

EXPEDITORS INTERNATIONAL OF WASHINGTON INC
Form 10-Q
November 07, 2012

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2012

OR

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

For the transition period from _____ to _____

Commission File Number: 0-13468

EXPEDITORS INTERNATIONAL OF WASHINGTON, INC.

(Exact name of registrant as specified in its charter)

Washington
(State or other jurisdiction of
incorporation or organization) 91-1069248
(IRS Employer
Identification Number)

1015 Third Avenue, 12thFloor, Seattle, Washington 98104
(Address of principal executive offices) (Zip Code)
(206) 674-3400
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

At November 1, 2012, the number of shares outstanding of the issuer's Common Stock was 208,981,760.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

EXPEDITORS INTERNATIONAL OF WASHINGTON, INC.
AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(In thousands, except share data)

(Unaudited)

	September 30, 2012	December 31, 2011
Current Assets:		
Cash and cash equivalents	\$1,367,642	\$1,294,356
Accounts receivable, less allowance for doubtful accounts of \$9,167 at September 30, 2012 and \$10,381 at December 31, 2011	1,015,350	934,752
Deferred Federal and state income taxes	10,955	10,415
Other	46,048	47,360
Total current assets	2,439,995	2,286,883
Property and equipment, less accumulated depreciation and amortization of \$317,896 at September 30, 2012 and \$296,481 at December 31, 2011	551,610	538,806
Goodwill and other intangibles, net	9,774	10,557
Other assets, net	30,808	30,581
Total assets	\$3,032,187	\$2,866,827
Current Liabilities:		
Accounts payable	667,395	606,628
Accrued expenses, primarily salaries and related costs	174,862	169,445
Federal, state and foreign income taxes	23,943	20,072
Total current liabilities	866,200	796,145
Deferred Federal and state income taxes	70,288	60,613
Commitments and contingencies		
Shareholders' Equity:		
Preferred stock, none issued	—	—
Common stock, par value \$.01 per share. Issued and outstanding 208,950,205 shares at September 30, 2012 and 212,003,662 shares at December 31, 2011	2,090	2,120
Additional paid-in capital	118	13,260
Retained earnings	2,082,542	1,991,222
Accumulated other comprehensive income (loss)	5,267	(2,964)
Total shareholders' equity	2,090,017	2,003,638
Noncontrolling interest	5,682	6,431
Total equity	2,095,699	2,010,069
Total liabilities and equity	\$3,032,187	\$2,866,827

See accompanying notes to condensed consolidated financial statements.

EXPEDITORS INTERNATIONAL OF WASHINGTON, INC.
AND SUBSIDIARIES

Condensed Consolidated Statements of Earnings

(In thousands, except share data)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Revenues:				
Airfreight services	\$622,678	\$736,946	\$1,900,131	\$2,187,730
Ocean freight and ocean services	549,250	510,521	1,502,584	1,437,493
Customs brokerage and other services	359,736	358,901	1,045,271	1,023,361
Total revenues	1,531,664	1,606,368	4,447,986	4,648,584
Operating Expenses:				
Airfreight consolidation	471,947	558,047	1,437,301	1,658,963
Ocean freight consolidation	432,518	392,249	1,177,919	1,109,603
Customs brokerage and other services	162,061	162,226	467,406	459,696
Salaries and related costs	252,899	258,512	748,956	745,441
Rent and occupancy costs	21,304	21,352	63,333	64,087
Depreciation and amortization	10,030	9,199	29,245	27,630
Selling and promotion	7,847	9,342	25,370	28,527
Other	27,959	31,683	95,683	91,374
Total operating expenses	1,386,565	1,442,610	4,045,213	4,185,321
Operating income	145,099	163,758	402,773	463,263
Other Income (Expense):				
Interest income	2,831	2,888	9,241	7,520
Interest expense	(182)	) (279)	) (1,024)	) (722)
Other, net	1,232	10,792	6,011	12,766
Other income, net	3,881	13,401	14,228	19,564
Earnings before income taxes	148,980	177,159	417,001	482,827
Income tax expense	60,253	70,283	167,531	189,724
Net earnings	88,727	106,876	249,470	293,103
Less net earnings attributable to the noncontrolling interest	237	272	318	267
Net earnings attributable to shareholders	\$88,490	\$106,604	\$249,152	\$292,836
Diluted earnings attributable to shareholders per share	\$.42	\$.50	\$1.17	\$1.36
Basic earnings attributable to shareholders per share	\$.42	\$.50	\$1.18	\$1.38
Dividends declared and paid per common share	\$—	\$—	\$.28	\$.25
Weighted average diluted shares outstanding	211,397,602	214,717,451	212,916,309	215,376,675
Weighted average basic shares outstanding	210,135,763	212,256,119	211,314,850	212,160,994

See accompanying notes to condensed consolidated financial statements.

EXPEDITORS INTERNATIONAL OF WASHINGTON, INC.
AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income

(In thousands)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Net earnings	\$88,727	\$106,876	\$249,470	\$293,103
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments, net of tax of \$5,622 and \$13,476 for the three months ended September 30, 2012 and 2011, and \$4,864 and \$5,621 for the nine months ended September 30, 2012 and 2011	8,982	(24,707)	) 7,691	(10,514)
Reclassification adjustments for foreign currency realized losses, net of tax of \$350 for the three and nine months ended September 30, 2012 and \$391 for the three and nine months ended September 30, 2011	650	618	650	618
Other comprehensive income (loss)	9,632	(24,089)	) 8,341	(9,896)
Comprehensive income	98,359	82,787	257,811	283,207
Less comprehensive income (loss) attributable to the noncontrolling interest	257	59	428	(87)
Comprehensive income attributable to shareholders	\$98,102	\$82,728	\$257,383	\$283,294

See accompanying notes to condensed consolidated financial statements.

EXPEDITORS INTERNATIONAL OF WASHINGTON, INC.
AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Operating Activities:				
Net earnings	\$88,727	\$106,876	\$249,470	\$293,103
Adjustments to reconcile net earnings to net cash from operating activities:				
Provision for losses on accounts receivable	463	(629	) (392	) 1,161
Deferred income tax expense (benefit)	4,588	(9,328	) 4,330	(9,663
Excess tax benefits from stock plans	(59	) (537	) (4,291	) (5,068
Stock compensation expense	11,320	12,738	32,846	33,446
Depreciation and amortization	10,030	9,199	29,245	27,630
Gain on sale of assets	(13	) (3	) (143	) (54
Other	1,273	1,210	1,826	1,828
Changes in operating assets and liabilities:				
Increase in accounts receivable	(23,520	) (4,312	) (73,812	) (11,802
Increase in other current assets	(7,195	) (8,344	) (3,629	) (5,863
(Decrease) increase in accounts payable and accrued expenses	(23,267	) (24,070	) 60,966	14,060
Increase in income taxes payable, net	6,819	10,505	12,961	10,417
Net cash from operating activities	69,166	93,305	309,377	349,195
Investing Activities:				
Purchase of property and equipment	(10,170	) (20,619	) (37,072	) (58,854
Proceeds from sale of property and equipment	41	24	294	109
Other, net	(32	) (632	) 192	(2,676
Net cash from investing activities	(10,161	) (21,227	) (36,586	) (61,421
Financing Activities:				
Proceeds from issuance of common stock	24,599	30,966	45,001	54,591
Repurchases of common stock	(87,227	) (43,298	) (193,493	) (108,572
Excess tax benefits from stock plans	59	537	4,291	5,068
Dividends paid	—	—	(59,358	) (53,014
Distributions to noncontrolling interest	(1,177	) (822)	