

EXPEDITORS INTERNATIONAL OF WASHINGTON INC  
Form 10-Q  
November 08, 2010

**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, 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: 0-13468

**EXPEDITORS INTERNATIONAL OF WASHINGTON, INC.**

(Exact name of registrant as specified in its charter)

**Washington**  
(State or other jurisdiction of  
incorporation or organization)

**91-1069248**  
(IRS Employer  
Identification Number)

**1015 Third Avenue, 12<sup>th</sup> Floor, Seattle, Washington**  
(Address of principal executive offices)

**98104**  
(Zip Code)

**(206) 674-3400**

(Registrant's telephone number, including area code)

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

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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 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

Smaller reporting company

(Do not check if a smaller reporting company)

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

At November 1, 2010, the number of shares outstanding of the issuer's Common Stock was 212,356,370.

**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements**

EXPEDITORS INTERNATIONAL OF WASHINGTON, INC.  
AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(In thousands, except share data)

(Unaudited)

	September 30, 2010	December 31, 2009
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 1,057,226	\$ 925,929
Short-term investments	601	655
Accounts receivable, less allowance for doubtful accounts of \$15,379 at September 30, 2010 and \$14,235 at December 31, 2009	1,082,733	810,369
Deferred Federal and state income taxes	8,325	8,338
Other	34,760	42,539
<b>Total current assets</b>	<b>2,183,645</b>	<b>1,787,830</b>
Property and equipment, less accumulated depreciation and amortization, of \$275,384 at September 30, 2010 and \$264,372 at December 31, 2009	493,046	495,701
Goodwill, net	7,927	7,927
Other intangibles, net	3,965	4,938
Other assets, net	27,600	27,326
<b>Total assets</b>	<b>\$ 2,716,183</b>	<b>\$ 2,323,722</b>
<b>Current Liabilities:</b>		
Accounts payable	700,585	546,675
Accrued expenses, primarily salaries and related costs	188,919	145,545
Federal, state and foreign income taxes	31,761	16,166
<b>Total current liabilities</b>	<b>921,265</b>	<b>708,386</b>
Deferred Federal and state income taxes	58,800	53,989
Commitments and contingencies		
<b>Shareholders' Equity:</b>		
Preferred stock, none issued	0	0
Common stock, par value \$.01 per share		
Issued and outstanding 212,090,154 shares at September 30, 2010, and 212,025,494 shares at December 31, 2009	2,121	2,120
Additional paid-in capital	5,823	18,265
Retained earnings	1,715,876	1,532,018
Accumulated other comprehensive income	4,802	604
<b>Total shareholders' equity</b>	<b>1,728,622</b>	<b>1,553,007</b>
Noncontrolling interest	7,496	8,340

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Total equity	1,736,118	1,561,347
Total liabilities and equity	\$ 2,716,183	\$ 2,323,722

See accompanying notes to condensed consolidated financial statements.

## EXPEDITORS INTERNATIONAL OF WASHINGTON, INC.

## AND SUBSIDIARIES

## Condensed Consolidated Statements of Earnings

(In thousands, except share data)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
<b>Revenues:</b>				
Airfreight services	\$ 751,555	\$ 457,405	\$ 2,043,819	\$ 1,203,220
Ocean freight and ocean services	599,280	331,454	1,474,137	949,380
Customs brokerage and other services	316,724	248,468	867,482	692,772
<b>Total revenues</b>	<b>1,667,559</b>	<b>1,037,327</b>	<b>4,385,438</b>	<b>2,845,372</b>
<b>Operating Expenses:</b>				
Airfreight consolidation	578,924	340,746	1,577,289	848,131
Ocean freight consolidation	488,808	247,733	1,190,627	704,850
Customs brokerage and other services	141,084	102,336	378,098	279,317
Salaries and related costs	235,357	194,743	656,310	571,517
Rent and occupancy costs	19,295	18,183	57,221	54,861
Depreciation and amortization	9,085	9,923	27,590	30,125
Selling and promotion	7,877	6,541	22,462	18,310
Other	27,508	20,876	77,183	63,614
<b>Total operating expenses</b>	<b>1,507,938</b>	<b>941,081</b>	<b>3,986,780</b>	<b>2,570,725</b>
<b>Operating income</b>	<b>159,621</b>	<b>96,246</b>	<b>398,658</b>	<b>274,647</b>
<b>Other Income (Expense):</b>				
Interest income	1,679	2,214	4,938	8,253
Interest expense	(140)	(325)	(378)	(404)
Other, net	(1,666)	1,192	9,231	7,826
<b>Other (expense) income, net</b>	<b>(127)</b>	<b>3,081</b>	<b>13,791</b>	<b>15,675</b>
<b>Earnings before income taxes</b>	<b>159,494</b>	<b>99,327</b>	<b>412,449</b>	<b>290,322</b>
<b>Income tax expense</b>	<b>63,456</b>	<b>41,763</b>	<b>164,692</b>	<b>119,575</b>
<b>Net earnings</b>	<b>96,038</b>	<b>57,564</b>	<b>247,757</b>	<b>170,747</b>
<b>Less: net (losses) earnings attributable to the noncontrolling interest</b>	<b>(67)</b>	<b>(188)</b>	<b>87</b>	<b>(335)</b>
<b>Net earnings attributable to shareholders</b>	<b>\$ 96,105</b>	<b>\$ 57,752</b>	<b>\$ 247,670</b>	<b>\$ 171,082</b>

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Diluted earnings attributable to shareholders per share	\$ .44	\$ .27	\$ 1.14	\$ .79
Basic earnings attributable to shareholders per share	\$ .45	\$ .27	\$ 1.17	\$ .81
Dividends declared and paid per common share	\$ 0	\$ 0	\$ .20	\$ .19
Weighted average diluted shares outstanding	216,342,380	216,684,079	216,497,838	216,582,370
Weighted average basic shares outstanding	212,392,286	212,241,480	212,306,521	212,153,404

See accompanying notes to condensed consolidated financial statements.

