

EGL INC
Form 10-Q
August 09, 2006

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

FORM 10-Q

[x]

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended June 30, 2006

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 0-27288

EGL, INC.

(Exact name of registrant as specified in its charter)

Texas

(State or Other Jurisdiction of Incorporation or Organization)

76-0094895

(IRS Employer Identification No.)

15350 Vickery Drive, Houston, Texas 77032
(281) 618-3100

(Address of Principal Executive Offices, Including Registrant's Zip Code, and Telephone Number, Including Area Code)

N/A

Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report

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 and (2) has been subject to such filing requirements for the past 90 days.

Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer.

Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Number of shares of the registrant's common stock was 40,657,261 (net of 5,741,681 treasury shares).

EGL, INC.
INDEX TO FORM 10-Q

PART I. FINANCIAL INFORMATION

Item 1.

Financial Statements

Condensed Consolidated Balance Sheets as of June 30, 2006 and December 31, 2005	1
Condensed Consolidated Statements of Income for the Six Months ended June 30, 2006 and 2005	2
Condensed Consolidated Statements of Income for the Three Months ended June 30, 2006 and 2005	3
Condensed Consolidated Statements of Cash Flows for the Six Months ended June 30, 2006 and 2005	4
Condensed Consolidated Statement of Stockholders' Equity for the Six Months ended June 30, 2006	5
Notes to Condensed Consolidated Financial Statements	6

Item 2.

Management's Discussion and Analysis of Financial Condition and Results of Operations	24
--	----

Item 3.

Quantitative and Qualitative Disclosures About Market Risk	36
---	----

Item 4.

Controls and Procedures	36
--------------------------------	----

PART II. OTHER INFORMATION	36
-----------------------------------	----

Item 1.

Legal Proceedings	36
--------------------------	----

Item 1A. Risk Factors	37
------------------------------	----

Item 2.

Unregistered Sales of Equity Securities and Use of Proceeds	38
--	----

Item 3.

Defaults Upon Senior Securities	38
--	----

Item 4.

Submission of Matters to a Vote of Security Holders 38

Item 5.

Other Information 38

Item 6.

Exhibits 40

SIGNATURES 41

PART I. FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS**

EGL, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)

(in thousands, except par values)

	June 30,	December 31,
	2006	2005
ASSETS		
Current assets:	\$	\$
Cash and cash equivalents	134,776	111,507
Restricted cash	11,149	11,702
Trade receivables, net of allowance of \$11,311 and \$12,566	545,726	560,954
Other receivables	27,266	30,237
Income tax receivable	4,924	4,367
Deferred income taxes	9,528	10,626
Other current assets	34,379	25,045
Total current assets	767,748	754,438
Property and equipment, net	176,057	185,906
Goodwill	115,493	113,048
Other assets, net	53,846	35,849
	\$	\$
Total assets	1,113,144	1,089,241
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:	\$	\$
Trade payables and accrued transportation costs	333,401	342,351
Accrued salaries and related costs	54,593	51,541
Current portion of long-term debt	9,492	15,967

Edgar Filing: EGL INC - Form 10-Q

Income taxes payable	4,423	5,215
Accrued selling, general and administrative expenses and other liabilities	95,151	93,410
Total current liabilities	497,060	508,484
Deferred income taxes	22,854	22,736
Long-term debt	183,979	214,555
Other noncurrent liabilities	19,656	20,122
Total liabilities	723,549	765,897
Minority interests	2,005	1,616
Commitments and contingencies (Notes 6, 10 and 11)		
Stockholders' equity:		
Common stock, \$0.001 par value, 200,000 shares authorized; 46,394 and 45,771 shares issued; 40,652 and 39,966 shares outstanding	46	46
Additional paid-in capital	80,102	56,405
Retained earnings	423,946	398,036
Accumulated other comprehensive loss	(9,208)	(23,902)
Unearned compensation	-	(376)
Treasury stock, 5,742 and 5,805 shares held	(107,296)	(108,481)
Total stockholders' equity	387,590	321,728
	\$	\$
Total liabilities and stockholders' equity	1,113,144	1,089,241

See notes to unaudited condensed consolidated financial statements.

EGL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

(in thousands, except per share amounts)

	Six Months Ended	
	June 30,	
	2006	2005
	\$	\$
Revenues	1,523,656	1,481,920
Cost of transportation	1,036,782	1,031,992
Net revenues	486,874	449,928
Operating expenses:		
Personnel costs	274,959	261,124
Facility costs	46,759	45,849
Depreciation and amortization	16,569	17,783
Selling and promotion	9,956	10,442
EEOC legal settlement	-	(5,975)
General and administrative	90,232	85,979
Total operating expenses	438,475	415,202
Operating income	48,399	34,726
Interest expense	5,269	810
Interest income	(1,329)	(1,000)
Other	2,160	(1,672)
Total non-operating (income) expense	6,100	(1,862)
Income before provision for income taxes	42,299	36,588
Provision for income taxes	16,389	16,721
	\$	\$
Net income	25,910	19,867
	\$	\$
Basic earnings per share	0.64	0.39
Basic weighted-average common shares outstanding	40,297	51,328
Diluted earnings per share	\$	\$

Edgar Filing: EGL INC - Form 10-Q

	0.64	0.38
Diluted weighted-average common shares outstanding	40,802	51,692

See notes to unaudited condensed consolidated financial statements.

EGL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

(in thousands, except per share amounts)

	Three Months Ended	
	June 30,	
	2006	2005
	\$	\$
Revenues	771,293	781,254
Cost of transportation	521,620	544,758
Net revenues	249,673	236,496
Operating expenses:		
Personnel costs	140,363	135,922
Facility costs	23,668	22,807
Depreciation and amortization	7,658	9,149
Selling and promotion	6,102	5,348
General and administrative	45,364	42,267
Total operating expenses	223,155	215,493
Operating income	26,518	21,003
Interest expense	2,475	432
Interest income	(811)	(661)
Other	954	(2,036)
Total non-operating (income) expense	2,618	(2,265)
Income before provision for income taxes	23,900	23,268
Provision for income taxes	9,094	10,566
	\$	\$
Net income	14,806	12,702
	\$	\$
Basic earnings per share	0.37	0.25
Basic weighted-average common shares outstanding	40,496	50,614
Diluted earnings per share	\$	\$

Edgar Filing: EGL INC - Form 10-Q

	0.36	0.25
Diluted weighted-average common shares outstanding	40,936	50,863

See notes to unaudited condensed consolidated financial statements.

EGL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(in thousands)

	Six Months Ended	
	June 30,	
	2006	2005
Cash flows from operating activities:		
	\$	\$
Net income	25,910	19,867
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	16,569	17,783
Bad debt expense	1,627	3,306
Stock-based compensation expense	5,310	-
Amortization of unearned compensation	-	168
Impairment of assets	369	146
Deferred income tax expense (benefit)	2,767	(2,021)
Tax benefit of employee stock plans	-	1,196
Equity in losses of affiliates	142	43
Minority interests	571	(20)
Other	(377)	73
Changes in assets and liabilities, excluding business combinations:		
Decrease in trade receivables	24,288	36,565
Decrease in other receivables	4,337	3,355
Increase in other assets and liabilities	(11,707)	(10,824)
Increase (decrease) in payable and other accrued liabilities	(18,627)	15,574
Net cash provided by operating activities	51,179	85,211
Cash flows from investing activities:		
Capital expenditures	(17,830)	(25,569)
Decrease in restricted cash	593	7,585
Proceeds from sales of property and equipment	3,303	1,025
Proceeds from property insurance	517	-
Acquisition of business, net of cash acquired	(1,444)	-
Cash received from sale of unconsolidated affiliates	1,254	-

Edgar Filing: EGL INC - Form 10-Q

Earnout payments	-	(4,186)
Other	296	1,423
Net cash used in investing activities	(13,311)	(19,722)
Cash flows from financing activities:		
Proceeds from issuance of debt	197,098	83,402
Repayment of debt	(232,541)	(52,641)
Issuance (repayment) of short-term debt with maturities of less than three months, net	(2,513)	1,773
Payment of financing fees	(90)	(15)
Repayment of financed insurance premiums and software maintenance	(2,603)	(1,516)
Payments on capital lease obligations	(1,123)	(863)
Repurchases of common stock	-	(93,588)
Proceeds from exercise of stock options	14,251	5,497
Excess tax benefit of employee stock plans	5,023	-
Issuance of common stock for employee stock purchase plan	613	535
Cash received from (dividends paid to) minority interest partners	(186)	453
Net cash used in financing activities	(22,071)	(56,963)
Effect of exchange rate changes on cash	7,472	2,839
Increase in cash and cash equivalents	23,269	11,365
Cash and cash equivalents, beginning of the period	111,507	92,918
	\$	\$
Cash and cash equivalents, end of the period	134,776	104,283

See notes to unaudited condensed consolidated financial statements.

EGL, INC.
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY
(unaudited)

(in thousands)

	Common stock			Retained earnings	Accumulated other comprehensive income (loss)	Unearned compensation	Treasury stock		Total
	Shares	Amount	Additional paid-in capital				Shares	Amount	
Balance at December 31, 2005	45,771	\$ 46	\$ 56,405	\$ 398,036	\$ (23,902)	\$ (376)	(5,805)	\$ (108,481)	\$ 321,728
Net income	-	-	-	25,910	-	-	-	-	25,910
Change in value of marketable securities, net	-	-	-	-	(2)	-	-	-	(2)
Minimum pension liability adjustment, net of tax	-	-	-	-	596	-	-	-	596
Change in fair value of cash flow hedge, net of tax	-	-	-	-	589	-	-	-	589
Foreign currency translation adjustments	-	-	-	-	13,511	-	-	-	13,511
Treasury shares issued under employee stock purchase plan	-	-	231	-	-	-	20	382	613
Exercise of stock options, including tax benefit	623	-	19,335	-	-	-	-	-	19,335
	-	-	(803)	-	-	-	43	803	-

Treasury
shares issued
for restricted
stock awards
Stock-based
compensation
expense