

CAI International, Inc.
Form 10-Q
August 06, 2010
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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, 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: 001-33388

CAI International, Inc.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

94-3109229
(I.R.S. Employer
Identification No.)

One Embarcadero Center, Suite 2101

San Francisco, California
(Address of principal executive offices)

415-788-0100
(Registrant's telephone number, including area code)

94111
(Zip Code)

None
(Former name, former address and former fiscal year, if changed since last report)

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 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.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common	July 31, 2010
Common Stock, \$.0001 par value per share	17,914,235 shares

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CAUTIONARY STATEMENT FOR PURPOSES OF THE SAFE HARBOR PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This Quarterly Report on Form 10-Q contains certain forward-looking statements, including, without limitation, statements concerning the conditions in our industry, our operations, our economic performance and financial condition, including, in particular, statements relating to our business and growth strategy service development efforts and our plans to increase the size of our container fleet. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for certain forward-looking statements so long as such information is identified as forward-looking and is accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those projected in the information. When used in this Quarterly Report on Form 10-Q, the words may, might, should, estimate, project, plan, anticipate, expect, intend, outlook, believe and other similar expressions are intended to identify forward-looking statements. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates. These forward-looking statements are based on estimates and assumptions by our management that, although we believe to be reasonable, are inherently uncertain and subject to a number of risks and uncertainties. These risks and uncertainties include, without limitation, those identified under Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009 filed on March 15, 2010, pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law. Reference is also made to such risks and uncertainties detailed from time to time in our filings with the SEC.

Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****CAI International, Inc.****Consolidated Balance Sheets****(In thousands, except share information)****(UNAUDITED)**

	June 30, 2010	December 31, 2009
ASSETS		
Cash	\$ 5,398	\$ 14,492
Accounts receivable (owned fleet), net of allowance for doubtful accounts of \$1,643 and \$1,420 at June 30, 2010 and December 31, 2009, respectively	14,862	14,412
Accounts receivable (managed fleet)	20,965	18,953
Current portion of direct finance leases	4,827	6,776
Prepaid expenses	1,919	3,077
Deferred tax assets	1,668	1,669
Other current assets	467	4,000
Total current assets	50,106	63,379
Container rental equipment, net of accumulated depreciation of \$75,851 and \$80,627 at June 30, 2010 and December 31, 2009, respectively	326,502	299,340
Long-term portion of net investment in direct finance leases	8,631	5,844
Furniture, fixtures and equipment, net of accumulated depreciation of \$700 and \$759 at June 30, 2010 and December 31, 2009, respectively	369	435
Intangible assets, net of accumulated amortization of \$5,240 and \$4,656 at June 30, 2010 and December 31, 2009, respectively	4,174	5,085
Total assets	\$ 389,782	\$ 374,083
LIABILITIES AND STOCKHOLDERS EQUITY		
Accounts payable	\$ 3,807	\$ 8,030
Accrued expenses and other current liabilities	2,743	3,638
Due to container investors	20,135	17,285
Unearned revenue	4,163	4,225
Current portion of related party term loan	800	800
Current portion of capital lease obligation	4,214	3,813
Rental equipment payable	27,869	660
Total current liabilities	63,731	38,451
Revolving credit facility	141,500	152,500
Related party term loan	8,600	9,000
Deferred taxes	26,653	26,606

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Capital lease obligation	11,637	16,282
Income taxes payable	2,145	2,146
Total liabilities	254,266	244,985
Stockholders' equity:		
Common stock, par value \$.0001 per share; authorized 84,000,000 shares; issued and outstanding, 17,914,235 shares at June 30, 2010 and 17,917,176 at December 31, 2009	2	2
Additional paid-in capital	104,181	103,684
Accumulated other comprehensive loss	(4,052)	(1,248)
Retained earnings	35,385	26,660
Total stockholders' equity	135,516	129,098
Total liabilities and stockholders' equity	\$ 389,782	\$ 374,083

See accompanying notes to unaudited consolidated financial statements.

Table of Contents**CAI International, Inc.****Consolidated Statements of Income****(In thousands, except per share data)****(UNAUDITED)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Revenue:				
Container rental revenue	\$ 13,974	\$ 13,457	\$ 26,318	\$ 27,576
Management fee revenue	2,536	2,101	4,717	4,594
Gain on sale of container portfolios	348	497	614	753
Finance lease income	505	606	907	1,314
Total revenue	17,363	16,661	32,556	34,237
Operating expenses:				
Depreciation of container rental equipment	4,471	4,222	8,678	8,593
Amortization of intangible assets	341	400	695	808
Impairment of container rental equipment	11	25	28	61
Gain on disposition of used container equipment	(2,498)	(611)	(3,918)	(1,401)
Storage, handling and other expenses	1,763	2,426	3,954	4,136
Marketing, general and administrative expense	5,527	4,777	10,476	9,692
Loss (gain) on foreign exchange	230	(83)	411	(3)
Total operating expenses	9,845	11,156	20,324	21,886
Operating income	7,518	5,505	12,232	12,351
Interest expense	963	1,050	1,820	2,352
Interest income	(88)	(3)	(120)	(7)
Net interest expense	875	1,047	1,700	2,345
Income before income taxes	6,643	4,458	10,532	10,006
Income tax expense	967	1,125	1,807	2,718
Net income	\$ 5,676	\$ 3,333	\$ 8,725	\$ 7,288
Net income per share:				
Basic	\$ 0.32	\$ 0.19	\$ 0.49	\$ 0.41
Diluted	\$ 0.31	\$ 0.19	\$ 0.48	\$ 0.41
Weighted average shares outstanding :				
Basic	17,910	17,901	17,908	17,899
Diluted	18,141	17,901	18,098	17,899

See accompanying notes to unaudited consolidated financial statements.

Table of Contents**CAI INTERNATIONAL, INC.****CONSOLIDATED STATEMENTS OF CASH FLOW****(in thousands)****(UNAUDITED)**

	Six Months Ended June 30,	
	2010	2009
Cash flows from operating activities:		
Net income	\$ 8,725	\$ 7,288
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	8,773	8,702
Amortization of debt issuance costs	256	246
Amortization of intangible assets	695	808
Impairment of container rental equipment	28	61
Stock-based compensation expense	536	456
Loss (Gain) on foreign exchange	755	(293)
Gain on sale of container portfolios	(614)	(753)
Gain on disposition of used container equipment	(3,918)	(1,401)
Deferred income taxes		