

QUALITY DISTRIBUTION INC
Form 10-Q
November 04, 2011
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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 September 30, 2011

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: 000-24180

Quality Distribution, Inc.

(Exact name of registrant as specified in its charter)

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Florida (State or other jurisdiction of incorporation or organization)	59-3239073 (I.R.S. Employer Identification No.)
4041 Park Oaks Boulevard, Suite 200, Tampa, FL (Address of Principal Executive Offices)	33610 (Zip Code)
813-630-5826 (Registrant's telephone number, including area code)	

N/A

(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 (§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 (Check one):

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input checked="" type="checkbox"/>

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

As of November 1, 2011, the registrant had 23,874,503 shares of Common Stock, no par value, outstanding.

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QUALITY DISTRIBUTION, INC.

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	Three months ended		Nine months ended	
	September 30,		September 30,	
	2011	2010	2011	2010
OPERATING REVENUES:				
Transportation	\$ 140,974	\$ 132,676	\$ 395,052	\$ 381,066
Service revenue	28,138	28,178	82,518	79,557
Fuel surcharge	30,186	21,094	89,631	60,210
Total operating revenues	199,298	181,948	567,201	520,833
OPERATING EXPENSES:				
Purchased transportation	142,023	126,272	400,437	357,767
Compensation	15,014	14,107	45,412	42,979
Fuel, supplies and maintenance	13,114	13,899	36,556	40,721
Depreciation and amortization	3,600	3,929	10,470	12,239
Selling and administrative	5,910	5,893	15,945	15,120
Insurance costs	3,316	3,810	11,541	11,687
Taxes and licenses	638	418	1,737	1,688
Communication and utilities	595	1,070	2,054	3,308
(Gain) loss on disposal of property and equipment	(198)	339	(848)	991
Restructuring costs (credit)		2,374	(521)	4,589
Total operating expenses	184,012	172,111	522,783	491,089
Operating income	15,286	9,837	44,418	29,744
Interest expense	7,096	8,734	22,218	26,041
Interest income	(117)	(158)	(434)	(475)
Write-off of debt issuance costs	1,395		3,181	
Other expense (income)	257	(2)	250	224
Income before income taxes	6,655	1,263	19,203	3,954
Provision for income taxes	468	842	1,248	679
Net income	\$ 6,187	\$ 421	\$ 17,955	\$ 3,275
PER SHARE DATA:				
Net income per common share				
Basic	\$ 0.26	\$ 0.02	\$ 0.78	\$ 0.16
Diluted	\$ 0.25	\$ 0.02	\$ 0.74	\$ 0.15

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Weighted-average number of shares

Basic	23,372	20,833	22,942	20,200
Diluted	24,643	21,678	24,255	21,610

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

Table of Contents**QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES****Consolidated Balance Sheets**

(In 000 s)

	Unaudited September 30, 2011	Audited December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,147	\$ 1,753
Accounts receivable, net	108,617	80,895
Prepaid expenses	6,211	6,911
Deferred tax asset	4,557	3,848
Other	4,467	4,891
Total current assets	126,999	98,298
Property and equipment, net	118,800	113,419
Goodwill	27,023	27,023
Intangibles, net	15,886	16,924
Other assets	15,601	15,671
Total assets	\$ 304,309	\$ 271,335
LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST AND SHAREHOLDERS DEFICIT		
Current liabilities:		
Current maturities of indebtedness	\$ 4,295	\$ 3,991
Current maturities of capital lease obligations	5,410	4,572
Accounts payable	9,189	7,200
Independent affiliates and independent owner-operators payable	22,367	11,059
Accrued expenses	28,610	24,363
Environmental liabilities	3,572	3,687
Accrued loss and damage claims	9,456	8,471
Total current liabilities	82,899	63,343
Long-term indebtedness, less current maturities	282,416	300,491
Capital lease obligations, less current maturities	4,200	8,278
Environmental liabilities	5,600	7,255
Accrued loss and damage claims	10,447	10,454
Other non-current liabilities	24,624	26,060
Total liabilities	410,186	415,881
Commitments and contingencies - Note 14		
Redeemable noncontrolling interest		1,833
SHAREHOLDERS DEFICIT		
Common stock, no par value; 49,000 shares authorized; 24,116 issued and 23,873 outstanding at September 30, 2011 and 21,678 issued and 21,458 outstanding at December 31, 2010	392,844	371,288
Treasury stock, 243 shares at September 30, 2011 and 220 shares at December 31, 2010	(1,606)	(1,593)
Accumulated deficit	(284,019)	(301,974)
Stock recapitalization	(189,589)	(189,589)

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Accumulated other comprehensive loss	(25,190)	(26,194)
Stock purchase warrants	1,683	1,683
Total shareholders' deficit	(105,877)	(146,379)
Total liabilities, redeemable noncontrolling interest and shareholders' deficit	\$ 304,309	\$ 271,335

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

Table of Contents**QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES****Consolidated Statements of Shareholders Deficit****For the Nine Months Ended September 30, 2011 and 2010****Unaudited (In 000 s)**

	Shares of Common Stock	Shares of Treasury Stock	Common Stock	Treasury Stock	Accumulated Deficit	Stock Recapitalization	Accumulated Other Comprehensive Loss	Stock Purchase Warrants	Stock Subscription Receivables	Total Shareholders Deficit
Balance, December 31, 2009	20,297	(220)	\$ 364,046	\$ (1,580)	\$ (294,568)	\$ (189,589)	\$ (25,587)	\$ 6,696	\$ (154)	\$ (140,736)
Net income					3,275					3,275
Issuance of restricted stock	69									
Amortization of restricted stock			695							695
Amortization of stock options			1,010							1,010
Stock warrant exercises	1,311		5,013					(5,013)		
Stock option exercises	1		3							3
Forgiveness of stock subscriptions receivable									21	21
Satisfaction of stock subscriptions receivable			(47)	(13)					60	
Other stock transactions									73	73
Amortization of prior service costs and losses (pension plans), net of tax							970			970
Foreign currency translation adjustment, net of tax							(69)			(69)
Balance, September 30, 2010	21,678	(220)	\$ 370,720	\$ (1,593)	\$ (291,293)	\$ (189,589)	\$ (24,686)	\$ 1,683	\$	\$ (134,758)
Balance, December 31, 2010	21,678	(220)	\$ 371,288	\$ (1,593)	\$ (301,974)	\$ (189,589)	\$ (26,194)	\$ 1,683	\$	\$ (146,379)
Net income					17,955					17,955
Issuance of restricted stock	93									
Forfeiture of restricted stock		(18)								
Amortization of restricted stock			842							842
Amortization of stock options			1,363							1,363

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Stock option exercises	345	(1)	1,771	(13)						1,758
Proceeds from equity offering, net of transaction costs	2,000		17,580							17,580
Satisfaction of stock subscription receivable		(4)								
Amortization of prior service costs and losses (pension plans), net of tax							954			954
Foreign currency translation adjustment, net of tax							50			50
Balance, September 30, 2011	24,116	(243)	\$ 392,844	\$ (1,606)	\$ (284,019)	\$ (189,589)	\$ (25,190)	\$ 1,683	\$	\$ (105,877)

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

Table of Contents**QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES****Consolidated Statements of Cash Flows****Unaudited (In 000 s)**

	Nine Months Ended	
	September 30,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 17,955	\$ 3,275
Adjustments to reconcile to net cash and cash equivalents provided by (used in) operating activities:		
Depreciation and amortization	10,470	12,239
Bad debt recoveries	(309)	(222)
(Gain) loss on disposal of property and equipment	(848)	991
PIK interest on Senior Subordinated Notes	196	1,686
Write-off of deferred financing costs	1,468	
Write-off of original bond issuance costs	1,713	
Financing costs		171
Stock-based compensation	2,205	1,705
Amortization of deferred financing costs	1,592	2,052
Amortization of bond discount	279	1,755
Noncontrolling interest dividends	38	109
Changes in assets and liabilities:		
Accounts and other receivables	(27,669)	(18,641)
Prepaid expenses	3,276	5,582
Other assets	1,028	(3,834)
Accounts payable	(64)	1,572
Independent affiliates and independent owner-operators payable	11,308	4,172
Accrued expenses	3,639	1,545
Environmental liabilities	(1,771)	(1,103)
Accrued loss and damage claims	978	(1,580)
Other liabilities	(623)	