

WORLD FUEL SERVICES CORP
Form 10-Q/A
May 06, 2005
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q/A

(Amendment No. 1)

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2004

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

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(Exact name of registrant as specified in its charter)

Florida
(State or other jurisdiction of
incorporation or organization)

59-2459427
(I.R.S. Employer
Identification No.)

9800 N.W. 41st Street, Suite 400

Miami, Florida
(Address of Principal Executive Offices)

33178
(Zip Code)

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

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 an accelerated filer (as defined in Rule 12b-12 of the Exchange Act). Yes No .

The registrant had a total of 11,212,000 shares of common stock, par value \$0.01 per share, net of treasury stock, outstanding as of May 6, 2004.

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EXPLANATORY NOTE

As previously disclosed, World Fuel Services Corporation (the Company) has restated its consolidated financial statements for the years ended December 31, 2003 and 2002, the nine months ended December 31, 2002, the year ended March 31, 2002, the first three quarters of 2004, and the four quarters of 2003 (the Restatement Periods). The restatements for the years ended December 31, 2003 and 2002, the nine months ended December 31, 2002, and the year ended March 31, 2002, including summary quarterly information for 2004 and 2003 have been reflected in the Company's Annual Report on Form 10-K, as amended, for the year ended December 31, 2004. Interim consolidated financial statements for 2004 and 2003 are being restated in amendments to the Company's Quarterly Reports on Form 10-Q for the periods ended March 31, 2004, June 30, 2004 and September 30, 2004. The restatements related to the correction of the cutoff procedures used by the Company for recognizing sales and sales related costs, the correction of the Company's accounting for inventory derivatives, and the correction of the Company's presentation of borrowing and repayment activities under the Company's revolving credit facility.

This Amendment No. 1 on Form 10-Q/A (this Form 10Q/A) amends our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2004, initially filed with the Securities and Exchange Commission (the SEC) on May 6, 2004 (the Original Form 10-Q) to reflect the restatement of our balance sheets as of March 31, 2004 and 2003, and December 31, 2003, and our statements of income and cash flows for the three months ended March 31, 2004 and 2003. The additional consolidated balance sheet for the period as of March 31, 2003 is being provided solely for restatement and comparison purposes. This Form 10Q/A also reflects the correction of misclassifications of certain historical balance sheet accounts. The restatements and the correction of the misclassifications are described in more detail in Note 2 to Item 1 Financial Statements.

This Form 10Q/A only amends and restates Items 1, 2, 3 and 4 of Part I of the Original Form 10-Q and no other items in the Original Form 10-Q are amended hereby. The foregoing items have not been updated to reflect other events occurring after the Original Form 10-Q or to modify or update those disclosures affected by subsequent events. In addition, pursuant to the rules of the SEC, Item 6 of Part II of the Original Form 10-Q has been amended to contain currently-dated certifications from the Company's Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and Chief Risk and Administrative Officer, as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002. The certifications of the Company's Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and Chief Risk and Administrative Officer are attached to this Form 10Q/A as Exhibits 31.1, 31.2, 31.3, 31.4 and 32.1.

Concurrently with the filing of this Form 10Q/A, the Company is filing (i) an amendment on Form 10-Q/A to its Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2004, and (ii) an amendment on Form 10-Q/A to its Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2004.

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Part I

Item 1. Financial Statements

General

The following unaudited, condensed consolidated financial statements and notes thereto of World Fuel Services Corporation and Subsidiaries have been prepared in accordance with the instructions to Quarterly Report 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 for the interim periods reported have been made. Results of operations for the three months ended March 31, 2004 will not necessarily be indicative of the results for the entire fiscal year. World Fuel Services Corporation and Subsidiaries are collectively referred to in this Form 10-Q/A as we, our and us. Certain amounts in prior periods have been reclassified to conform to the current period presentation. Reference is made to the Explanatory Note preceding the Table of Contents for additional information with respect to this Form 10-Q/A.

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Forward-Looking Statements

This report includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We intend the forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in these sections. All statements regarding our expected financial position and operating results, our business strategy, our financing plans and forecasted demographic and economic trends relating to our industry are forward-looking statements. These statements can sometimes be identified by our use of forward-looking words such as may, will, anticipate, estimate, expect, or intend and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from the results, performance or achievements expressed or implied by the forward-looking statements. We cannot promise you that our expectations in such forward-looking statements will turn out to be correct. Factors that impact such forward-looking statements include, but are not limited to, quarterly fluctuations in results; the management of growth; fluctuations in world oil prices or foreign currency; changes in political, economic, regulatory or environmental conditions; the loss of key customers, suppliers or members of senior management; uninsured losses; competition; credit risk associated with accounts and notes receivable; and other risks detailed in this report and in our other Securities and Exchange Commission filings. A more detailed description of the principal risks in our business is set forth in Risk Factors in our Annual Report on Form 10-K (10-K Report) for the year ended December 31, 2003. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events, or otherwise.

Table of Contents**WORLD FUEL SERVICES CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

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

	As of		
	March 31, 2004	March 31, 2003	December 31, 2003
	Restated	Restated	Restated
Assets			
Current assets:			
Cash and cash equivalents	\$ 76,013	\$ 49,800	\$ 76,256
Accounts and notes receivable, net of allowance for bad debts of \$10,687 and \$11,797 at March 31, 2004 and 2003, respectively, and \$10,538 at December 31, 2003	308,511	274,181	243,612
Inventories	17,165	9,101	14,847
Prepaid expenses and other current assets	32,922	26,612	19,948
	<u>434,611</u>	<u>359,694</u>	<u>354,663</u>
Total current assets			
Property and equipment, net	6,630	7,333	6,963
Other:			
Goodwill, net of amortization of \$3,565 at March 31, 2004 and 2003 and December 31, 2003	36,860	36,860	36,860
Identifiable intangible asset, net of amortization of \$828 and \$460 at March 31, 2004 and 2003, respectively, and \$736 at December 31, 2003	1,012	1,380	1,104
Other assets	1,700	4,763	1,260
	<u>480,813</u>	<u>410,030</u>	<u>400,850</u>
Liabilities			
Current liabilities:			
Short-term debt	\$ 1,502	\$ 2,439	\$ 1,600
Accounts payable	277,464	222,930	213,945
Customer deposits	13,522	6,959	6,320
Accrued salaries and wages	6,114	6,091	9,687
Income taxes payable	2,764	3,418	4,423
Accrued expenses and other current liabilities	16,526	13,016	10,620
	<u>317,892</u>	<u>254,853</u>	<u>246,595</u>
Total current liabilities			
Long-term liabilities	4,629	19,933	4,537
	<u>4,629</u>	<u>19,933</u>	<u>4,537</u>
Commitments and contingencies			
Stockholders Equity			
Preferred stock, \$1.00 par value; 100,000 shares authorized, none issued			
Common stock, \$0.01 par value; 25,000,000 shares authorized, 12,765,000 shares issued and outstanding at March 31, 2004 and 2003 and December 31, 2003			
	128	128	128
Capital in excess of par value	36,544	32,711	34,672
Retained earnings	139,011	121,525	134,315
Unearned deferred compensation	(2,474)	(1,821)	(2,788)
	<u>(14,917)</u>	<u>(17,299)</u>	<u>(16,609)</u>

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Treasury stock, at cost; 1,771,000 shares and 2,055,000 shares at March 31, 2004 and 2003, respectively, and 1,973,000 at December 31, 2003

	<u>158,292</u>	<u>135,244</u>	<u>149,718</u>
	<u>\$ 480,813</u>	<u>\$ 410,030</u>	<u>\$ 400,850</u>

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

Table of Contents**WORLD FUEL SERVICES CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(Unaudited - In thousands, except per share data)

	For the Three Months ended March 31,	
	2004	2003
	Restated	Restated
Revenue	\$ 914,596	\$ 710,898
Cost of sales	(888,318)	(681,117)
Gross profit	26,278	29,781
Operating expenses:		
Salaries and wages	(10,188)	(10,342)
Provision for bad debts	(885)	(2,701)
Other	(8,088)	(7,594)
	(19,161)	(20,637)
Income from operations	7,117	9,144
Other income (expense), net:		
Interest income, net	84	142
Other, net	(18)	(395)
	66	(253)
Income before income taxes	7,183	8,891
Provision for income taxes	(1,663)	(1,948)
Net income	\$ 5,520	\$ 6,943
Basic earnings per share	\$ 0.51	\$ 0.66
Basic weighted average shares	10,805	10,584
Diluted earnings per share	\$ 0.48	\$ 0.63
Diluted weighted average shares	11,485	11,034

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

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WORLD FUEL SERVICES CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited - In thousands)

	For the Three Months ended March 31,	
	2004	2003
	Restated	Restated
Cash flows from operating activities:		
Net income	\$ 5,520	\$ 6,943
Adjustments to reconcile net income to net cash provided by (used in) operating activities - Provision for bad debts		
Depreciation and amortization	841	2,701
Deferred income tax (benefits) provision	792	878
Earnings from aviation joint venture, net	(399)	768
Unearned deferred compensation amortization	(381)	(381)
Other non-cash operating charges	274	157
Other non-cash operating charges	4	201
Changes in operating assets and liabilities:		
Accounts and notes receivable	(65,740)	(64,304)
Inventories	(2,318)	(6,050)
Prepaid expenses and other current assets	(12,816)	(5,087)
Other assets	(441)	130
Accounts payable	63,519	44,315
Customer deposits	7,202	1,695
Accrued salaries and wages	(3,573)	380
Income taxes payable	252	56
Accrued expenses and other current liabilities	5,910	(3,527)
Deferred compensation and other long-term liabilities	1,831	301
Total adjustments	(4,662)	(27,767)
Net cash provided by (used in) operating activities	858	(20,824)
Cash flows from investing activities:		
Capital expenditures	(366)	(994)
Net cash used in investing activities	(366)	(994)
Cash flows from financing activities:		
Dividends paid on common stock	(828)	(797)
Proceeds from exercise of stock options	1,693	166
Borrowings under revolving credit facility	10,000	16,000
Repayments under revolving credit facility	(10,000)	(10,000)
Repayment of debt	(1,600)	(1,600)