

XPO Logistics, Inc.
Form 10-Q
August 03, 2018

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, 2018

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: 001-32172

XPO Logistics, Inc.
(Exact name of registrant as specified in its charter)

Delaware	03-0450326
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Five American Lane	06831
Greenwich, CT	
(Address of principal executive offices)	(Zip Code)
(855) 976-6951	
(Registrant's telephone number, including area code)	
(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, a smaller reporting company, or emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company," and "emerging growth 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

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of July 27, 2018, there were 126,850,767 shares of the registrant's common stock, par value \$0.001 per share, outstanding.

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Part I—Financial Information

Item 1. Financial Statements.

XPO Logistics, Inc.

Condensed Consolidated Balance Sheets

(Unaudited)

	June 30, 2018	December 31, 2017
(In millions, except per share data)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$361.4	\$396.9
Accounts receivable, net of allowances of \$45.9 and \$42.4, respectively	2,855.9	2,725.3
Other current assets	496.0	465.7
Total current assets	3,713.3	3,587.9
Property and equipment, net of \$1,334.1 and \$1,109.5 in accumulated depreciation, respectively	2,692.1	2,663.7
Goodwill	4,505.9	4,563.6
Identifiable intangible assets, net of \$632.7 and \$559.5 in accumulated amortization, respectively	1,340.5	1,435.3
Other long-term assets	367.9	351.1
Total long-term assets	8,906.4	9,013.7
Total assets	\$12,619.7	\$12,601.6
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$1,209.2	\$1,250.7
Accrued expenses	1,501.8	1,525.8
Current maturities of long-term debt	84.9	103.7
Other current liabilities	144.2	116.9
Total current liabilities	2,940.1	2,997.1
Long-term debt	4,406.1	4,417.5
Deferred tax liability	422.8	418.8
Employee benefit obligations	159.5	162.1
Other long-term liabilities	551.5	596.1
Total long-term liabilities	5,539.9	5,594.5
Stockholders' equity:		
Convertible perpetual preferred stock, \$0.001 par value; 10.0 shares authorized; 0.07 of Series A shares issued and outstanding at June 30, 2018 and December 31, 2017, respectively	41.0	41.2
Common stock, \$0.001 par value; 300.0 shares authorized; 120.8 and 119.9 shares issued and outstanding at June 30, 2018 and December 31, 2017, respectively	0.1	0.1
Additional paid-in capital	3,561.8	3,590.0
Retained earnings (accumulated deficit)	177.9	(42.6)
Accumulated other comprehensive (loss) income	(48.8)	15.7
Total stockholders' equity before noncontrolling interests	3,732.0	3,604.4
Noncontrolling interests	407.7	405.6
Total equity	4,139.7	4,010.0
Total liabilities and equity	\$12,619.7	\$12,601.6

See accompanying notes to condensed consolidated financial statements.

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XPO Logistics, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)

(In millions, except per share data)	Three Months Ended		Six Months Ended	
	June 30, 2018	2017	June 30, 2018	2017
Revenue	\$4,363.5	\$3,760.3	\$8,555.0	\$7,299.8
Operating expenses				
Cost of transportation and services	2,274.5	1,970.4	4,499.1	3,858.4
Direct operating expense	1,406.7	1,202.7	2,782.4	2,348.7
Sales, general and administrative expense	454.3	412.1	904.5	813.8
Total operating expenses	4,135.5	3,585.2	8,186.0	7,020.9
Operating income	228.0	175.1	369.0	278.9
Other expense (income)	(30.2)	(12.5)	(49.8)	(19.0)
Foreign currency (gain) loss	(10.0)	28.3	2.0	38.9
Debt extinguishment loss	—	—	10.3	9.0
Interest expense	54.9	74.3	114.3	149.9
Income before income tax provision	213.3	85.0	292.2	100.1
Income tax provision	54.2	27.8	54.0	18.0
Net income	159.1	57.2	238.2	82.1
Net income attributable to noncontrolling interests	(10.1)	(5.3)	(16.6)	(8.9)
Net income attributable to XPO	\$149.0	\$51.9	\$221.6	\$73.2
Earnings per share data:				
Net income attributable to common shareholders	\$137.5	\$47.6	\$204.4	\$67.1
Basic earnings per share	\$1.14	\$0.43	\$1.70	\$0.60
Diluted earnings per share	\$1.03	\$0.38	\$1.53	\$0.54
Weighted-average common shares outstanding				
Basic weighted-average common shares outstanding	120.7	111.8	120.4	111.6
Diluted weighted-average common shares outstanding	134.1	124.7	133.7	124.6

See accompanying notes to condensed consolidated financial statements.

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XPO Logistics, Inc.
 Condensed Consolidated Statements of Comprehensive Income
 (Unaudited)

(In millions)	Three Months		Six Months	
	Ended June 30, 2018	2017	Ended June 30, 2018	2017
Net income	\$ 159.1	\$ 57.2	\$ 238.2	\$ 82.1
Other comprehensive (loss) income, net of tax				
Foreign currency translation (loss) gain, net of tax effect of \$13.3, \$21.8, \$31.6 and \$21.8	\$(113.5)	\$ 97.6	\$(68.6)	\$ 130.2
Unrealized loss on financial assets/liabilities designated as hedging instruments, net of tax effect of \$2.9, \$(4.5), \$(0.7) and \$(3.0)	(8.8)	(3.6)	(8.5)	(5.1)
Defined benefit plans adjustments, net of tax effect of \$-, \$-, \$0.1 and \$-	(0.3)	(0.6)	(0.6)	—
Other comprehensive (loss) income	(122.6)	93.4	(77.7)	125.1
Comprehensive income	\$ 36.5	\$ 150.6	\$ 160.5	\$ 207.2
Less: Comprehensive (loss) income attributable to noncontrolling interests	(15.2)	25.8	3.4	34.9
Comprehensive income attributable to XPO	\$ 51.7	\$ 124.8	\$ 157.1	\$ 172.3
See accompanying notes to condensed consolidated financial statements.				

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XPO Logistics, Inc.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(In millions)	Six Months	
	Ended June 30, 2018	2017
Operating activities		
Net income	\$238.2	\$82.1
Adjustments to reconcile net income to net cash from operating activities		
Depreciation and amortization	347.3	321.8
Stock compensation expense	45.2	33.5
Accretion of debt	7.7	9.7
Deferred tax expense (benefit)	8.1	(11.0)
Loss on extinguishment of debt	10.3	9.0
Unrealized (gain) loss on foreign currency option and forward contracts	(12.2)	40.4
Other	(43.7)	5.5
Changes in assets and liabilities:		
Accounts receivable	(178.7)	(112.5)
Other assets	(102.8)	(36.8)
Accounts payable	(44.2)	(11.6)
Accrued expenses and other liabilities	(27.2)	(104.2)
Net cash provided by operating activities	248.0	225.9
Investing activities		
Payment for purchases of property and equipment	(267.7)	(262.0)
Proceeds from sale of assets	61.5	42.2
Other	10.4	—
Net cash used by investing activities	(195.8)	(219.8)
Financing activities		
Proceeds from issuance of long-term debt	893.6	523.5
Repurchase of debt	(812.4)	(511.4)
Proceeds from borrowings on ABL facility	680.0	