

EXPEDITORS INTERNATIONAL OF WASHINGTON INC
Form 10-Q
November 09, 2007

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, 2007

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.

Edgar Filing: EXPEDITORS INTERNATIONAL OF WASHINGTON INC - Form 10-Q

(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, 12th Floor, Seattle, Washington
(Address of principal executive offices)

98104
(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 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 Act). Yes No

At November 6, 2007, the number of shares outstanding of the issuer's Common Stock was 213,109,823.

-

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, 2007	December 31, 2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 557,182	\$ 511,358
Short-term investments	441	578
Accounts receivable, less allowance for doubtful accounts of \$14,338 at September 30, 2007 and \$13,454 at December 31, 2006	984,092	811,486
Deferred Federal and state income taxes	7,760	7,490
Other current assets	21,854	10,925
Total current assets	1,571,329	1,341,837
Property and equipment, less accumulated depreciation and amortization of \$207,100 at September 30, 2007 and \$178,695 at December 31, 2006	497,768	449,247
Goodwill, less accumulated amortization of \$765 at September 30, 2007 and December 31, 2006	7,927	7,927
Other intangibles, net	8,141	7,584
Other assets, net	20,044	15,743
	\$ 2,105,209	\$ 1,822,338
Liabilities and Shareholders Equity		
Current liabilities:		
Accounts payable	660,460	544,028
Accrued expenses, primarily salaries and related costs	146,821	122,081
Federal, state and foreign income taxes	33,739	43,036
Total current liabilities	841,020	709,145
Deferred Federal and state income taxes	60,160	26,743
Minority interest	16,696	16,515

Edgar Filing: EXPEDITORS INTERNATIONAL OF WASHINGTON INC - Form 10-Q

Shareholders equity:

Preferred stock, par value \$.01 per share		
Authorized 2,000,000 shares; none issued		
Common stock, par value \$.01 per share		
Authorized 320,000,000 shares; issued and outstanding 212,995,326 shares at September 30, 2007, and 213,080,466 shares at December 31, 2006	2,130	2,131
Additional paid-in capital	53,402	119,582
Retained earnings	1,103,253	934,058
Accumulated other comprehensive income	28,548	14,164
Total shareholders equity	1,187,333	1,069,935
Commitments and contingencies		
	\$ 2,105,209	\$ 1,822,338

See accompanying notes to condensed consolidated financial statements.

Certain 2006 amounts have been reclassified to conform to the 2007 presentation.

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,	
	2007	2006	2007	2006
Revenues:				
Airfreight	\$ 629,071	\$ 575,285	\$ 1,710,747	\$ 1,611,556
Ocean freight and ocean services	520,312	433,212	1,345,945	1,158,151
Customs brokerage and other services	261,642	223,163	731,897	619,931
Total revenues	1,411,025	1,231,660	3,788,589	3,389,638
Operating expenses:				
Airfreight consolidation	490,880	453,246	1,317,970	1,263,803
Ocean freight consolidation	424,383	343,909	1,088,191	915,568
Customs brokerage and other services	110,952	93,230	308,908	255,163
Salaries and related costs	205,206	183,995	585,360	517,422
Rent and occupancy costs	17,751	15,814	50,162	46,971
Depreciation and amortization	9,690	9,341	29,540	26,020
Selling and promotion	8,890	8,484	27,567	25,398
Other	23,752	22,384	65,107	63,832
Total operating expenses	1,291,504	1,130,403	3,472,805	3,114,177
Operating income	119,521	101,257	315,784	275,461
Interest expense	(22)	(4)	82	(41)
Interest income	5,586	4,236	16,336	12,900
Other, net	1,038	743	3,468	2,875
Other income, net	6,602	4,975	19,886	15,734
Earnings before income taxes and minority interest	126,123	106,232	335,670	291,195
Income tax expense	51,750	47,133	136,225	119,688
Net earnings before minority interest	74,373	59,099	199,445	171,507
Minority interest	(53)	4,704	(348)	977
Net earnings	\$ 74,320	\$ 63,803	\$ 199,097	\$ 172,484
Diluted earnings per share	\$.34	\$.29	\$.90	\$.78

Edgar Filing: EXPEDITORS INTERNATIONAL OF WASHINGTON INC - Form 10-Q

Basic earnings per share	\$.35	\$.30	\$.93	\$.81
Dividends declared and paid per common share	\$		\$		\$.14	\$.11
Weighted average diluted shares outstanding		221,649,693		221,417,053		221,993,433		220,539,975
Weighted average basic shares outstanding		213,485,465		213,524,680		213,388,675		213,557,892

See accompanying notes to condensed consolidated financial statements.

Certain 2006 amounts have been reclassified to conform to the 2007 presentation.

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,	
	2007	2006	2007	2006
Operating activities:				
Net earnings	\$ 74,320	\$ 63,803	\$ 199,097	\$ 172,484
Adjustments to reconcile net earnings to net cash provided by operating activities:				
Provision for losses on accounts receivable	701	259	346	752
Deferred income tax expense	13,216	3,378	25,456	15,967
Excess tax benefits from stock plans	(4,149)	(1,194)	(25,772)	(22,202)
Stock compensation expense	11,206	11,813	34,709	29,629
Depreciation and amortization	9,690	9,341	29,540	26,020
Gain on sale of assets	(802)		(1,004)	(214)
Minority interest in earnings of consolidated entities	53	(4,704)	348	(977)
Other	369	1,640	1,057	3,500
Changes in operating assets and liabilities:				
Increase in accounts receivable	(157,406)	(66,758)	(170,667)	(95,757)
Increase in other current assets	(1,821)	(2,150)	(2,325)	(3,922)