

WORLD FUEL SERVICES CORP
Form 10-Q
November 08, 2007
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 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, 2007

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 1-9533

WORLD FUEL SERVICES CORPORATION

(Exact name of registrant as specified in its charter)

Florida
(State or other jurisdiction of
incorporation or organization)
9800 N.W. 41st Street, Suite 400
Miami, Florida

59-2459427
(I.R.S. Employer
Identification No.)
33178

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(Address of Principal Executive Offices)

(Zip Code)

Registrant's Telephone Number, including area code: (305) 428-8000

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

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

The registrant had a total of 28,587,000 shares of common stock, par value \$0.01 per share, issued and outstanding as of November 5, 2007.

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Part I Financial Information

General

The following unaudited consolidated financial statements and notes thereto of World Fuel Services Corporation and its subsidiaries have been prepared in accordance with the instructions to Quarterly Reports on Form 10-Q and, therefore, omit or condense certain footnotes and other information normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States. In the opinion of management, all adjustments necessary for a fair presentation of the financial information, which are of a normal and recurring nature, have been made for the interim periods reported. Results of operations for the three and nine months ended September 30, 2007 are not necessarily indicative of the results for the entire fiscal year. The unaudited consolidated financial statements and notes thereto included in this Form 10-Q for the quarterly period ended September 30, 2007 (10-Q Report) should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006 (2006 10-K Report). World Fuel Services Corporation (World Fuel or the Company) and its subsidiaries are collectively referred to in this 10-Q Report as we, our and us.

Table of Contents**Item 1. Financial Statements****World Fuel Services Corporation****Consolidated Balance Sheets**

(Unaudited In thousands, except share and per share data)

	As of	
	September 30, 2007	December 31, 2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 134,453	\$ 176,495
Short-term investments	8,100	12,500
Accounts receivable, net	1,138,372	860,084
Inventories	113,938	74,519
Receivables related to derivative contracts	40,251	37,070
Prepaid expenses and other current assets	47,053	35,423
Total current assets	1,482,167	1,196,091
Property and equipment, net	34,738	26,730
Goodwill	44,321	44,321
Identifiable intangible assets, net	4,026	4,961
Non-current income tax receivable	3,984	
Other assets	6,030	5,297
Total assets	\$ 1,575,266	\$ 1,277,400
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term debt	\$ 34	\$ 10
Accounts payable	948,087	720,790
Payables related to derivative contracts	40,683	34,209
Accrued expenses and other current liabilities	77,217	71,752
Total current liabilities	1,066,021	826,761
Long-term debt	20,141	20,062
Non-current income tax payable	23,559	
Deferred compensation and other long-term liabilities	4,288	4,608
Total liabilities	1,114,009	851,431
Commitments and contingencies (Note 4)		
Shareholders' equity:		
Preferred stock, \$1.00 par value; 100,000 shares authorized, none issued		
Common stock, \$0.01 par value; 50,000,000 shares authorized, 28,571,000 shares and 28,488,000 shares issued and outstanding at September 30, 2007 and December 31, 2006, respectively	286	285
Capital in excess of par value	174,183	170,275
Retained earnings	286,714	255,245
Accumulated other comprehensive income	74	164
Total shareholders' equity	461,257	425,969

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Total liabilities and shareholders' equity	\$ 1,575,266	\$ 1,277,400
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The accompanying notes are an integral part of these unaudited consolidated financial statements.

Table of Contents**World Fuel Services Corporation****Consolidated Statements of Income**

(Unaudited In thousands, except per share data)

	For the Three Months ended September 30,		For the Nine Months ended September 30,	
	2007	2006	2007	2006
Revenue	\$ 3,608,465	\$ 2,775,545	\$ 9,584,033	\$ 8,166,403
Cost of sales	3,546,190	2,720,384	9,412,602	8,010,055
Gross profit	62,275	55,161	171,431	156,348
Operating expenses:				
Compensation and employee benefits	23,743	21,939	68,705	61,159
Executive severance costs				1,545
Provision for bad debts	1,294	429	594	1,577
General and administrative	14,921	11,973	40,798	34,258
	39,958	34,341	110,097	98,539
Income from operations	22,317	20,820	61,334	57,809
Other income (expense), net:				
Interest income	1,192	1,471	4,464	3,930
Interest expense and other financing costs	(588)	(598)	(1,816)	(1,602)
Other, net	(2,813)	798	(2,532)	147
	(2,209)	1,671	116	2,475
Income before income taxes	20,108	22,491	61,450	60,284
Provision for income taxes	5,014	5,252	14,359	13,655
	15,094	17,239	47,091	46,629
Minority interest in (income) loss of consolidated subsidiaries	(268)	(40)	(448)	50
Net income	\$ 14,826	\$ 17,199	\$ 46,643	\$ 46,679
Basic earnings per share	\$ 0.53	\$ 0.62	\$ 1.66	\$ 1.71
Basic weighted average shares	28,153	27,777	28,067	27,304
Diluted earnings per share	\$ 0.51	\$ 0.59	\$ 1.60	\$ 1.62
Diluted weighted average shares	29,077	29,010	29,090	28,891

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Table of Contents**World Fuel Services Corporation****Consolidated Statements of Cash Flows**

(Unaudited In thousands)

	For the Nine Months ended September 30,	
	2007	2006
Cash flows from operating activities:		
Net income	\$ 46,643	\$ 46,679
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Provision for bad debts	594	1,577
Depreciation and amortization	4,191	3,435
Deferred income tax (benefit) provision	(647)	3,373
Impairment on short-term investments	1,900	
Share based payment compensation costs for employees and non-employee directors	5,435	4,883
Unrealized gains from derivatives and related hedged items, net	(608)	(1,417)
Other non-cash operating charges	(239)	(60)
Changes in operating assets and liabilities:		
Accounts receivable	(278,882)	(142,517)
Inventories	(38,261)	(29,959)
Receivables related to derivative contracts	(3,300)	(6,519)
Prepaid expenses and other current assets	(9,178)	13,281
Non-current income tax receivable and other assets	(1,471)	(55)
Accounts payable	227,297	125,236
Payables related to derivative contracts	5,924	4,750
Accrued expenses and other current liabilities	12,662	(8,519)
Non-current income tax payable, deferred compensation and other long-term liabilities	1,107	525
Total adjustments	(73,476)	(31,986)
Net cash (used in) provided by operating activities	(26,833)	14,693
Cash flows from investing activities:		
Capital expenditures	(12,669)	(15,333)
Purchases of short-term investments	(30,060)	(31,055)
Proceeds from the sale of short-term investments	32,560	31,055
Acquisition of minority interests		(2,646)
Net cash used in investing activities	(10,169)	(17,979)
Cash flows from financing activities:		
Dividends paid on common stock	(3,189)	(3,094)
Minority interest distribution	(426)	(410)
Borrowings under revolving credit facility		25,000
Repayments under revolving credit facility		(25,000)
Repayment of promissory notes		(500)
Proceeds from exercise of stock options	730	5,298
Purchases of stock tendered by employees to satisfy the required withholding taxes related to share-based awards	(2,583)	(1,050)
Other	428	(44)
Net cash (used in) provided by financing activities	(5,040)	200

Net decrease in cash and cash equivalents	(42,042)	(3,086)
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