

EXPEDITORS INTERNATIONAL OF WASHINGTON INC
Form 10-Q
August 09, 2006

**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 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: 0-13468

EXPEDITORS INTERNATIONAL OF WASHINGTON, INC.

(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)

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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 August 4, 2006, the number of shares outstanding of the issuer's Common Stock was 213,285,940

PART I. FINANCIAL INFORMATION**Item 1. Financial Statements**EXPEDITORS INTERNATIONAL OF WASHINGTON, INC.
AND SUBSIDIARIESCondensed Consolidated Balance Sheets
(In thousands, except share data)
(Unaudited)

	June 30, 2006	December 31, 2005
Assets		
Current assets:		
Cash and cash equivalents	\$ 454,694	\$ 463,894
Short-term investments	415	123
Accounts receivable, less allowance for doubtful accounts of \$13,397 at June 30, 2006 and \$12,777 at December 31, 2005	751,929	709,331
Deferred Federal and state income taxes	6,679	7,208
Other current assets	28,191	21,405
Total current assets	1,241,908	1,201,961
Property and equipment, less accumulated depreciation and amortization of \$163,939 at June 30, 2006 and \$152,304 at December 31, 2005	444,285	333,787
Goodwill, less accumulated amortization of \$765 at June 30, 2006 and December 31, 2005	7,774	7,774
Other intangibles, net	8,367	8,997
Other assets, net	13,216	13,525
	\$ 1,715,550	\$ 1,566,044
Liabilities and Shareholders Equity		
Current liabilities:		
Accounts payable	529,518	479,546
Accrued expenses, primarily salaries and related costs	128,516	103,674
Federal, state and foreign income taxes	28,754	29,281
Total current liabilities	686,788	612,501
Deferred Federal and state income taxes	29,019	13,278
Minority interest	30,142	13,883
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 213,258,504 shares at June 30, 2006, and 213,227,042 shares at December 31, 2005	2,133	2,132
Additional paid-in capital	132,120	180,905
Retained earnings	831,090	745,984
Accumulated other comprehensive income	4,258	(2,639)
Total shareholders equity	969,601	926,382

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Commitments and contingencies

	\$	1,715,550	\$	1,566,044
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See accompanying notes to condensed consolidated financial statements.

Certain 2005 amounts have been restated as required by the modified retrospective method in connection with the implementation of SFAS 123R and other amounts have been reclassified to conform to the 2006 presentation.

All share and per share amounts have been adjusted for the 2-for-1 stock split effective June 2006.

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EXPEDITORS INTERNATIONAL OF WASHINGTON, INC.
AND SUBSIDIARIES

Condensed Consolidated Statements of Earnings
(In thousands, except share data)

(Unaudited)

	Three months ended June 30, 2006		Six months ended June 30, 2006	
	2005	2005	2005	2005
Revenues:				
Airfreight	\$ 545,273	\$ 421,213	\$ 1,036,271	\$ 794,098
Ocean freight and ocean services	380,280	336,934	724,939	634,078
Customs brokerage and other services	203,771	169,852	392,706	324,987
Total revenues	1,129,324	927,999	2,153,916	1,753,163
Operating expenses:				
Airfreight consolidation	429,976	330,269	810,557	614,707
Ocean freight consolidation	300,780	277,259	571,659	521,229
Customs brokerage and other services	84,998	69,811	161,933	135,884
Salaries and related costs	172,453	145,624	333,427	278,515
Rent and occupancy costs	13,372	13,457	27,095	27,205
Depreciation and amortization	8,626	7,603	16,679	14,942
Selling and promotion	8,957	7,120	16,914	14,666
Other	21,359	18,127	41,448	36,838
Total operating expenses	1,040,521	869,270	1,979,712	1,643,986
Operating income	88,803	58,729	174,204	109,177
Interest expense	(10)	(219)	(37)	(248)
Interest income	4,390	2,725	8,664	4,872
Other, net	465	874	2,132	2,070
Other income, net	4,845	3,380	10,759	6,694
Earnings before income taxes and minority interest	93,648	62,109	184,963	115,871
Income tax expense	35,503	24,083	72,555	45,745
Net earnings before minority interest	\$ 58,145	\$ 38,026	\$ 112,408	\$ 70,126
Minority interest	(1,816)	(1,328)	(3,727)	(2,382)
Net earnings	\$ 56,329	\$ 36,698	\$ 108,681	\$ 67,744
Basic earnings per share	\$.26	\$.17	\$.51	\$.32
Diluted earnings per share	\$.25	\$.17	\$.49	\$.31
Dividends declared per common share	\$.11	\$.075	\$.11	\$.075
Weighted average basic shares outstanding	213,725,395	213,552,092	213,574,773	213,504,726
Weighted average diluted shares outstanding	224,374,720	220,901,114	224,051,286	221,160,880

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See accompanying notes to condensed consolidated financial statements.

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All share and per share amounts have been adjusted for the 2-for-1 stock split effective June 2006.

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EXPEDITORS INTERNATIONAL OF WASHINGTON, INC.
AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows
(In thousands)

(Unaudited)

	Three months ended		Six months ended	
	June 30, 2006	2005	June 30, 2006	2005
Operating activities:				
Net earnings	\$ 56,329	\$ 36,698	\$ 108,681	\$ 67,744
Adjustments to reconcile net earnings to net cash provided by operating activities:				
Provision for losses on accounts receivable	647	(394)	493	(358)
Deferred income tax expense	20,790	8,117	33,597	14,902
Excess tax benefits from employee stock plans	(14,973)	(4,747)	(21,008)	(6,322)
Stock compensation expense	9,418	9,576	17,816	16,684
Depreciation and amortization	8,626	7,603	16,679	14,942
Gain on sale of property and equipment	(68)	(26)	(215)	(45)
Minority interest in earnings of consolidated entities	1,815	833	4,011	1,670
Other	789	1,220	1,577	293
Changes in operating assets and liabilities:				
Increase in accounts receivable	(49,838)	(45,318)	(28,999)	(1,648)
Increase in other current assets	(11,394)	(4,539)		