

WORLD FUEL SERVICES CORP

Form 10-Q

August 09, 2007

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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, DC 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, 2007

**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 1-9533

**WORLD FUEL SERVICES CORPORATION**

(Exact name of registrant as specified in its charter)

**Florida**  
(State or other jurisdiction of

incorporation or organization)

**9800 N.W. 41<sup>st</sup> Street, Suite 400**

**Miami, Florida**  
(Address of Principal Executive Offices)

**Registrant's Telephone Number, including area code: (305) 428-8000**

**59-2459427**  
(I.R.S. Employer

Identification No.)

**33178**  
(Zip 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.

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

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The registrant had a total of 28,557,000 shares of common stock, par value \$0.01 per share, issued and outstanding as of August 3, 2007.

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**Part I Financial Information**

**General**

The following unaudited consolidated financial statements and notes thereto of World Fuel Services Corporation and its subsidiaries have been prepared in accordance with the instructions to Quarterly Reports on Form 10-Q and, therefore, omit or condense certain footnotes and other information normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States. In the opinion of management, all adjustments necessary for a fair presentation of the financial information, which are of a normal and recurring nature, have been made for the interim periods reported. Results of operations for the three and six months ended June 30, 2007 will not necessarily be indicative of the results for the entire fiscal year. The unaudited consolidated financial statements and notes thereto included in this Form 10-Q for the quarterly period ended June 30, 2007 ( 10-Q Report ) should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006 ( 2006 10-K Report ). World Fuel Services Corporation ( World Fuel or the Company ) and its subsidiaries are collectively referred to in this 10-Q Report as we, our and us.

**Table of Contents****Item 1. Financial Statements****World Fuel Services Corporation****Consolidated Balance Sheets**

(Unaudited - In thousands, except share and per share data)

	June 30, 2007	As of December 31, 2006
<b>Assets:</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 220,587	\$ 176,495
Short-term investments		12,500
Accounts receivable, net	1,005,303	860,084
Inventories	85,246	74,519
Receivable related to derivative contracts	44,063	37,070
Prepaid expenses and other current assets	51,384	35,423
<b>Total current assets</b>	<b>1,406,583</b>	<b>1,196,091</b>
Property and equipment, net	31,891	26,730
Goodwill	44,321	44,321
Identifiable intangible assets, net	4,338	4,961
Non-current income tax receivable	3,809	
Other assets	7,844	5,297
<b>Total assets</b>	<b>\$ 1,498,786</b>	<b>\$ 1,277,400</b>
<b>Liabilities:</b>		
<b>Current liabilities:</b>		
Short-term debt	\$ 7	\$ 10
Accounts payable	886,928	720,790
Payables related to derivative contracts	44,489	34,209
Accrued expenses and other current liabilities	72,968	71,752
<b>Total current liabilities</b>	<b>1,004,392</b>	<b>826,761</b>
Long-term debt	20,060	20,062
Non-current income tax payable	22,989	
Deferred compensation and other long-term liabilities	4,080	4,608
<b>Total liabilities</b>	<b>1,051,521</b>	<b>851,431</b>
<b>Commitments and contingencies</b>		
<b>Shareholders' equity:</b>		
Preferred stock, \$1.00 par value; 100,000 shares authorized, none issued		
Common stock, \$0.01 par value; 50,000,000 shares authorized, 28,594,000 shares and 28,488,000 shares issued and outstanding at June 30, 2007 and December 31, 2006, respectively	286	285
Capital in excess of par value	173,909	170,275
Retained earnings	272,950	255,245
Accumulated other comprehensive income	120	164
<b>Total shareholders' equity</b>	<b>447,265</b>	<b>425,969</b>

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Total liabilities and shareholders' equity	\$ 1,498,786	\$ 1,277,400
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The accompanying notes are an integral part of these unaudited consolidated financial statements.

**Table of Contents****World Fuel Services Corporation****Consolidated Statements of Income**

(Unaudited - In thousands, except per share data)

	For the Three Months ended June 30,		For the Six Months ended June 30,	
	2007	2006	2007	2006
Revenue	\$ 3,273,359	\$ 2,856,852	\$ 5,975,568	\$ 5,390,858
Cost of sales	3,215,371	2,805,410	5,866,412	5,289,671
Gross profit	57,988	51,442	109,156	101,187
Operating expenses:				
Compensation and employee benefits	22,087	20,476	44,962	39,220
Executive severance costs		1,545		1,545
Provision for bad debts	(313)	640	(700)	1,148
General and administrative	14,148	11,745	25,877	22,285
	35,922	34,406	70,139	64,198
Income from operations	22,066	17,036	39,017	36,989
Other income (expense), net:				
Interest income	1,722	932	3,272	2,459
Interest expense and other financing costs	(551)	(400)	(1,228)	(1,004)
Other, net	381	301	281	(651)
	1,552	833	2,325	804
Income before income taxes	23,618	17,869	41,342	37,793
Provision for income taxes	6,506	3,287	9,345	8,403
	17,112	14,582	31,997	29,390
Minority interest in (income) loss of consolidated subsidiaries	(124)	(79)	(180)	90
Net income	\$ 16,988	\$ 14,503	\$ 31,817	\$ 29,480
Basic earnings per share	\$ 0.61	\$ 0.53	\$ 1.14	\$ 1.09
Basic weighted average shares	28,061	27,115	28,028	27,064
Diluted earnings per share	\$ 0.58	\$ 0.50	\$ 1.09	\$ 1.02
Diluted weighted average shares	29,103	28,873	29,107	28,780

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

**Table of Contents****World Fuel Services Corporation****Consolidated Statements of Cash Flows**

(Unaudited - In thousands)

	For the Six Months ended June 30,	
	2007	2006
<b>Cash flows from operating activities:</b>		
Net income	\$ 31,817	\$ 29,480
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Provision for bad debts	(700)	1,148
Depreciation and amortization	2,762	2,103
Executive severance costs		1,545
Deferred income tax (benefit) provision	(1,417)	2,620
Share based payment compensation costs for employees and non-employee directors	3,657	2,490
Unrealized losses from derivatives and related hedged items, net	41	265
Other non-cash operating charges	(187)	(32)
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable	(144,519)	(89,378)
Inventories	(10,148)	(19,109)
Receivables related to derivative contracts	(7,037)	(24,999)
Prepaid expenses and other current assets	(14,488)	6,570
Non-current income tax receivable and other assets	(1,389)	(118)
Accounts payable	166,138	105,514
Payables related to derivative contracts	9,660	15,032
Accrued expenses and other current liabilities	6,815	(5,739)
Non-current income tax payable, deferred compensation and other long-term liabilities	295	(165)
<b>Total adjustments</b>	<b>9,483</b>	<b>(2,253)</b>
<b>Net cash provided by operating activities</b>	<b>41,300</b>	<b>27,227</b>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(7,130)	(10,046)
Purchases of short-term investments	(20,060)	(21,055)
Proceeds from the sale of short-term investments	32,560	31,055
Acquisition of minority interests		(2,646)
<b>Net cash provided by (used in) investing activities</b>	<b>5,370</b>	<b>(2,692)</b>
<b>Cash flows from financing activities:</b>		
Dividends paid on common stock	(2,126)	(2,068)
Minority interest distribution	(426)	(410)
Repayment of promissory notes		(500)
Proceeds from exercise of stock options	626	4,670



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Purchases of stock tendered by employees to satisfy the required withholding taxes related to share-based awards		(939)		(109)	
Other		287		(248)	
Net cash (used in) provided by financing activities		(2,578)		1,335	
Net increase in cash and cash equivalents		44,092		25,870	
Cash and cash equivalents, at beginning of period		176,495		133,284	
Cash and cash equivalents, at end of period			\$	\$	- %
				47,215	52,651
			Checking accounts - non interest-bearing		
	\$	220,587			
Checking accounts - interest-bearing	126,754	0.72		133,198	0.54
Savings accounts	170,360	1.52		245,302	1.42
Money market accounts	29,683	1.66		43,452	1.20
Time deposits	541,030	4.52		488,504	3.40
Total deposits	\$ 915,042	3.11 %		\$ 963,107	2.21 %

Note: The interest rate or yield/cost described in the rate or yield/cost column is the weighted-average interest rate or yield/cost of all instruments, which are included in the balance of the respective line item.

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PROVIDENT FINANCIAL HOLDINGS, INC.  
Financial Highlights

(Unaudited)

As of September 30,

(Dollars in Thousands)	2006		2005	
	Balance	Rate	Balance	Rate
<b>BORROWINGS:</b>				
Overnight	\$ 55,000	5.41 %	\$ 71,500	4.05 %
Six months or less	148,800	5.18	47,000	3.76
Over six months to one year	70,000	4.08	10,000	2.36
Over one year to two years	92,000	4.21	60,000	3.46
Over two years to three years	50,000	3.74	67,000	3.77
Over three years to four years	47,000	4.01	50,000	3.74
Over four years to five years	103,000	5.10	47,000	4.01
Over five years	51,802	4.50	154,837	4.90
Total borrowings	\$ 617,602	4.65 %	\$ 507,337	4.11 %

SELECTED AVERAGE BALANCE SHEETS:	Quarter Ended September 30,	
	2006 Balance	2005 Balance
Loans receivable, net (1)	\$1,384,634	\$1,300,225
Investment securities	183,090	224,366
FHLB - San Francisco stock	38,370	37,921
Interest-earning deposits	1,443	4,699
Total interest-earning assets	\$1,607,537	\$1,567,211
Deposits	\$ 911,925	\$ 936,932
Borrowings	570,024	526,281
Total interest-bearing liabilities	\$1,481,949	\$1,463,213

	Quarter Ended September 30,	
	2006 Yield/Cost	2005 Yield/Cost
Loans receivable, net (1)	6.34%	5.86%
Investment securities	3.71%	3.23%
FHLB - San Francisco stock	5.36%	4.27%
Interest-earning deposits	5.27%	3.40%
Total interest-earning assets	6.02%	5.44%
Deposits	2.96%	2.11%
Borrowings	4.61%	4.04%
Total interest-bearing liabilities	3.60%	2.80%

(1) Includes loans held for investment, loans held for sale and receivable from sale of loans.

Note: Note: The interest rate or yield/cost described in the rate or yield/cost column is the weighted-average interest rate or yield/cost of all instruments, which are included in the balance of the respective line item.