

LANDSTAR SYSTEM INC
Form 10-Q
May 02, 2014
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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 March 29, 2014

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: 0-21238

LANDSTAR SYSTEM, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

06-1313069
(I.R.S. Employer
Identification No.)

13410 Sutton Park Drive South, Jacksonville, Florida

(Address of principal executive offices)

32224

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(Zip Code)

(904) 398-9400

(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 Website, 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

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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. (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 Rule 12b-2 of the Exchange Act). Yes No

The number of shares of the registrant's common stock, par value \$0.01 per share, outstanding as of the close of business on April 21, 2014 was 44,952,986.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

The interim consolidated financial statements contained herein reflect all adjustments (all of a normal, recurring nature) which, in the opinion of management, are necessary for a fair statement of the financial condition, results of operations, cash flows and changes in shareholders' equity for the periods presented. They have been prepared in accordance with Rule 10-01 of Regulation S-X and do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. Operating results for the thirteen weeks ended March 29, 2014 are not necessarily indicative of the results that may be expected for the entire fiscal year ending December 27, 2014.

These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's 2013 Annual Report on Form 10-K.

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LANDSTAR SYSTEM, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except per share amounts)

(Unaudited)

	March 29, 2014	December 28, 2013
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 114,166	\$ 180,302
Short-term investments	35,560	34,939
Trade accounts receivable, less allowance of \$3,594 and \$3,773	411,545	378,732
Other receivables, including advances to independent contractors, less allowance of \$4,212 and \$4,253	81,986	73,903
Deferred income taxes and other current assets	14,778	14,592
Total current assets	658,035	682,468
Operating property, less accumulated depreciation and amortization of \$160,307 and \$157,985	171,717	177,329
Goodwill	31,134	31,134
Other assets	83,236	79,765
Total assets	\$ 944,122	\$ 970,696
LIABILITIES AND SHAREHOLDERS EQUITY		
Current Liabilities		
Cash overdraft	\$ 21,179	\$ 27,780
Accounts payable	171,085	157,796
Current maturities of long-term debt	27,685	27,567
Insurance claims	93,790	92,280
Other current liabilities	62,308	70,237
Total current liabilities	376,047	375,660
Long-term debt, excluding current maturities	61,599	73,938
Insurance claims	23,912	24,171
Deferred income taxes and other noncurrent liabilities	39,387	42,446
Shareholders Equity		
Common stock, \$0.01 par value, authorized 160,000,000 shares, issued 67,121,124 and 67,017,858 shares	671	670
Additional paid-in capital	180,979	179,807
Retained earnings	1,197,962	1,173,044
Cost of 22,168,803 and 21,528,693 shares of common stock in treasury	(936,101)	(899,028)
Accumulated other comprehensive loss	(334)	(12)
Total shareholders equity	443,177	454,481
Total liabilities and shareholders equity	\$ 944,122	\$ 970,696

See accompanying notes to consolidated financial statements.

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LANDSTAR SYSTEM, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

(Dollars in thousands, except per share amounts)

(Unaudited)

	Thirteen Weeks Ended	
	March 29, 2014	March 30, 2013
Revenue	\$ 688,197	\$ 622,880
Investment income	363	374
Costs and expenses:		
Purchased transportation	530,031	477,496
Commissions to agents	52,704	49,032
Other operating costs, net of gains on asset dispositions	6,586	5,240
Insurance and claims	11,857	11,763
Selling, general and administrative	35,600	31,477
Depreciation and amortization	6,768	6,438
Total costs and expenses	643,546	581,446
Operating income	45,014	41,808
Interest and debt expense	768	740
Income from continuing operations before income taxes	44,246	41,068
Income taxes	16,608	15,317
Income from continuing operations	27,638	25,751
Income from discontinued operations, net of income taxes		1,029
Net income	\$ 27,638	\$ 26,780
Earnings per common share:		
Income from continuing operations	\$ 0.61	\$ 0.55
Income from discontinued operations		0.02
Earnings per common share	0.61	0.58
Diluted earnings per share:		
Income from continuing operations	\$ 0.61	\$ 0.55
Income from discontinued operations		0.02
Diluted earnings per share	0.61	0.57
Average number of shares outstanding:		
Earnings per common share	45,407,000	46,507,000
Diluted earnings per share	45,596,000	46,722,000
Dividends per common share	\$ 0.06	\$

See accompanying notes to consolidated financial statements.

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LANDSTAR SYSTEM, INC. AND SUBSIDIARY
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in thousands)

(Unaudited)

	Thirteen Weeks Ended	
	March 29, 2014	March 30, 2013
Net income	\$ 27,638	\$ 26,780
Other comprehensive income (loss):		
Unrealized holding gains (losses) on available-for-sale investments, net of tax benefit (expense) of (\$60) and \$31	110	(58)
Foreign currency translation losses	(432)	(225)
Other comprehensive loss	(322)	(283)
Comprehensive income	\$ 27,316	\$ 26,497

See accompanying notes to consolidated financial statements.

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LANDSTAR SYSTEM, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(Unaudited)

	Thirteen Weeks Ended	
	March 29, 2014	March 30, 2013
OPERATING ACTIVITIES OF CONTINUING OPERATIONS		
Net income	\$ 27,638	\$ 26,780
Adjustments to reconcile net income to net cash provided by operating activities of continuing operations:		
Discontinued operations		(1,029)
Depreciation and amortization of operating property	6,768	6,438
Non-cash interest charges	54	55
Provisions for losses on trade and other accounts receivable	729	829
Gains on sales/disposals of operating property	(59)	(642)
Deferred income taxes, net	(2,088)	1,263
Stock-based compensation	1,164	1,618
Changes in operating assets and liabilities, net of discontinued operations:		
Decrease (increase) in trade and other accounts receivable	(41,625)	15,924
Decrease (increase) in other assets	(1,560)	1,181
Increase (decrease) in accounts payable	13,289	(4,625)
Increase in other liabilities	8,108	4,043
Increase in insurance claims	1,251	880
NET CASH PROVIDED BY OPERATING ACTIVITIES OF CONTINUING OPERATIONS	13,669	52,715
INVESTING ACTIVITIES OF CONTINUING OPERATIONS		
Net change in other short-term investments	(3,249)	
Sales and maturities of investments	14,558	12,702
Purchases of investments	(15,058)	(23,152)
Purchases of operating property	(732)	(1,722)
Proceeds from sales of operating property	276	1,943
NET CASH USED BY INVESTING ACTIVITIES OF CONTINUING OPERATIONS	(4,205)	(10,229)
FINANCING ACTIVITIES OF CONTINUING OPERATIONS		
Decrease in cash overdraft	(6,601)	(2,193)
Dividends paid	(18,641)	
Proceeds from exercises of stock options	1,133	1,611
Taxes paid in lieu of shares issued related to stock-based compensation plans	(1,650)	(1,633)
Excess tax effect on stock option exercises	505	255
Purchases of common stock	(37,052)	
Principal payments on long-term debt and capital lease obligations	(12,862)	(19,853)
NET CASH USED BY FINANCING ACTIVITIES OF CONTINUING OPERATIONS	(75,168)	