaudited Condensed Consolidated Statement of Operations for the period ended March 31, 2017, was as follows:

(Dollars in millions)	Three Months Ended March 31, 2017 Previously reported	As revised	Effect of change Higher/(Lower)
Cost of products sold (exclusive of Depreciation, amortization and depletion)	$ 560	$ 562	$ 2
Selling, general and administrative expense	33	33	—
Other (income) expense	—	(2)	(2)

In connection with the adoption of ASU 2017-07, we adopted an accounting policy effective January 1, 2018, on a prospective basis, to classify plan maintenance fees as a reduction of the expected return on plan assets, previously reported as a component of service cost.

ASC Topic 230, Statement of Cash Flows. In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the Emerging Issues Task Force). This ASU requires that restricted cash be included with cash and cash equivalents when reconciling the beginning of period and end of period total amounts shown on the statement of cash flows. The guidance was adopted on January 1, 2018 on a retrospective basis. We do not expect this guidance to have a material impact on an ongoing basis on our Unaudited Condensed Consolidated Financial Statements.

ASC Topic 606, Revenue from Contracts with Customers. On January 1, 2018, we adopted Accounting Standards Codification, or “ASC,” 606, Revenue from Contracts with Customers and all amendments (“new revenue standard”) to all contracts that were not complete using the modified retrospective method. The core principle of ASC 606 is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. Under the new standard, a sales contract is established with our customer upon receipt and acknowledgment of a customer purchase order. After evaluating open contracts at January 1, 2018, we determined that there was no cumulative effect on our Unaudited Condensed Consolidated Financial Statements as a result of adoption of the new revenue standard. The comparative financial results from 2017 have not been restated and continue to be reported under the accounting standards in effect for that period. We do not expect this standard will have a material impact on our sales or operations on an ongoing basis. See Note 3 for additional related revenue disclosures.

We also adopted the following standards in 2018, neither of which had a material impact to our financial statements or financial statement disclosures:

Standard	Effective Date
2017-09 Stock Compensation - Scope of Modification Accounting	January 1, 2018
2016-15 Classification of Certain Cash Receipts and Cash Payments	January 1, 2018

Accounting Guidance Not Yet Adopted

ASC Topic 842, Leases. In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). ASU 2016-02 supersedes existing lease guidance, including ASC Topic 840, Leases, and requires lessees to recognize most leases on their balance sheets for the rights and obligations created by those leases. The guidance also requires enhanced disclosures regarding the amount, timing and uncertainty of cash flows arising from leases that will be effective for interim and annual periods beginning after December 15, 2018. We plan to adopt this guidance on January 1, 2019. The guidance requires the use of a modified retrospective approach. On March 7, 2018 the FASB board approved a practical expedient to adopt the standard with a cumulative effect at the adoption date without restating prior periods. The Company expects to adopt this guidance, when issued, for leases existing at the date of adoption. We expect to recognize a liability and corresponding asset associated with in-scope leases, but we are still in the process of determining those amounts and the processes required to account for leasing activity on an ongoing basis.

3. REVENUE RECOGNITION

Revenue is recognized when obligations under the contract with the customer are satisfied which primarily occurs at the time of shipment from our mills or warehouses. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring goods reflecting any variable consideration, the most significant of which is our volume rebate program. Sales taxes collected concurrent with revenue are excluded from revenues. Incidental items immaterial to the context of the contract are expensed as incurred. We do not have any material significant payment terms as payment is received shortly after the point of sale.

With respect to variable consideration, the amount of consideration received and revenue recognized is adjusted for the most likely amount of credits based on historical experience. Revenues are adjusted at the earlier date of when the most likely amount expected to be received changes or the consideration becomes fixed. We have elected to recognize the cost of freight and shipping when control has transferred to the customer as fulfillment activities in Cost of products sold.

The following table presents our revenues disaggregated by product included in our Unaudited Condensed Consolidated Statement of Operations:

(Dollars in millions)	Three Months Ended March 31, 2018
Printing paper	$ 356
Coated groundwood	56
Specialty paper	155
Pulp	29
Supercalendared paper	43
Total Net sales	$ 639

The following table presents our revenue disaggregated by sales channel included in our Unaudited Condensed Consolidated Statement of Operations:

(Dollars in millions)	Three Months Ended March 31, 2018
Direct sales	$ 357
Merchant sales	241
Broker sales	41
Total Net sales	$ 639

4. SUPPLEMENTAL FINANCIAL STATEMENT INFORMATION

Restricted Cash — As of December 31, 2017 and March 31, 2018, $2 million of restricted cash was included in Intangibles and other assets, net in the Unaudited Condensed Consolidated Balance Sheets mainly related to asset retirement obligations in the state of Michigan. These cash deposits are required by the state and may only be used for the future closure of a landfill. For the three months ended March 31, 2017 and March 31, 2018, Cash and cash equivalents in the Unaudited Condensed Consolidated Statements of Cash Flows include restricted cash of $3 million and $2 million, respectively.

Inventories — The following table summarizes inventories by major category:

(Dollars in millions)	December 31, 2017	March 31, 2018
Raw materials	$ 75	$ 99
Work-in-process	54	63

Finished goods	228	209
Replacement parts and other supplies	28	27
Inventories	$ 385	$ 398

Property, plant and equipment — Depreciation expense for the three months ended March 31, 2017 and March 31, 2018 was $31 million and $26 million, respectively. Interest costs capitalized for the three months ended March 31, 2017 and March 31, 2018 were not material. Capital expenditures unpaid as of March 31, 2017 and March 31, 2018 were $3 million and $5 million, respectively.

Transactions with Affiliates — For the three months ended March 31, 2017 and March 31, 2018, we did not transact any material business with affiliates.

5. DEBT

The following table summarizes debt:

(Dollars in millions)	Original Maturity	December 31, 2017	March 31, 2018
ABL Facility	7/14/2021	$ 65	$ 118
Term Loan Facility	10/14/2021	146	100
Unamortized (discount) and debt issuance costs, net		(21)	(15)
Less: Current portion		(60)	(18)
Total long-term debt		$ 130	$ 185

As of March 31, 2018, the fair value of Verso's total debt outstanding was $220 million.

During the three months ended March 31, 2018, we made a scheduled principal payment of $4 million on the Term Loan Facility (as defined below) and we elected to make an additional $21 million voluntary principal prepayment on the Term Loan Facility, from available liquidity including amounts under our ABL Facility (as defined below), and applied that payment against the final maturity amount due in October 2021. As a result of the excess cash flow requirement, under our Term Loan Facility, we were obligated to fund an additional principal payment of $7 million and $21 million during the three months ended March 31, 2017 and March 31, 2018, respectively.

Amounts included in interest expense (inclusive of amounts capitalized) and amounts of cash interest payments related to long-term debt for the periods presented, are as follows:

(Dollars in millions)	Three Months Ended March 31, 2017	Three Months Ended March 31, 2018
Interest expense	$ 8	$ 6
Cash interest paid	8	5
Debt issuance cost and discount amortization[1]	2	6

(1) Amortization of debt issuance cost and original issue discount are included in interest expense on the Unaudited Condensed Consolidated Statements of Operations.

Credit Facilities

On July 15, 2016, VPH entered into a $375 million asset-based revolving credit facility, or the "ABL Facility," and a $220 million senior secured term loan (with loan proceeds of $198 million after the deduction of the original issue discount of $22 million), or the "Term Loan Facility," and collectively termed the "Credit Facilities." After the Internal Reorganization, Verso Paper became the borrower under the Credit Facilities. The amount of borrowings and letters of credit available to Verso pursuant to the ABL Facility is limited to the lesser of $375 million or an amount determined pursuant to a borrowing base ($344 million as of March 31, 2018). As of March 31, 2018, the outstanding balance of the ABL Facility was $118 million, with $40 million issued in letters of credit and $186 million available for future borrowings, and the weighted-average interest rate on outstanding borrowings was 3.42%. As of March 31, 2018, the Term Loan's interest rate was 12.77% per annum.

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6. EARNINGS PER SHARE

The following table provides a reconciliation of basic and diluted income (loss) per common share:

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2018
Net income (loss) available to common shareholders (in millions)	$ (21)	$ (2)
Weighted average common shares outstanding (in thousands)	34,391	34,465
Weighted average restricted shares (in thousands)	—	—
Weighted average common shares outstanding - basic (in thousands)	34,391	34,465
Dilutive shares from stock awards (in thousands)	—	—
Weighted average common shares outstanding - diluted (in thousands)	34,391	34,465
Basic income (loss) per share	$ (0.61)	$ (0.06)
Diluted income (loss) per share	$ (0.61)	$ (0.06)

As a result of the net loss from continuing operations, 0.3 million and 1.4 million restricted stock units as of March 31, 2017 and March 31, 2018, respectively, and 1.8 million warrants as of March 31, 2017 and March 31, 2018 have been excluded from the calculations of diluted earnings per share as their inclusion would be anti-dilutive. No dividends were declared or paid in the periods presented.

7. RETIREMENT AND OTHER POSTRETIREMENT BENEFITS

The following table summarizes the components of net periodic pension cost of our pension plans for the periods presented:

(Dollars in millions)	Three Months Ended March 31, 2017	Three Months Ended March 31, 2018
Service cost	$ 4	$ 1
Interest cost	16	15
Expected return on plan assets	(18)	(18)
Net periodic pension cost (income)	$ 2	$ (2)

We make contributions that are sufficient to fund our actuarially-determined costs, generally equal to the minimum amounts required by the Employee Retirement Income Security Act. We made contributions to the pension plans of $6 million in each of the three months ended March 31, 2017 and March 31, 2018. We expect to make additional cash contributions of $37 million to the pension plans in the remainder of