

C H ROBINSON WORLDWIDE INC
Form 10-Q
August 09, 2006

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 JUNE 30, 2006

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

000-23189

C.H. ROBINSON WORLDWIDE, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

8100 Mitchell Road, Eden Prairie, Minnesota
(Address of principal executive offices)

(952) 937-8500

41-1883630
(I.R.S. Employer

Identification No.)

55344-2248
(Zip Code)

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(Registrant's telephone number, including area code)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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. (Check one):

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

As of August 2, 2006, the number of shares outstanding of the registrant's Common Stock, par value \$.10 per share, was 173,397,873.

PART I FINANCIAL INFORMATION

ITEM 1. Financial Statements

C.H. ROBINSON WORLDWIDE, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(In thousands, except per share data)

(unaudited)

	June 30, 2006	December 31, 2005
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 239,406	\$ 230,628
Available-for-sale securities	123,155	122,551
Receivables, net of allowance for doubtful accounts of \$29,944 and \$29,439	788,467	716,725
Deferred tax asset	8,275	5,999
Prepaid expenses and other	14,375	8,878
Total current assets	1,173,678	1,084,781
PROPERTY AND EQUIPMENT, net	66,108	60,721
GOODWILL, net	259,869	223,137
INTANGIBLE AND OTHER ASSETS, net	27,795	26,429
Total assets	\$ 1,527,450	\$ 1,395,068
LIABILITIES AND STOCKHOLDERS INVESTMENT		
CURRENT LIABILITIES:		
Accounts payable and outstanding checks	\$ 539,188	\$ 473,882
Accrued expenses		
Compensation and profit-sharing contribution	57,932	94,333
Income taxes and other	51,181	44,268
Total current liabilities	648,301	612,483
LONG TERM LIABILITIES:		
Deferred tax liability		1,469
Non-qualified deferred compensation obligation	1,243	1,079
Total liabilities	649,544	615,031
STOCKHOLDERS INVESTMENT:		
Preferred stock, \$0.10 par value, 20,000 shares authorized; no shares issued or outstanding		
Common stock, \$0.10 par value, 480,000 shares authorized; 174,111 shares issued, 173,344 and 173,030 shares outstanding	17,334	17,303
Additional paid-in capital	242,650	244,284
Retained earnings	719,807	640,551
Deferred compensation	(68,801)	(87,210)
Cumulative other comprehensive income (loss)	163	(1,901)
Treasury stock at cost (767 and 1,081 shares)	(33,247)	(32,990)
Total stockholders investment	877,906	780,037

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Total liabilities and stockholders' investment	\$ 1,527,450	\$ 1,395,068
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See accompanying notes.

C.H. ROBINSON WORLDWIDE, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations and Comprehensive Income

(In thousands, except per share data)

(unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
GROSS REVENUES				
Transportation	\$ 1,363,246	\$ 1,122,305	\$ 2,579,155	\$ 2,122,241
Sourcing	326,853	273,549	600,275	479,658
Information Services	10,898	9,288	20,682	18,183
Total gross revenues	1,700,997	1,405,142	3,200,112	2,620,082
COST OF TRANSPORTATION, PRODUCTS AND HANDLING				
Transportation	1,130,324	939,737	2,123,266	1,765,827
Sourcing	300,054	249,993	551,170	439,461
Total cost of transportation, products and handling	1,430,378	1,189,730	2,674,436	2,205,288
GROSS PROFITS	270,619	215,412	525,676	414,794
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES				
Personnel expenses	129,609	106,138	256,820	207,067
Other selling, general, and administrative expenses	37,092	28,945	72,504	59,606
Total selling, general, and administrative expenses	166,701	135,083	329,324	266,673
INCOME FROM OPERATIONS	103,918	80,329	196,352	148,121
INVESTMENT AND OTHER INCOME	2,877	1,287	5,542	2,418
INCOME BEFORE PROVISION FOR INCOME TAXES	106,795	81,616	201,894	150,539
PROVISION FOR INCOME TAXES	40,201	32,269	77,186	59,416
NET INCOME	66,594	49,347	124,708	91,123
OTHER COMPREHENSIVE INCOME (LOSS):				
Foreign currency translation adjustment	1,760	106	2,099	(651)
COMPREHENSIVE INCOME	\$ 68,354	\$ 49,453	\$ 126,807	\$ 90,472
BASIC NET INCOME PER SHARE	\$ 0.39	\$ 0.29	\$ 0.73	\$ 0.54
DILUTED NET INCOME PER SHARE	\$ 0.38	\$ 0.28	\$ 0.71	\$ 0.52
BASIC WEIGHTED AVERAGE SHARES OUTSTANDING	171,215	170,236	171,051	170,056
DILUTIVE EFFECT OF OUTSTANDING STOCK AWARDS	3,983	4,158	4,019	4,208
DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING	175,198	174,394	175,070	174,264

See accompanying notes.

C.H. ROBINSON WORLDWIDE, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

(In thousands)

(unaudited)

	Six Months Ended	
	2006	June 30, 2005
OPERATING ACTIVITIES:		
Net income	\$ 124,708	\$ 91,123
Adjustments to reconcile net income to net cash provided by operating activities		
Stock-based compensation	26,856	18,982
Depreciation and amortization	11,547	8,613
Provision for doubtful accounts	3,307	4,190
Other non-cash income	(3,470)	(3,228)
Changes in operating elements		
Receivables	(75,048)	(107,982)
Prepaid expenses and other	(5,498)	(3,477)
Accounts payable	65,323	80,824
Accrued compensation and profit sharing contribution	(34,955)	(12,337)
Accrued income taxes and other	2,913	867
Net cash provided by operating activities	115,683	77,575
INVESTING ACTIVITIES:		
Purchases of property and equipment, net	(15,802)	(12,455)
Purchases of available for-sale-securities	(55,116)	(51,620)
Sales/maturities of available for-sale-securities	54,512	50,824
Cash paid for acquisitions, net	(33,974)	(43,590)
Other	(928)	(1,609)
Net cash used for investing activities	(51,308)	(58,450)
FINANCING ACTIVITIES:		
Proceeds from stock issued for employee benefit plans	16,135	10,923
Repurchase of common stock	(37,695)	(15,483)
Excess tax benefit on stock based compensation plans	9,367	2,273
Cash dividends	(45,370)	(25,703)
Net cash used for financing activities	(57,563)	(27,990)
Effect of exchange rates on cash	1,966	(664)
Net increase (decrease) in cash and cash equivalents	8,778	(9,529)
CASH AND CASH EQUIVALENTS, beginning of period	230,628	166,476
CASH AND CASH EQUIVALENTS, end of period	\$ 239,406	\$ 156,947

See accompanying notes.

C.H. ROBINSON WORLDWIDE INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. General

Basis of Presentation

C.H. Robinson Worldwide, Inc. and our subsidiaries (the company, we, us, or our) are a global provider of multimodal transportation services and logistics solutions through a network of 203 branch offices operating in North America, South America, Europe, and Asia. The condensed consolidated financial statements include the accounts of C.H. Robinson Worldwide, Inc. and our majority owned and controlled subsidiaries. Our minority interests in subsidiaries are not significant. All intercompany transactions and balances have been eliminated in the condensed consolidated financial statements.

The condensed consolidated financial statements, which are unaudited, have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). In our opinion, these financial statements include all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the results of operations for the interim periods presented. The results of operations for the six months ended June 30, 2006 and 2005 are not necessarily indicative of results to be expected for the entire year.

Consistent with SEC rules and regulations, we have condensed or omitted certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States. You should read the condensed consolidated financial statements and related notes in conjunction with the consolidated financial statements and notes in our Annual Report on Form 10-K for the year ended December 31, 2005.

2. New Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes-an Interpretation of FASB Statement No. 109, (FIN 48) which clarifies the accounting for uncertainty in tax positions. This Interpretation requires that we recognize in our financial statements, the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The provisions of FIN 48 are effective for us as of January 1, 2007. We are currently in the process of evaluating the impact of the adoption of FIN 48.

3. Acquisitions

On May 18, 2006 we acquired the ongoing operations and certain assets of Payne, Lynch & Associates, Inc (Payne Lynch), a non-asset based third party logistics company that specializes in flat bed and over dimensional freight brokerage. The purchase price was \$30.0 million of which \$26.0 million in cash was paid at closing. The remaining \$4.0 million will be paid when certain conditions are met. The results reported in this quarterly report include those of Payne Lynch for the period May 18, 2006 through June 30, 2006.

4. Goodwill and Intangible Assets

A summary of our intangible assets as of June 30, 2006 is as follows (in thousands):

	Unamortizable intangible assets	Amortizable intangible assets
Gross	\$ 271,798	\$ 26,534
Accumulated amortization	(11,929)	(9,472)
Net	\$ 259,869	\$ 17,062

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The change in the carrying amount of goodwill for the period ended June 30, 2006 is as follows (in thousands):

Balance December 31, 2005	\$ 223,137
Goodwill associated with acquisitions	36,732
Balance June 30, 2006	\$ 259,869

The change in the carrying amount of amortizable intangible assets for the period ended June 30, 2006 is as follows (in thousands):

Balance December 31, 2005	\$ 18,520
Intangible assets associated with acquisitions	950
Amortization expense	(2,408)
Balance June 30, 2006	\$ 17,062

Amortization expense for the six months ended June 30, 2006 for other intangible assets was \$2.4 million. Estimated amortization expense for each of the five succeeding fiscal years based on the intangible assets at June 30, 2006 is as follows (in thousands):

Remainder of 2006	\$ 2,424
2007	4,652
2008	4,639
2009	4,422
2010	846
Thereafter	79

5. Litigation

As we previously disclosed, during 2002 we were named as a defendant in two lawsuits by a number of present and former employees. The first lawsuit alleged a hostile working environment, unequal pay, promotions, and opportunities for women, and failure to pay overtime. The second lawsuit alleges a failure to pay overtime. The plaintiffs in both lawsuits sought unspecified monetary and non-monetary damages and class