

## WORLD FUEL SERVICES CORP

Form 10-Q

July 28, 2017

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[Table of Contents](#)

**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 JUNE 30, 2017**

**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** **59-2459427**  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

**9800 N.W. 41st Street** **33178**  
**Miami, Florida** (Zip Code)  
(Address of Principal Executive Offices)

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

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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. Large accelerated filer Accelerated filer Non-accelerated filer  
Smaller reporting company 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

The registrant had a total of 68,491,123 shares of common stock, par value \$0.01 per share, issued and outstanding as of July 20, 2017.

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Table of Contents

**Table of Contents**

Part I. Financial Information

<u>Item</u>	<u>Financial Statements (Unaudited)</u>	
<u>1.</u>	<u>Consolidated Balance Sheets as of June 30, 2017 and December 31, 2016</u>	<u>1</u>
	<u>Consolidated Statements of Income and Comprehensive Income for the Three and Six Months ended June 30, 2017 and 2016</u>	<u>2</u>
	<u>Consolidated Statements of Shareholders' Equity for the Six Months ended June 30, 2017 and 2016</u>	<u>3</u>
	<u>Consolidated Statements of Cash Flows for the Six Months ended June 30, 2017 and 2016</u>	<u>4</u>
	<u>Notes to the Consolidated Financial Statements</u>	<u>6</u>
<u>Item</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>22</u>
<u>2.</u>		
<u>Item</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>32</u>
<u>3.</u>		
<u>Item</u>	<u>Controls and Procedures</u>	<u>32</u>
<u>4.</u>		

Part II. Other Information

<u>Item</u>	<u>Legal Proceedings</u>	<u>32</u>
<u>1.</u>		
<u>Item</u>	<u>Unregistered sales of Equity Securities and Use of Proceeds</u>	<u>33</u>
<u>2.</u>		
<u>Item</u>	<u>Exhibits</u>	<u>34</u>
<u>6.</u>		

<u>Signatures</u>	<u>35</u>
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Table of Contents**Part I — Financial Information****Item 1. Financial Statements****World Fuel Services Corporation and Subsidiaries****Consolidated Balance Sheets**

(Unaudited - In millions, except per share data)

	<b>As of</b>	
	<b>June 30,</b>	<b>December</b>
	<b>2017</b>	<b>31,</b>
		<b>2016</b>
Assets:		
Current assets:		
Cash and cash equivalents	\$ 575.6	\$ 698.6
Accounts receivable, net	2,241.4	2,344.0
Inventories	441.8	458.0
Prepaid expenses	45.3	46.5
Short-term derivative assets, net	48.7	58.9
Other current assets	236.1	230.6
Total current assets	3,588.8	3,836.6
Property and equipment, net	328.0	311.2
Goodwill	887.9	835.8
Identifiable intangible and other non-current assets	481.4	429.1
Total assets	\$ 5,286.0	\$ 5,412.6
Liabilities:		
Current liabilities:		
Short-term debt	\$ 21.7	\$ 15.4
Accounts payable	1,794.4	1,770.4
Customer deposits	91.1	90.8
Accrued expenses and other current liabilities	221.4	306.0
Total current liabilities	2,128.5	2,182.7
Long-term debt	1,046.1	1,170.8
Non-current income tax liabilities, net	76.3	84.6
Other long-term liabilities	40.7	34.5
Total liabilities	\$ 3,291.7	\$ 3,472.6
Commitments and contingencies		
Equity:		
World Fuel shareholders' equity:		
Preferred stock, \$1.00 par value; 0.1 shares authorized, none issued	—	—
Common stock, \$0.01 par value; 100.0 shares authorized, 68.6 and 69.9 issued and outstanding as of June 30, 2017 and December 31, 2016, respectively	0.7	0.7
Capital in excess of par value	373.3	399.9
Retained earnings	1,732.4	1,679.3
Accumulated other comprehensive loss	(127.8 )	(154.8 )
Total World Fuel shareholders' equity	1,978.6	1,925.0
Noncontrolling interest equity	15.7	15.0
Total equity	1,994.3	1,940.0
Total liabilities and equity	\$ 5,286.0	\$ 5,412.6

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

1

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Table of Contents

**World Fuel Services Corporation and Subsidiaries**  
**Consolidated Statements of Income and Comprehensive Income**  
(Unaudited – In millions, except per share data)

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2017	2016	June 30, 2017	2016
Revenue	\$8,086.2	\$6,633.0	\$16,280.4	\$11,823.9
Cost of revenue	7,855.2	6,414.5	15,818.0	11,383.9
Gross profit	231.0	218.5	462.4	440.0
Operating expenses:				
Compensation and employee benefits	102.3	103.7	206.8	199.6
Provision for bad debt	1.5	2.5	3.9	3.9
General and administrative	76.0	66.8	150.1	129.9
	179.7	173.0	360.9	333.4
Income from operations	51.2	45.6	101.6	106.6
Non-operating expenses, net:				
Interest expense and other financing costs, net	(13.8 )	(8.1 )	(26.5 )	(15.7 )
Other (expense) income, net	(2.6 )	(0.6 )	(4.1 )	0.7 )
	(16.4 )	(8.7 )	(30.6 )	(15.0 )
Income before income taxes	34.9	36.9	70.9	91.6
Provision for income taxes	4.6	7.1	9.6	10.3
Net income including noncontrolling interest	30.3	29.8	61.3	81.3
Net income (loss) attributable to noncontrolling interest	0.2	(0.2 )	—	(0.3 )
Net income attributable to World Fuel	\$30.0	\$30.0	\$61.4	\$81.6
Basic earnings per common share	\$0.44	\$0.43	\$0.90	\$1.17
Basic weighted average common shares	68.4	69.5	68.5	69.5
Diluted earnings per common share	\$0.44	\$0.43	\$0.89	\$1.17
Diluted weighted average common shares	68.7	70.0	68.9	70.0
Comprehensive income:				
Net income including noncontrolling interest	\$30.3	\$29.8	\$61.3	\$81.3
Other comprehensive income (loss):				
Foreign currency translation adjustments	11.2	(14.5 )	17.6	(13.2 )
Cash Flow hedges, net of income tax benefit of \$6.6 for the six months ended June 30, 2017	—	5.2	10.5	5.0
Other comprehensive income (loss):	11.2	(9.3 )	28.1	(8.3 )
Comprehensive income including noncontrolling interest	41.5	20.5	89.4	73.0
Comprehensive income (loss) attributable to noncontrolling interest	1.1	(1.0 )	1.0	0.5
Comprehensive income attributable to World Fuel	\$40.3	\$21.5	\$88.4	\$72.5

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



Table of Contents

**World Fuel Services Corporation and Subsidiaries**  
**Consolidated Statements of Shareholders' Equity**  
(Unaudited - In millions)

	Common Stock		Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Total World Fuel Shareholders' Equity	Noncontrolling Interest Equity	Total Equity
	Shares	Amount						
Balance as of December 31, 2016	69.9	\$ 0.7	\$ 399.9	\$ 1,679.3	\$ (154.8 )	\$ 1,925.0	\$ 15.0	\$ 1,940.0
Net income	—	—	—	61.4	—	61.4	—	61.3
Cash dividends declared	—	—	—	(8.2 )	—	(8.2 )	—	(8.2 )
Distribution of noncontrolling interest	—	—	—	—	—	—	(0.4 )	(0.4 )
Amortization of share-based payment awards	—	—	9.3	—	—	9.3	—	9.3
Issuance of common stock related to share-based payment awards	(0.6 )	—	—	—	—	—	—	—
Purchases of common stock tendered by employees to satisfy the required withholding taxes related to share-based payment awards	0.1	—	(3.9 )	—	—	(3.9 )	—	(3.9 )
Purchases of common stock	(0.9 )	—	(31.9 )	—	—	(31.9 )	—	(31.9 )
Other comprehensive income	—	—	—	—	27.0	27.0	1.1	28.1
Balance as of June 30, 2017	68.6	\$ 0.7	\$ 373.3	\$ 1,732.4	\$ (127.8 )	\$ 1,978.6	\$ 15.7	\$ 1,994.3

	Common Stock		Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Total World Fuel Shareholders' Equity	Noncontrolling Interest Equity	Total Equity
	Shares	Amount						
Balance as of December 31, 2015	70.8	\$ 0.7	\$ 435.3	\$ 1,569.4	\$ (109.5 )	\$ 1,895.9	\$ 10.0	\$ 1,905.9
Net income (loss)	—	—	—	81.6	—	81.6	(0.3 )	81.3
Cash dividends declared	—	—	—	(8.3 )	—	(8.3 )	—	(8.3 )
Distribution of noncontrolling interest	—	—	—	—	—	—	(0.2 )	(0.2 )
Amortization of share-based payment awards	—	—	8.9	—	—	8.9	—	8.9
Issuance of common stock related to share-based payment awards	0.1	—	—	—	—	—	—	—
Purchases of common stock tendered by employees to satisfy the required withholding taxes related to share-based payment awards	(0.1 )	—	(3.9 )	—	—	(3.9 )	—	(3.9 )
Purchases of common stock	(0.4 )	—	(18.4 )	—	—	(18.4 )	—	(18.4 )
Acquisition of remaining 49% equity interest <sup>(a)</sup>	—	—	(10.9 )	—	—	(10.9 )	7.2	(3.7 )
Other comprehensive (loss) income	—	—	—	—	(9.1 )	(9.1 )	0.8	(8.3 )
Balance as of June 30, 2016	70.4	\$ 0.7	\$ 411.0	\$ 1,642.7	\$ (118.6 )	\$ 1,935.8	\$ 17.5	\$ 1,953.3

(a) Relates to Tobras. See Note 2. Acquisitions.

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

Table of Contents

**World Fuel Services Corporation and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
(Unaudited - In millions)

	<b>For the Six Months Ended June 30, 2017 2016</b>	
Cash flows from operating activities:		
Net income including noncontrolling interest	\$61.3	\$81.3
Adjustments to reconcile net income including noncontrolling interest to net cash provided by operating activities:		
Depreciation and amortization	43.4	36.7
Provision for bad debt	3.9	3.9
Gain on sale of held for sale assets and liabilities	—	