

EXPEDITORS INTERNATIONAL OF WASHINGTON INC  
Form 10-Q  
August 06, 2010

**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, 2010

**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, 12<sup>th</sup> 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 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. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

At August 2, 2010, the number of shares outstanding of the issuer's Common Stock was 212,176,095.

**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)

	June 30, 2010	December 31, 2009
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 960,300	\$ 925,929
Short-term investments	705	655
Accounts receivable, less allowance for doubtful accounts of \$13,391 at June 30, 2010 and \$14,235 at December 31, 2009	1,016,575	810,369
Deferred Federal and state income taxes	8,141	8,338
Other	36,686	42,539
<b>Total current assets</b>	<b>2,022,407</b>	<b>1,787,830</b>
Property and equipment, less accumulated depreciation and amortization of \$264,468 at June 30, 2010 and \$264,372 at December 31, 2009	483,827	495,701
Goodwill, net	7,927	7,927
Other intangibles, net	4,218	4,938
Other assets, net	28,163	27,326
<b>Total assets</b>	<b>\$ 2,546,542</b>	<b>\$ 2,323,722</b>
<b>Current Liabilities:</b>		
Accounts payable	659,237	546,675
Accrued expenses, primarily salaries and related costs	176,943	145,545
Federal, state and foreign income taxes	28,356	16,166
<b>Total current liabilities</b>	<b>864,536</b>	<b>708,386</b>
Deferred Federal and state income taxes	47,198	53,989
Commitments and contingencies		
<b>Shareholders' Equity:</b>		
Preferred stock, none issued	0	0
Common stock, par value \$.01 per share		
Issued and outstanding 212,018,342 shares at June 30, 2010, and 212,025,494 shares at December 31, 2009	2,120	2,120
Additional paid-in capital	6,572	18,265
Retained earnings	1,634,771	1,532,018
Accumulated other comprehensive (loss) income	(17,043)	604
<b>Total shareholders' equity</b>	<b>1,626,420</b>	<b>1,553,007</b>
Noncontrolling interest	8,388	8,340
<b>Total equity</b>	<b>1,634,808</b>	<b>1,561,347</b>

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Total liabilities and equity	\$ 2,546,542	\$ 2,323,722
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See accompanying notes to condensed consolidated financial statements.

## EXPEDITORS INTERNATIONAL OF WASHINGTON, INC.

## AND SUBSIDIARIES

## Condensed Consolidated Statements of Earnings

(In thousands, except share data)

(Unaudited)

	Three months ended		Six months ended	
	2010	June 30, 2009	2010	June 30, 2009
<b>Revenues:</b>				
Airfreight services	\$ 732,881	\$ 371,359	\$ 1,292,264	\$ 745,815
Ocean freight and ocean services	493,613	299,292	874,857	617,926
Customs brokerage and other services	290,276	224,709	550,758	444,304
<b>Total revenues</b>	<b>1,516,770</b>	<b>895,360</b>	<b>2,717,879</b>	<b>1,808,045</b>
<b>Operating Expenses:</b>				
Airfreight consolidation	571,023	257,016	998,365	507,385
Ocean freight consolidation	400,729	218,891	701,819	457,117
Customs brokerage and other services	126,160	89,406	237,014	176,981
Salaries and related costs	221,105	189,565	420,953	376,774
Rent and occupancy costs	18,699	17,954	37,926	36,678
Depreciation and amortization	9,110	10,244	18,505	20,202
Selling and promotion	7,550	5,547	14,585	11,769
Other	23,898	19,810	49,675	42,738
<b>Total operating expenses</b>	<b>1,378,274</b>	<b>808,433</b>	<b>2,478,842</b>	<b>1,629,644</b>
<b>Operating income</b>	<b>138,496</b>	<b>86,927</b>	<b>239,037</b>	<b>178,401</b>
<b>Other Income (Expense):</b>				
Interest income	1,484	2,433	3,259	6,039
Interest expense	(151)	(64)	(238)	(79)
Other, net	10,288	2,081	10,897	6,634
<b>Other income, net</b>	<b>11,621</b>	<b>4,450</b>	<b>13,918</b>	<b>12,594</b>
<b>Earnings before income taxes</b>	<b>150,117</b>	<b>91,377</b>	<b>252,955</b>	<b>190,995</b>
<b>Income tax expense</b>	<b>59,708</b>	<b>37,563</b>	<b>101,236</b>	<b>77,812</b>
<b>Net earnings</b>	<b>90,409</b>	<b>53,814</b>	<b>151,719</b>	<b>113,183</b>
<b>Less: net earnings (losses) attributable to the noncontrolling interest</b>	<b>91</b>	<b>(256)</b>	<b>154</b>	<b>(147)</b>
<b>Net earnings attributable to shareholders</b>	<b>\$ 90,318</b>	<b>\$ 54,070</b>	<b>\$ 151,565</b>	<b>\$ 113,330</b>

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Diluted earnings attributable to shareholders per share	\$ .42	\$ .25	\$ .70	\$ .52
Basic earnings attributable to shareholders per share	\$ .43	\$ .25	\$ .71	\$ .53
Dividends declared and paid per common share	\$ .20	\$ .19	\$ .20	\$ .19
Weighted average diluted shares outstanding	216,460,977	216,653,968	216,576,596	216,519,551
Weighted average basic shares outstanding	212,332,375	212,116,679	212,262,928	212,108,636

See accompanying notes to condensed consolidated financial statements.

## EXPEDITORS INTERNATIONAL OF WASHINGTON, INC.

## AND SUBSIDIARIES

## Condensed Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	Three months ended		Six months ended	
	June 30, 2010	2009	June 30, 2010	2009
<b>Operating Activities:</b>				
Net earnings	\$ 90,409	\$ 53,814	\$ 151,719	\$ 113,183
Adjustments to reconcile net earnings to net cash provided by operating activities:				
Provision for losses on accounts receivable	(618)	(1,075)	1,825	1,569
Deferred income tax expense (benefit)	10,814	(12,695)	3,086	(6,244)
Excess tax benefits from stock plans	(4,107)	(2,073)	(8,119)	(5,135)
Stock compensation expense	11,003	11,371	22,201	18,271
Depreciation and amortization	9,110	10,244	18,505	20,202
Gain on sale of assets	(109)	(6)	(404)	(10)
Other	367	365	845	727
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable	(219,602)	60,379	(232,567)	214,343
Decrease (increase) in other current assets	2,947	(1,308)	1,136	(1,323)
Increase (decrease) in accounts payable and accrued expenses	121,941	(20,329)	165,110	(100,499)
(Decrease) increase in income taxes payable, net	(1,609)	(13,601)	24,332	2,284
Net cash provided by operating activities	20,546	85,086	147,669	257,368