

QUALITY DISTRIBUTION INC
Form 10-Q
August 06, 2013
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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 June 30, 2013

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 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 Exchange Act Rule 12b-2). Yes No

As of August 1, 2013, the registrant had 26,905,339 shares of Common Stock, no par value, outstanding.

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QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES

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	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
OPERATING REVENUES:				
Transportation	\$ 174,647	\$ 150,519	\$ 338,641	\$ 283,725
Service revenue	32,705	30,034	66,159	58,019
Fuel surcharge	31,944	32,180	63,918	62,904
Total operating revenues	239,296	212,733	468,718	404,648
OPERATING EXPENSES:				
Purchased transportation	150,380	142,309	293,252	274,186
Compensation	25,501	18,516	51,971	35,147
Fuel, supplies and maintenance	26,328	18,445	53,346	32,911
Depreciation and amortization	6,729	4,622	13,422	8,413
Selling and administrative	8,155	10,089	15,634	16,599
Insurance costs	4,373	4,139	8,870	7,358
Taxes and licenses	1,308	624	2,251	1,372
Communication and utilities	922	907	2,017	1,744
Loss (gain) on disposal of property and equipment	1,591	(362)	(1,498)	(364)
Impairment charge	55,692		55,692	
Total operating expenses	280,979	199,289	494,957	377,366
Operating (loss) income	(41,683)	13,444	(26,239)	27,282
Interest expense	7,884	7,180	15,607	14,369
Interest income	(234)	(229)	(445)	(408)
Other (income) expense, net	(271)	72	(7,243)	(164)
(Loss) income before income taxes	(49,062)	6,421	(34,158)	13,485
Benefit from income taxes	(17,915)	(22,383)	(12,155)	(22,019)
Net (loss) income	\$ (31,147)	\$ 28,804	\$ (22,003)	\$ 35,504
PER SHARE DATA:				
Net (loss) income per common share				
Basic	\$ (1.18)	\$ 1.07	\$ (0.83)	\$ 1.38
Diluted	\$ (1.18)	\$ 1.04	\$ (0.83)	\$ 1.34
Weighted-average number of shares				
Basic	26,460	26,804	26,542	25,675

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Diluted	26,460	27,600	26,542	26,516
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The accompanying notes are an integral part of these consolidated financial statements.

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Net (loss) income	\$ (31,147)	\$ 28,804	\$ (22,003)	\$ 35,504
Other comprehensive income, net of tax:				
Amortization of prior service costs and losses	387	388	773	776
Foreign currency translation adjustment	56	45	91	6
Total other comprehensive income, net of tax	443	433	864	782
Comprehensive (loss) income	\$ (30,704)	\$ 29,237	\$ (21,139)	\$ 36,286

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

Table of Contents**QUALITY DISTRIBUTION, INC. AND SUBSIDIARIES****Consolidated Balance Sheets****Unaudited (In 000 s)**

	June 30, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,442	\$ 2,704
Accounts receivable, net	129,650	113,906
Prepaid expenses	12,492	14,651
Deferred tax asset, net	20,866	16,609
Other	8,309	9,694
Total current assets	173,759	157,564
Property and equipment, net	177,296	190,342
Assets held-for-sale	2,691	
Goodwill	50,553	104,294
Intangibles, net	35,996	37,654
Non-current deferred tax asset, net	21,720	11,713
Other assets	12,381	12,036
Total assets	\$ 474,396	\$ 513,603
LIABILITIES AND SHAREHOLDERS DEFICIT		
Current liabilities:		
Current maturities of indebtedness	\$ 2,371	\$ 3,918
Current maturities of capital lease obligations	1,748	3,913
Accounts payable	12,051	9,966
Independent affiliates and independent owner-operators payable	17,851	14,243
Accrued expenses	29,304	37,889
Environmental liabilities	3,357	2,739
Accrued loss and damage claims	8,108	7,326
Total current liabilities	74,790	79,994
Long-term indebtedness, less current maturities	401,616	408,850
Capital lease obligations, less current maturities	871	2,125
Environmental liabilities	5,118	6,302
Accrued loss and damage claims	10,262	9,494
Other non-current liabilities	23,787	25,278
Total liabilities	516,444	532,043
Commitments and contingencies Note 14		
SHAREHOLDERS DEFICIT		
Common stock, no par value; 49,000 shares authorized; 28,433 issued and 26,907 outstanding at June 30, 2013 and 28,102 issued and 27,223 outstanding at December 31, 2012	439,187	437,192
Treasury stock, 1,526 shares at June 30, 2013 and 879 shares at December 31, 2012	(10,313)	(5,849)
Accumulated deficit	(250,470)	(228,467)
Stock recapitalization	(189,589)	(189,589)
Accumulated other comprehensive loss	(30,888)	(31,752)
Stock purchase warrants	25	25

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Total shareholders' deficit	(42,048)	(18,440)
Total liabilities and shareholders' deficit	\$ 474,396	\$ 513,603

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 Six Months Ended June 30, 2013 and 2012****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	Total Shareholders Deficit
Balance, December 31, 2011	24,207	(267)	\$ 393,859	\$ (1,878)	\$ (278,543)	\$ (189,589)	\$ (31,381)	\$ 1,347	\$ (106,185)
Net income					35,504				35,504
Issuance of restricted stock	163								
Forfeiture of restricted stock		(5)		(66)					(66)
Amortization of restricted stock			658						658
Amortization of stock options			860						860
Stock warrant exercises	346		1,322					(1,322)	
Stock option exercises	47		254						254
Proceeds from equity offering, net of transaction costs	2,500		30,523						30,523
Issuance of stock for acquisitions	785		7,920						7,920
Amortization of prior service costs and losses (pension plans), net of tax							776		776
Foreign currency translation adjustments, net of tax							6		6
Balance, June 30, 2012	28,048	(272)	\$ 435,396	\$ (1,944)	\$ (243,039)	\$ (189,589)	\$ (30,599)	\$ 25	\$ (29,750)
Balance, December 31, 2012	28,102	(879)	\$ 437,192	\$ (5,849)	\$ (228,467)	\$ (189,589)	\$ (31,752)	\$ 25	\$ (18,440)
Net loss					(22,003)				(22,003)
Issuance of restricted stock	247								
Forfeiture of restricted stock		(30)		(10)					(10)
Amortization of restricted stock			910						910

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Amortization of stock options			870							870
Stock option exercises	84		215							215
Purchases of treasury stock		(617)		(4,454)						(4,454)
Amortization of prior service costs and losses (pension plans), net of tax							773			773
Foreign currency translation adjustments, net of tax							91			91
Balance, June 30, 2013	28,433	(1,526)	\$ 439,187	\$ (10,313)	\$ (250,470)	\$ (189,589)	\$ (30,888)	\$ 25	\$	(42,048)

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)**

	Six Months Ended June 30,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	\$ (22,003)	\$ 35,504
Adjustments to reconcile to net cash and cash equivalents provided by (used in) operating activities:		
Deferred income tax expense	(13,545)	
Depreciation and amortization	13,422	8,413
Bad debt recoveries	(392)	(24)
Gain on disposal of property and equipment	(1,498)	(364)
Impairment charge	55,692	
Stock-based compensation	1,780	1,518
Amortization of deferred financing costs	1,196	1,055
Amortization of bond discount	108	108
Release of deferred tax asset valuation allowance	(720)	(22,777)
Contingent consideration adjustment	(7,300)	
Changes in assets and liabilities:		
Accounts and other receivables	(15,261)	(25,884)
Prepaid expenses	2,198	610
Other assets	(50)	(3,103)
Accounts payable	478	3,316
Accrued expenses	(1,059)	263
Environmental liabilities	(566)	(743)
Accrued loss and damage claims	1,549	(1,562)
Independent affiliates and independent owner-operators payable	3,608	7,563
Other liabilities	(281)	373
Current income taxes	1,092	(872)
Net cash provided by operating activities	18,448	3,394
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures		