

C H ROBINSON WORLDWIDE INC

FORM 10-Q (Quarterly Report)

Filed 8/14/1998 For Period Ending 6/30/1998

Address	8100 MITCHELL ROAD #200 EDEN PRAIRIE, Minnesota 55344
Telephone	612-937-8500
CIK	0001043277
Industry	Misc. Transportation
Sector	Transportation
Fiscal Year	12/31

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, 1998

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)

41-1883630
(I.R.S. Employer
Identification No.)

8100 South Mitchell Road, Suite 200, Eden Prairie, Minnesota 55344-2248
(Address of principal executive offices) (Zip Code)

(612) 937-8500
(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 /x/ No

As of July 31, 1998, the number of outstanding shares of the registrant's common stock was 41,208,887.

PART I -- FINANCIAL INFORMATION

ITEM 1. Financial Statements

C.H. ROBINSON WORLDWIDE, INC. AND SUBSIDIARIES Condensed Consolidated Balance Sheets (In Thousands, except per share amounts)

ASSETS	June 30, 1998 (Unaudited)	December 31, 1997
	-----	-----
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 81,396	\$ 62,497
Available-for-sale securities	25,539	10,428
Receivables, net of allowance for doubtful accounts of \$11,107 and \$8,936	248,537	206,743
Inventories	4,060	3,109
Deferred tax benefit	3,710	4,781
Prepaid expenses and other	5,080	5,797
Income taxes receivable	--	17,334
	-----	-----
Total current assets	368,322	310,689
PROPERTY AND EQUIPMENT, net	21,848	22,226
INTANGIBLE & OTHER ASSETS, net	8,083	7,713
	-----	-----
	\$ 398,253	\$ 340,628
	=====	=====
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
CURRENT LIABILITIES:		
Accounts Payable	\$ 208,444	\$ 166,789
Accrued Expenses --		
Compensation and profit-sharing contribution	14,818	22,107
Income taxes & other	22,424	12,751
	-----	-----
Total current liabilities	245,686	201,647
STOCKHOLDERS' INVESTMENT		
Preferred stock, \$0.10 par value, 20,000 shares authorized; none outstanding	--	--
Common stock, \$0.10 par value; 130,000 shares authorized, 41,265 issued, 41,211 and 41,265 outstanding	4,121	4,126
Additional paid-in capital	60,862	62,108
Retained Earnings	88,549	73,465
Foreign currency translation adjustment	(965)	(718)
	-----	-----
Total stockholders' investment	152,567	138,981
	-----	-----
	\$ 398,253	\$ 340,628
	=====	=====

The accompanying notes are an integral part of these condensed consolidated balance sheets.

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 June 30,		Six Months Ended June 30,	
	1998	1997	1998	1997
GROSS REVENUES	\$546,672	\$451,447	\$ 1,014,861	\$855,152
COST OF TRANSPORTATION AND PRODUCTS	483,380	399,177	896,348	755,996
NET REVENUES	63,292	52,270	118,513	99,156
SELLING GENERAL AND ADMINISTRATIVE EXPENSES	44,671	36,994	86,538	72,465
INCOME FROM OPERATIONS	18,621	15,276	31,975	26,691
INVESTMENT AND OTHER INCOME	639	1,030	1,130	1,881
INCOME FROM CONTINUING OPERATIONS BEFORE PROVISION FOR INCOME TAXES	19,260	16,306	33,105	28,572
PROVISION FOR INCOME TAXES	7,648	6,499	13,119	11,339
NET INCOME FROM CONTINUING OPERATIONS	11,612	9,807	19,986	17,233
NET INCOME FROM DISCONTINUED OPERATIONS, net of income taxes	--	461	--	900
NET INCOME	\$ 11,612	\$ 10,268	\$ 19,986	\$ 18,133
OTHER COMPREHENSIVE INCOME:				
Foreign currency translation adjustment	(202)	--	(247)	--
COMPREHENSIVE INCOME	\$ 11,410	\$ 10,268	\$ 19,739	\$ 18,133
BASIC NET INCOME PER SHARE:				
From continuing operations	\$ 0.28	\$ 0.24	\$ 0.48	\$ 0.42
From discontinued operations	--	0.01	--	0.02
Net income	\$ 0.28	\$ 0.25	\$ 0.48	\$ 0.44
DILUTED NET INCOME PER SHARE:				
From continuing operations	\$ 0.28	\$ 0.24	\$ 0.48	\$ 0.42
From discontinued operations	--	0.01	--	0.02
Net income	\$ 0.28	\$ 0.25	\$ 0.48	\$ 0.44
BASIC WEIGHTED AVERAGE SHARES OUTSTANDING	41,215	41,253	41,233	41,306
DILUTIVE EFFECT OF OUTSTANDING STOCK OPTIONS	100	--	101	--
DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING	41,315	41,253	41,334	41,306

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

C.H. ROBINSON WORLDWIDE INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(In Thousands)

(unaudited)

	Six Months Ended June 30,	
	1998	1997
OPERATING ACTIVITIES:		
Net income	\$ 19,986	\$ 18,133
Adjustments to reconcile net income to net cash provided by operating activities -		
Depreciation and amortization	4,137	4,073
Loss on sale of assets	11	75
Deferred income taxes	532	(1,662)
Changes in operating elements -		
Receivables	(41,794)	(33,376)
Inventories	(951)	258
Prepaid expenses and other current assets	717	424
Accounts payable	41,655	25,393
Accrued compensation and profit sharing	(7,289)	(5,411)
Accrued income taxes and other	27,007	4,403
Net cash provided by operating activities	44,011	12,310
INVESTING ACTIVITIES:		
Additions of property and equipment	(2,791)	(2,807)
Disposals of property and equipment	22	26
Sales/maturities of available-for-sale securities	12,053	34,362
Purchases of available-for-sale securities	(27,162)	(41,876)
Cash used by discontinued operations	--	(2,332)
Other, net	(1,036)	176
Net cash used for investing activities	(18,914)	(12,451)
FINANCING ACTIVITIES:		
Sales of common stock	826	103
Repurchase of common stock	(2,077)	(1,416)
Cash dividends	(4,947)	(825)
Net cash used for financing activities	(6,198)	(2,138)
Net increase in cash and cash equivalents	18,899	(2,279)
CASH AND CASH EQUIVALENTS, beginning of period	62,497	42,567
CASH AND CASH EQUIVALENTS, end of period	\$ 81,396	\$ 40,288

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

C.H. ROBINSON WORLDWIDE INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

GENERAL:

C.H. Robinson Worldwide, Inc. and Subsidiaries (the "Company") is a global provider of multimodal transportation services and logistic solutions through a network of branch offices throughout the United States, along with offices in Canada, Mexico, Belgium, the United Kingdom, France, Italy, Poland, Brazil and South Africa. The condensed consolidated financial statements include the accounts of C.H. Robinson Worldwide, Inc. and its majority owned and controlled subsidiaries. The Company's financial services segment, which was sold in the fourth quarter of 1997, is presented in the accompanying consolidated financial statements as discontinued operations. Minority interests in subsidiaries are not significant. All significant 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 management's 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 three and six months ended June 30, 1998 and 1997 are not necessarily indicative of results to be expected for the entire year. Pursuant to SEC rules and regulations, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted from these statements. The condensed consolidated financial statements and notes thereto should be read in conjunction with the financial statements and notes included in the Company's Annual Report on Form 10-K.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENT:

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 131 "Disclosures about Segments of an Enterprise and Related Information" (SFAS No. 131) in June 1997. SFAS No. 131 establishes accounting standards for segment reporting and is effective for fiscal years beginning after December 15, 1997. The adoption of SFAS No. 131 is not expected to affect the Company's financial statements or the disclosures contained therein.

ITEM 2. Managements' Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of the financial condition and results of operations of the Company should be read in conjunction with the Company's Condensed Consolidated Financial Statements and Notes thereto.

GENERAL

Gross revenues represent the total amount of services and goods sold by the Company to its customers. Costs of transportation and products include direct costs of transportation contracted by the Company, including motor carrier, intermodal, ocean, air, and other costs, and the purchase price of products sourced by the Company. The Company acts principally as a service provider to add value and expertise in the execution and procurement of these services for its customers. The net revenues of the Company (gross revenues less costs of transportation and products) are the primary indicator of the Company's ability to source, add value and resell services and products that are provided by third parties, and are considered by management to be the primary measurement of growth for the Company. Accordingly, the discussion of results of operations below focuses on the changes in the Company's net revenues.

In the transportation industry generally, results of operations show a seasonal pattern as customers reduce shipments during and after the winter holiday season. In recent years, the Company's operating income and income from continuing operations have been higher in the second and third quarters than in the first and fourth quarters. Although seasonality in the transportation industry has not had a significant impact on the Company's cash flow or results of operations in recent years, the Company cannot fully predict the impact it may have in the future. Inflation has not materially affected the Company's operations due to the short-term, transactional basis of its business.

RESULTS OF OPERATIONS

The following table summarizes net revenue by service line:

	Three Months Ended June 30,			Six Months Ended June 30,		
	1998	1997	% change	1998	1997	% change
Net Revenue (in thousands)						
Transportation	\$ 48,485	\$ 39,707	22.1%	\$ 90,225	\$ 75,682	19.2%
Sourcing	12,186	10,564	15.4%	23,283	19,662	18.4%
Information services	2,621	1,999	31.1%	5,005	3,812	31.3%
Total	\$ 63,292	\$ 52,270	21.1%	\$ 118,513	\$ 99,156	19.5%

The following table represents certain income statement data shown as percentages of the Company's net revenues:

	Three Months Ended June 30,		Six Months Ended June 30,	
	1998	1997	1998	1997
Net revenues	100.0%	100.0%	100.0%	100.0%
Selling, general and administrative expenses	70.6%	70.8%	73.0%	73.1%
Income from operations	29.4%	29.2%	27.0%	26.9%
Investment and other income	1.0%	2.0%	1.0%	1.9%
Income from continuing operations before provision for income taxes	30.4%	31.2%	28.0%	28.8%
Provision for income taxes	12.1%	12.4%	11.1%	11.4%
Net income from continuing operations	18.3%	18.8%	16.9%	17.4%

THREE MONTHS ENDED JUNE 30, 1998 COMPARED TO THREE MONTHS ENDED JUNE 30, 1997

Revenues. Gross revenues for the three months ended June 30, 1998 were \$546.7 million, an increase of 21.1% over gross revenues of \$451.4 million for the three months ended June 30, 1997. Net revenues for the three months ended June 30, 1998 were \$63.3 million, an increase of 21.1% over net revenues of \$52.3 million for the three months ended June 30, 1997, resulting from an increase in transportation services net revenues of 22.1% to \$48.5 million, an increase in sourcing net revenues of 15.4% to \$12.2 million, and an increase in information services net revenues of 31.1% to \$2.6 million.

The increase in transportation net revenue resulted primarily from an increase in transaction volume. The increase in transaction volume was driven by significant expansion of business with current customers and from new domestic and international customers.

Sourcing net revenues increased by 15.4% due principally to net revenue growth from sourcing produce for the Company's large retail chain customers and a new program with an international produce exporter.

The increase in information services net revenue was the result of significant growth in transaction volume. Net revenue per transaction decreased slightly due to the increase in less expensive electronic transactions which have been growing faster than manual transactions.

Selling, General and Administrative Expenses. Selling, general and administrative expenses for the three months ended June 30, 1998 were \$44.7 million, an increase of 20.8% over \$37.0 million for the three months ended June 30, 1997. Selling, general and administrative expenses as a percent of net revenue remained relatively constant at 70.6% for the three months ended June 30, 1998 compared to 70.8% for the three months ended June 30, 1997.

Income from Operations. Income from operations was \$18.6 million for the three months ended June 30, 1998, an increase of 21.9% over \$15.3 million for the three months ended June 30, 1997. Income

from operations as a percent of net revenue were 29.4% and 29.2% for the three months ended June 30, 1998 and for the three months ended June 30, 1997, respectively.

Investment and Other Income. Investment and other income was \$639,000 for the three months ended June 30, 1998, a decrease of 38.0% from \$1.0 million for the three months ended June 30, 1997. This decrease was the result of a special dividend paid on October 10, 1997 in conjunction with the initial public offering, which lowered the amount of cash available for investments.

Provision for Income Taxes. The effective income tax rates for continuing operations were 39.7% and 39.9% for the three months ended June 30, 1998 and for the three months ended June 30, 1997. The effective income tax rate for both periods is greater than the statutory federal income tax rate primarily due to state income taxes, net of federal benefit.

Net Income from Continuing Operations. Net income from continuing operations was \$11.6 million for the three months ended June 30, 1998, an increase of 18.4% over \$9.8 million for the three months ended June 30, 1997. Net income from continuing operations per share increased by 16.7% to \$0.28 (basic and diluted) for the three months ended June 30, 1998 compared to \$0.24 (basic and diluted) for the three months ended June 30, 1997.

SIX MONTHS ENDED JUNE 30, 1998 COMPARED TO SIX MONTHS ENDED JUNE 30, 1997

Revenues. Gross revenues for the six months ended June 30, 1998 were \$1.0 billion, an increase of 18.7% over gross revenues of \$855.2 million for the six months ended June 30, 1997. Net revenues for the six months ended June 30, 1998 were \$118.5 million, an increase of 19.5% over net revenues of \$99.2 million for the six months ended June 30, 1997, resulting from an increase in transportation services net revenues of 19.2% to \$90.2 million, an increase in sourcing net revenues of 18.4% to \$23.3 million, and an increase in information services net revenues of 31.3% to \$5.0 million.

The increase in transportation net revenue resulted primarily from an increase in transaction volume. The increase in transaction volume was driven by significant expansion of business with current customers and from new domestic and international customers.

Sourcing net revenues increased by 18.4% due principally to net revenue growth from sourcing produce for the Company's large retail chain customers, a new program with an international produce exporter and temporary opportunities created by adverse weather conditions in major produce growing areas. The Company's branch network and relationships with produce growers worldwide provided the Company with sources of produce in this challenging market and provided growth to both the number of transactions and the profit per transaction.

The increase in information services net revenue was the result of significant growth in transaction volume. Net revenue per transaction decreased slightly due to the increase in less expensive electronic transactions which have been growing faster than manual transactions.

Selling, General and Administrative Expenses. Selling, general and administrative expenses for the six months ended June 30, 1998 were \$86.5 million, an increase of 19.4% over \$72.5 million for the six months ended June 30, 1997. Selling, general and administrative expenses as a percent of net revenue remained relatively constant at 73.0% for the six months ended June 30, 1998 compared to 73.1% for the six months ended June 30, 1997.

Income from Operations. Income from operations was \$32.0 million for the six months ended June 30, 1998, an increase of 19.8% over \$26.7 million for the six months ended June 30, 1997. Income from operations as a percent of net revenue were 27.0% and 26.9% for the six months ended June 30, 1998 and for the six months ended June 30, 1997, respectively.

Investment and Other Income. Investment and other income was \$1.1 million for the six months ended June 30, 1998, a decrease of 39.9% from \$1.9 million for the six months ended June 30, 1997. This decrease was the result of a special dividend paid on October 10, 1997 in conjunction with the initial public offering, which lowered the amount of cash available for investments.

Provision for Income Taxes. The effective income tax rates for continuing operations were 39.6% and 39.7% for the six months ended June 30, 1998 and for the six months ended June 30, 1997. The effective income tax rate for both periods is greater than the statutory federal income tax rate primarily due to state income taxes, net of their federal benefit.

Net Income from Continuing Operations. Net income from continuing operations was \$20.0 million for the six months ended June 30, 1998, an increase of 16.0% over \$17.2 million for the six months ended June 30, 1997. Net income from continuing operations per share increased by 14.3% to \$0.48 (basic and diluted) for the six months ended June 30, 1998 compared to \$0.42 (basic and diluted) for the six months ended June 30, 1997.

LIQUIDITY AND CAPITAL RESOURCES

The Company has historically generated substantial cash from operations which has enabled it to fund its growth while paying cash dividends and repurchasing stock. Cash and cash equivalents totaled \$81.4 million and \$62.5 million and available-for-sale securities totaled \$25.5 million and \$10.4 million as of June 30, 1998 and December 31, 1997, respectively. Working capital at June 30, 1998 and December 31, 1997 totaled \$122.6 million and \$109.0 million, respectively. The Company has had no long-term debt for the last five years.

Management believes that the Company's available cash, together with expected future cash generated from operations, is expected to be sufficient to satisfy its anticipated needs for working capital, capital expenditures, cash dividends and stock repurchases. In addition, the Company has \$17.5 million available under its two existing lines of credit at interest rates of 6.7% and 6.6%, respectively, as of June 30, 1998. The lines of credit do not restrict the payment of dividends. There were no borrowings under the lines of credit during 1997 or the six months ended June 30, 1998.

The Company continues to assess what impact the year 2000 will have on its current information systems. A plan is underway to complete necessary programming using primarily internal resources. The cost of this programming is not expected to be material to the Company's overall financial position and is being expensed as incurred. The Company believes that failure by its customers or suppliers to address this issue in a timely manner will not have a significant impact on the Company or its operations.

CAUTIONARY STATEMENT RELEVANT TO FORWARD-LOOKING INFORMATION

The foregoing Management's Discussion and Analysis of Financial Condition and Results of Operations contains certain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements represent the Company's expectations or beliefs, including, but not limited to, statements concerning the Company's operations and financial performance and condition. When used in this Form 10-Q and in future filings by the Company with the Securities and Exchange Commission, in the Company's press releases, presentations to securities analysts or investors, in oral statements made by or with the approval of an executive officer of the Company, the words or phrases "believes," "may," "will," "expects," "should," "continue," "anticipates," "intends," "will likely result," "estimates," "projects" or similar expressions and variations thereof are intended to identify such forward-looking statements. However, any statements contained in this Form 10-Q that are not statements of historical fact may be deemed to be forward-looking statements. The Company cautions that these statements by their nature involve risks and uncertainties, certain of which are beyond the Company's control, and actual results may differ materially depending on a variety of important factors, including those described in Exhibit 99 to the Company's Form 10-K filed with the Securities and Exchange Commission with respect to the Company's fiscal year ended December 31, 1997.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

PART II -- OTHER INFORMATION

ITEM 1. Legal Proceedings

In accordance with reporting requirements promulgated by the Securities and Exchange Commission, the Company has no new information to report regarding legal proceedings for this Quarterly Report on Form 10-Q.

ITEM 2. Changes in Securities and Use of Proceeds

None.

ITEM 3. Defaults Upon Senior Securities

None.

ITEM 4. Submission of Matters to a Vote of Security Holders

The Annual Meeting of the Company's stockholders was held on May 5, 1998. At the meeting, stockholders voted on the reelection of two directors for terms expiring at the Annual Meeting of the Company in 2001. Each of the directors was reelected by a vote as follows: D.R. Verdoorn received 25,634,013 votes "For" and 84,671 votes were "Withheld;" and Barry W. Butzow received 25,616,591 votes "For" and 102,093 votes were "Withheld."

ITEM 5. Other Information

None.

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits

27 Financial Data Schedule

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the quarter ended June 30, 1998.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: August 13, 1998

C.H.ROBINSON WORLDWIDE, INC.

By */s/ D. R. Verdoorn*

D.R. Verdoorn
Chief Executive Officer

By */s/ Chad Lindbloom*

Chad Lindbloom
Controller
(principal accounting officer)

EXHIBIT INDEX

Exhibit No. -----	Description -----
27	Financial Data Schedule

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF C.H. ROBINSON WORLDWIDE, INC. AND SUBSIDIARIES FOR THE SIX MONTHS ENDED JUNE 30, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

MULTIPLIER: 1,000

PERIOD TYPE	6 MOS
FISCAL YEAR END	DEC 31 1998
PERIOD START	JAN 01 1998
PERIOD END	JUN 30 1998
CASH	81,396
SECURITIES	25,539
RECEIVABLES	259,644
ALLOWANCES	11,107
INVENTORY	4,060
CURRENT ASSETS	368,322
PP&E	43,139
DEPRECIATION	21,291
TOTAL ASSETS	398,253
CURRENT LIABILITIES	245,686
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	4,121
OTHER SE	148,446
TOTAL LIABILITY AND EQUITY	398,253
SALES	0
TOTAL REVENUES	1,014,861
CGS	0
TOTAL COSTS	982,886
OTHER EXPENSES	0
LOSS PROVISION	2,635
INTEREST EXPENSE	0
INCOME PRETAX	33,105
INCOME TAX	13,119
INCOME CONTINUING	19,986
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	19,986
EPS PRIMARY	.48
EPS DILUTED	.48

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