

LANDSTAR SYSTEM INC  
Form 10-Q  
October 28, 2011  
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**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 24, 2011

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: 0-21238

**LANDSTAR SYSTEM, INC.**

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(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**06-1313069**  
(I.R.S. Employer  
Identification No.)

**13410 Sutton Park Drive South, Jacksonville, Florida**

(Address of principal executive offices)

**32224**

(Zip Code)

**(904) 398-9400**

(Registrant's telephone number, including area code)

**N/A**

(Former name, former address and former fiscal year, if changed since last report)

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 Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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

The number of shares of the registrant's common stock, par value \$0.01 per share, outstanding as of the close of business on October 17, 2011 was 46,905,754.



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**PART I - FINANCIAL INFORMATION**

Item 1. Financial Statements

The interim consolidated financial statements contained herein reflect all adjustments (all of a normal, recurring nature) which, in the opinion of management, are necessary for a fair statement of the financial condition, results of operations, cash flows and changes in equity for the periods presented. They have been prepared in accordance with Rule 10-01 of Regulation S-X and do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. Operating results for the thirty nine weeks ended September 24, 2011, are not necessarily indicative of the results that may be expected for the entire fiscal year ending December 31, 2011.

These interim financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's 2010 Annual Report on Form 10-K.

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## LANDSTAR SYSTEM, INC. AND SUBSIDIARY

## CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except per share amounts)

(Unaudited)

	September 24, 2011	December 25, 2010
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 69,409	\$ 44,706
Short-term investments	28,177	23,266
Trade accounts receivable, less allowance of \$4,652 and \$5,324	388,235	307,350
Other receivables, including advances to independent contractors, less allowance of \$5,018 and \$5,511	53,515	23,943
Deferred income taxes and other current assets	19,073	21,652
Total current assets	558,409	420,917
Operating property, less accumulated depreciation and amortization of \$147,237 and \$137,830	128,388	132,649
Goodwill	57,470	57,470
Other assets	59,090	72,846
Total assets	\$ 803,357	\$ 683,882
<b>LIABILITIES AND EQUITY</b>		
Current Liabilities		
Cash overdraft	\$ 23,061	\$ 24,877
Accounts payable	180,488	137,297
Current maturities of long-term debt	16,548	22,172
Insurance claims	75,511	40,215
Other current liabilities	68,268	53,785
Total current liabilities	363,876	278,346
Long-term debt, excluding current maturities	110,526	99,439
Insurance claims	30,336	31,468
Deferred income taxes	20,078	23,662
Equity		
Landstar System, Inc. and subsidiary shareholders' equity		
Common stock, \$0.01 par value, authorized 160,000,000 shares, issued 66,595,036 and 66,535,169 shares	666	665
Additional paid-in capital	164,766	169,268
Retained earnings	917,100	844,132
Cost of 19,689,466 and 18,674,902 shares of common stock in treasury	(805,189)	(763,182)
Accumulated other comprehensive income	1,198	881
Total Landstar System, Inc. and subsidiary shareholders' equity	278,541	251,764

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Noncontrolling interest		(797)
Total equity	278,541	250,967
Total liabilities and equity	\$ 803,357	\$ 683,882

See accompanying notes to consolidated financial statements.

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## LANDSTAR SYSTEM, INC. AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF INCOME

(Dollars in thousands, except per share amounts)

(Unaudited)

	Thirty Nine Weeks Ended		Thirteen Weeks Ended	
	September 24, 2011	September 25, 2010	September 24, 2011	September 25, 2010
Revenue	\$ 1,931,560	\$ 1,812,635	\$ 684,013	\$ 622,826
Investment income	1,294	1,069	373	495
Costs and expenses:				
Purchased transportation	1,459,660	1,381,955	518,300	474,665
Commissions to agents	153,165	134,695	54,990	47,316
Other operating costs	22,050	21,952	6,427	6,448
Insurance and claims	34,096	37,609	9,381	11,480
Selling, general and administrative	112,252	114,886	39,206	41,070
Depreciation and amortization	19,336	18,444	6,549	6,456
Total costs and expenses	1,800,559	1,709,541	634,853	587,435
Operating income	132,295	104,163	49,533	35,886
Interest and debt expense	2,340	2,699	735	1,035
Income before income taxes	129,955	101,464	48,798	34,851
Income taxes	49,642	38,761	18,640	13,315
Net income	80,313	62,703	30,158	21,536
Less: Net loss attributable to noncontrolling interest	(62)	(712)		(266)
Net income attributable to Landstar System, Inc. and subsidiary	\$ 80,375	\$ 63,415	\$ 30,158	\$ 21,802
Earnings per common share attributable to Landstar System, Inc. and subsidiary	\$ 1.69	\$ 1.27	\$ 0.64	\$ 0.44
Diluted earnings per share attributable to Landstar System, Inc. and subsidiary	\$ 1.68	\$ 1.27	\$ 0.64	\$ 0.44
Average number of shares outstanding:				
Earnings per common share	47,670,000	49,921,000	47,358,000	49,434,000
Diluted earnings per share	47,735,000	49,990,000	47,387,000	49,447,000
Dividends paid per common share	\$ 0.155	\$ 0.140	\$ 0.055	\$ 0.050

See accompanying notes to consolidated financial statements.





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LANDSTAR SYSTEM, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(Unaudited)

	Thirty Nine Weeks Ended	
	September 24, 2011	September 25, 2010
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 80,313	\$ 62,703
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of operating property and intangible assets	19,336	18,444
Non-cash interest charges	164	164
Provisions for losses on trade and other accounts receivable	4,308	3,539
Losses (gains) on sales/disposals of operating property	(253)	570
Deferred income taxes, net	(4,205)	(1,592)
Stock-based compensation	3,783	3,567
Changes in operating assets and liabilities:		
Increase in trade and other accounts receivable	(114,765)	(49,502)
Decrease in other assets	3,957	323
Increase in accounts payable	43,191	25,677
Increase in other liabilities	14,401	10,582
Increase (decrease) in insurance claims	34,164	(6,192)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>84,394</b>	<b>68,283</b>