

GENESEE & WYOMING INC
Form 10-Q
November 09, 2016
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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, 2016

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 001-31456

GENESEE & WYOMING INC.

(Exact name of registrant as specified in its charter)

Delaware 06-0984624
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

20 West Avenue, Darien, Connecticut 06820
(Address of principal executive offices)(Zip
Code)
(203) 202-8900
(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 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 ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

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Shares of common stock outstanding as of the close of business on November 1, 2016:

| Class | Number of Shares Outstanding |
|----------------------|------------------------------|
| Class A Common Stock | 57,300,131 |
| Class B Common Stock | 786,138 |

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Unless the context otherwise requires, when used in this Quarterly Report on Form 10-Q, the terms "Genesee & Wyoming," "G&W," the "Company," "we," "our" and "us" refer to Genesee & Wyoming Inc. and its subsidiaries. All references to currency amounts included in this Quarterly Report on Form 10-Q, including the financial statements, are in United States dollars unless specifically noted otherwise. The term carload represents physical railcars and the estimated railcar equivalents of commodities transported by metric ton or other measure, as well as intermodal units. From time to time, we may use our website as a channel of distribution of material company information. Financial and other material information regarding the Company is routinely posted on and accessible at www.gwrr.com/investors. In addition, you may automatically receive email alerts and other information about us by enrolling your email address in the "Email Alerts" section of www.gwrr.com/investors. The information contained on or connected to our Internet website is not deemed to be incorporated by reference in this Quarterly Report or filed with the SEC.

Forward-Looking Statements

This report and other documents referred to in this report contain forward-looking statements regarding future events and the future performance of Genesee & Wyoming Inc. that are based on current expectations, estimates and projections about our industry, our business and our performance, management's beliefs and assumptions made by management. Words such as "anticipates," "intends," "plans," "believes," "could," "should," "seeks," "expects," "will," "estimates," "trends," "outlook," variations of these words and similar expressions are intended to identify these forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to forecast, including the following: risks related to the operation of our railroads; severe weather conditions and other natural occurrences that could result in shutdowns, derailments, railroad network congestion or other substantial disruption of operations; customer demand and changes in our operations or loss of important customers; exposure to the credit risk of customers and counterparties; changes in commodity prices; consummation and integration of acquisitions; economic, political and industry conditions, including employee strikes or work stoppages; retention and contract continuation; legislative and regulatory developments, including changes in environmental and other laws and regulations to which we or our customers are subject; increased competition in relevant markets; funding needs and financing sources, including our ability to obtain government funding for capital projects; international complexities of operations, currency fluctuations, finance, tax and decentralized management; challenges of managing rapid growth, including retention and development of senior leadership; unpredictability of fuel costs; susceptibility to various legal claims and lawsuits; increase in, or volatility associated with, expenses related to estimated claims, self-insured retention amounts and insurance coverage limits; consummation of new business opportunities; decrease in revenues and/or increase in costs and expenses; susceptibility to the risks of doing business in foreign countries; uncertainties arising from a referendum in which voters in the United Kingdom (U.K.) approved an exit from the European Union (E.U.), commonly referred to as Brexit; our ability to integrate acquired businesses successfully or to realize the expected synergies associated with acquisitions; risks associated with our substantial indebtedness and others including, but not limited to, those set forth in Part II, Item 1A of this Quarterly Report on Form 10-Q, if any, and those noted in our 2015 Annual Report on Form 10-K under "Risk Factors." Therefore, actual results may differ materially from those expressed or forecasted in any such forward-looking statements. Forward-looking statements speak only as of the date of this report or as of the date they were made. We do not undertake, and expressly disclaim, any duty to publicly update any forward-looking statement, whether as a result of new information, future events, or otherwise, except as required by law.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

GENESEE & WYOMING INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

AS OF SEPTEMBER 30, 2016 and DECEMBER 31, 2015 (Unaudited)

(dollars in thousands, except per share and share amounts)

| | September 30, 2016 | December 31, 2015 |
|---|-----------------------|----------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 26,366 | \$ 35,941 |
| Accounts receivable, net | 366,121 | 382,458 |
| Materials and supplies | 47,626 | 45,790 |
| Prepaid expenses and other | 47,018 | 43,197 |
| Total current assets | 487,131 | 507,386 |
| PROPERTY AND EQUIPMENT, net | 4,209,583 | 4,215,063 |
| GOODWILL | 824,957 | 826,575 |
| INTANGIBLE ASSETS, net | 1,053,664 | 1,128,952 |
| DEFERRED INCOME TAX ASSETS, net | 2,623 | 2,270 |
| OTHER ASSETS, net | 37,928 | 22,836 |
| Total assets | \$ 6,615,886 | \$ 6,703,082 |
| LIABILITIES AND EQUITY | | |
| CURRENT LIABILITIES: | | |
| Current portion of long-term debt | \$ 85,841 | \$ 75,966 |
| Accounts payable | 246,171 | 282,275 |
| Accrued expenses | 163,893 | 169,586 |
| Total current liabilities | 495,905 | 527,827 |
| LONG-TERM DEBT, less current portion | 1,977,649 | 2,205,785 |
| DEFERRED INCOME TAX LIABILITIES, net | 994,670 | 983,136 |
| DEFERRED ITEMS - grants from outside parties | 302,223 | 292,198 |
| OTHER LONG-TERM LIABILITIES | 185,749 | 174,675 |
| COMMITMENTS AND CONTINGENCIES | | |
| EQUITY: | | |
| Class A Common Stock, \$0.01 par value, one vote per share; 180,000,000 shares authorized at September 30, 2016 and December 31, 2015; 70,071,227 and 69,674,185 shares issued and 57,290,856 and 56,945,384 shares outstanding (net of 12,780,371 and 12,728,801 shares in treasury) on September 30, 2016 and December 31, 2015, respectively | 701 | 697 |
| Class B Common Stock, \$0.01 par value, ten votes per share; 30,000,000 shares authorized at September 30, 2016 and December 31, 2015; 793,138 shares issued and outstanding on September 30, 2016 and December 31, 2015 | 8 | 8 |
| Additional paid-in capital | 1,376,805 | 1,355,345 |
| Retained earnings | 1,676,879 | 1,544,676 |
| Accumulated other comprehensive loss | (163,831) | (153,457) |
| Treasury stock, at cost | (230,872) | (227,808) |
| Total equity | 2,659,690 | 2,519,461 |
| Total liabilities and equity | \$ 6,615,886 | \$ 6,703,082 |

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

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GENESEE & WYOMING INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 and 2015 (Unaudited)
(in thousands, except per share amounts)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---------------------|--|------------|------------------------------------|--------------|
| | 2016 | 2015 | 2016 | 2015 |
| OPERATING REVENUES | \$ 501,002 | \$ 546,299 | \$ 1,484,993 | \$ 1,485,548 |
| OPERATING EXPENSES: | | | | |
| Labor and benefits | 156,235 | 158,675 | 475,297 | 456,089 |
| Equipment rents | 36,778 | 44,630 | 113,634 | 110,145 |
| Purchased services | 50,991 | 55,291 | 149,125 | |