

FORWARD AIR CORP
Form 10-Q
October 26, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended September 30, 2012
Commission File No. 000-22490

FORWARD AIR CORPORATION
(Exact name of registrant as specified in its charter)

Tennessee
(State or other jurisdiction of incorporation)
430 Airport Road
Greeneville, Tennessee
(Address of principal executive offices)

62-1120025
(I.R.S. Employer Identification No.)
37745
(Zip Code)

Registrant's telephone number, including area code: (423) 636-7000

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 definition 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 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

The number of shares outstanding of the registrant's common stock, \$0.01 par value, as of October 23, 2012 was 29,377,437.

Table of Contents

Forward Air Corporation

| | Page Number |
|--|----------------|
| Part I. Financial Information | |
| Item 1. Financial Statements (Unaudited) | |
| <u>Condensed Consolidated Balance Sheets – September 30, 2012 and December 31, 2011</u> | <u>3</u> |
| <u>Condensed Consolidated Statements of Comprehensive Income - Three and nine months ended September 30, 2012 and 2011</u> | <u>3</u> |
| <u>Condensed Consolidated Statements of Cash Flows – Nine months ended September 30, 2012 and 2011</u> | <u>4</u> |
| <u>Notes to Condensed Consolidated Financial Statements – September 30, 2012</u> | <u>5</u> |
| Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | <u>16</u> |
| Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u> | <u>34</u> |
| Item 4. <u>Controls and Procedures</u> | <u>34</u> |
| Part II. Other Information | |
| Item 1. <u>Legal Proceedings</u> | <u>35</u> |
| Item 1A. <u>Risk Factors</u> | <u>35</u> |
| Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | <u>35</u> |
| Item 3. <u>Defaults Upon Senior Securities</u> | <u>35</u> |
| Item 4. <u>Mine Safety Disclosures</u> | <u>35</u> |
| Item 5. <u>Other Information</u> | <u>35</u> |
| Item 6. <u>Exhibits</u> | <u>36</u> |
| <u>Signatures</u> | <u>37</u> |

Part I. Financial Information

Item 1. Financial Statements (Unaudited).

Forward Air Corporation

Condensed Consolidated Balance Sheets

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

(Unaudited)

| | September 30, 2012 | December 31, 2011 |
|---|-----------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash | \$92,988 | \$58,801 |
| Accounts receivable, less allowance of \$1,478 in 2012 and \$1,503 in 2011 | 74,878 | 70,922 |
| Other current assets | 13,607 | 9,994 |
| Total current assets | 181,473 | 139,717 |
| Property and equipment | 238,704 | 223,135 |
| Less accumulated depreciation and amortization | 101,941 | 93,267 |
| Total property and equipment, net | 136,763 | 129,868 |
| Goodwill and other acquired intangibles: | | |
| Goodwill | 43,332 | 43,332 |
| Other acquired intangibles, net of accumulated amortization of \$24,905 in 2012 and \$21,462 in 2011 | 23,225 | 26,668 |
| Total net goodwill and other acquired intangibles | 66,557 | 70,000 |
| Other assets | 1,825 | 1,566 |
| Total assets | \$386,618 | \$341,151 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$12,896 | \$12,392 |
| Accrued expenses | 16,475 | 20,986 |
| Current portion of debt and capital lease obligations | 386 | 552 |
| Total current liabilities | 29,757 | 33,930 |
| Long-term debt and capital lease obligations, less current portion | 88 | 333 |
| Other long-term liabilities | 6,805 | 8,860 |
| Deferred income taxes | 12,991 | 11,126 |
| Shareholders' equity: | | |
| Preferred stock | — | — |
| Common stock, \$0.01 par value: Authorized shares - 50,000,000, Issued and outstanding shares - 29,190,036 in 2012 and 28,553,286 in 2011 | 292 | 285 |
| Additional paid-in capital | 62,971 | 42,212 |
| Retained earnings | 273,714 | 244,405 |
| Total shareholders' equity | 336,977 | 286,902 |
| Total liabilities and shareholders' equity | \$386,618 | \$341,151 |

The accompanying notes are an integral part of the financial statements.

Forward Air Corporation
 Condensed Consolidated Statements of Comprehensive Income
 (In thousands, except per share data)
 (Unaudited)

| | Three months ended | | Nine months ended | |
|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2012 | September 30, 2011 | September 30, 2012 | September 30, 2011 |
| Operating revenue: | | | | |
| Forward Air | | | | |
| Airport-to-airport | \$96,914 | \$92,966 | \$290,006 | \$266,606 |
| Logistics | 20,878 | 18,409 | 63,315 | 52,909 |
| Other | 6,528 | 7,250 | 19,498 | 20,524 |
| Forward Air Solutions | | | | |
| Pool distribution | 19,194 | 17,124 | 56,102 | 48,104 |
| Total operating revenue | 143,514 | 135,749 | 428,921 | 388,143 |

Operating expenses: