

WORLD FUEL SERVICES CORP  
Form 10-Q  
November 01, 2011

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

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**FORM 10-Q**

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(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**

**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 1-9533**

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# WORLD FUEL SERVICES CORPORATION

(Exact name of registrant as specified in its charter)

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

**59-2459427**  
(I.R.S. Employer  
Identification No.)

**9800 N.W. 41st Street, Suite 400**  
**Miami, Florida**  
(Address of Principal Executive Offices)

**33178**  
(Zip Code)

**Registrant's Telephone Number, including area code: (305) 428-8000**

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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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>

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

The registrant had a total of 71,143,000 shares of common stock, par value \$0.01 per share, issued and outstanding as of October 25, 2011.

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**Part I Financial Information**

**General**

The following unaudited consolidated financial statements and notes thereto of World Fuel Services Corporation and its subsidiaries have been prepared in accordance with the instructions to Quarterly Reports on Form 10-Q and, therefore, omit or condense certain footnotes and other information normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States. In the opinion of management, all adjustments necessary for a fair presentation of the financial information, which are of a normal and recurring nature, have been made for the interim periods reported. Results of operations for the three and nine months ended September 30, 2011 are not necessarily indicative of the results for the entire fiscal year. The unaudited consolidated financial statements and notes thereto included in this Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2011 ( 10-Q Report ) should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010 ( 2010 10-K Report). World Fuel Services Corporation ( World Fuel or the Company ) and its subsidiaries are collectively referred to in this 10-Q Report as we, our and us.

## Item 1. Financial Statements

## World Fuel Services Corporation and Subsidiaries

## Consolidated Balance Sheets

(Unaudited - In thousands, except per share data)

	September 30, 2011	As of	December 31, 2010
<b>Assets:</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 151,854	\$	272,893
Accounts receivable, net	2,166,712		1,386,700
Inventories	427,497		211,526
Prepaid expenses	99,713		96,461
Transaction taxes receivable	89,876		55,125
Short-term derivative assets, net	19,952		7,686
Other current assets	84,562		37,476
Total current assets	3,040,166		2,067,867
Property and equipment, net	89,492		64,106
Goodwill	343,480		287,434
Identifiable intangible assets, net	109,095		117,726
Non-current other assets	34,663		29,317
Total assets	\$ 3,616,896	\$	2,566,450
<b>Liabilities:</b>			
<b>Current liabilities:</b>			
Short-term debt	\$ 18,265	\$	17,076
Accounts payable	1,707,705		1,131,228
Customer deposits	86,789		65,480
Transaction taxes payable	83,351		59,910
Short-term derivative liabilities, net	5,130		8,591
Accrued expenses and other current liabilities	88,302		76,199
Total current liabilities	1,989,542		1,358,484
Long-term debt	274,495		24,566
Non-current income tax liabilities, net	50,480		45,328
Other long-term liabilities	6,490		11,508
Total liabilities	2,321,007		1,439,886
<b>Commitments and contingencies</b>			
<b>Equity:</b>			
<b>World Fuel shareholders' equity:</b>			
Preferred stock, \$1.00 par value; 100 shares authorized, none issued			
Common stock, \$0.01 par value; 100,000 shares authorized, 71,126 and 69,602 issued and outstanding at September 30, 2011 and December 31, 2010, respectively	711		696
Capital in excess of par value	499,424		468,963
Retained earnings	788,814		652,796
Accumulated other comprehensive (loss) income	(4,927)		4,753
Total World Fuel shareholders' equity	1,284,022		1,127,208

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Noncontrolling interest equity (deficit)		11,867		(644)
Total equity		1,295,889		1,126,564
Total liabilities and equity	\$	3,616,896	\$	2,566,450

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

## World Fuel Services Corporation and Subsidiaries

## Consolidated Statements of Income

(Unaudited - In thousands, except per share data)

	For the Three Months ended September 30,		For the Nine Months ended September 30,	
	2011	2010	2011	2010
Revenue	\$ 9,510,792	\$ 4,987,074	\$ 25,298,907	\$ 13,302,370
Cost of revenue	9,339,945	4,874,967	24,826,190	12,983,876
Gross profit	170,847	112,107	472,717	318,494
Operating expenses:				
Compensation and employee benefits	57,215	43,048	159,161	116,749
Provision for bad debt	2,422	1,097	6,749	3,162
General and administrative	40,285	22,875	114,254	66,307
Total operating expenses	99,922	67,020	280,164	186,218
Income from operations	70,925	45,087	192,553	132,276
Non-operating expense, net:				
Interest expense and other financing costs, net	(4,791)	(989)	(11,614)	(2,470)
Other (expense) income, net	(1,643)	(209)	(2,654)	420
	(6,434)	(1,198)	(14,268)	(2,050)
Income before income taxes	64,491	43,889	178,285	130,226
Provision for income taxes	10,649	7,515	32,113	22,961
Net income including noncontrolling interest	53,842	36,374	146,172	107,265
Net income (loss) attributable to noncontrolling interest	1,187	(381)	2,205	(170)
Net income attributable to World Fuel	\$ 52,655	\$ 36,755	\$ 143,967	\$ 107,435
Basic earnings per common share	\$ 0.74	\$ 0.61	\$ 2.04	\$ 1.80
Basic weighted average common shares	70,939	60,496	70,593	59,768
Diluted earnings per common share	\$ 0.74	\$ 0.60	\$ 2.02	\$ 1.76
Diluted weighted average common shares	71,587	61,663	71,415	60,985

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

## World Fuel Services Corporation

## Consolidated Statements of Shareholders Equity and Comprehensive Income

(Unaudited - In thousands)

	Common Stock Shares	Common Stock Amount	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	World Fuel Shareholders Equity	Noncontrolling Interest (Deficit) Equity	Total Equity
Balance at December 31, 2010	69,602	\$ 696	\$ 468,963	\$ 652,796	\$ 4,753	\$ 1,127,208	\$ (644)	\$ 1,126,564
Comprehensive income:								
Net income				143,967		143,967	2,205	146,172
Foreign currency translation adjustment					(9,680)	(9,680)		(9,680)
Comprehensive income						134,287	2,205	136,492
Initial noncontrolling interest upon consolidation of joint venture							614	614
Capital contribution for joint ventures							10,371	10,371
Cash dividends declared				(7,949)		(7,949)		(7,949)
Distribution of noncontrolling interest							(679)	(679)
Amortization of share-based payment awards			6,539			6,539		6,539
Issuance of shares related to share-based payment awards including income tax benefit of \$4,011	911	9	5,451			5,460		5,460
Issuance of shares related to acquisition	691	7	27,491			27,498		27,498
Purchases of stock tendered by employees to satisfy the required withholding taxes related to share-based payment awards	(78)	(1)	(9,020)			(9,021)		(9,021)
Balance at September 30, 2011	71,126	\$ 711	\$ 499,424	\$ 788,814	\$ (4,927)	\$ 1,284,022	\$ 11,867	\$ 1,295,889

	Common Stock Shares	Common Stock Amount	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income	Total World Fuel Shareholders Equity	Noncontrolling Interest Equity	Total Equity
Balance at December 31, 2009	59,385	\$ 594	\$ 213,414	\$ 515,218	\$ 3,795	\$ 733,021	\$ 228	\$ 733,249
Comprehensive income:								
Net income (loss)				107,435		107,435	(170)	107,265
Foreign currency translation adjustment					544	544		544
Comprehensive income						107,979	(170)	107,809
Cash dividends declared				(6,685)		(6,685)		(6,685)
Amortization of share-based payment awards			6,438			6,438		6,438
Issuance of shares related to share-based payment awards including income tax benefit	187	2	6,359			6,361		6,361



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of \$6,152

Public offering of shares	9,200	92	218,724			218,816			218,816
Purchases of stock tendered by employees to satisfy the required withholding taxes related to share-based payment awards	(55)	(1)	(1,553)			(1,554)			(1,554)
Balance at September 30, 2010	68,717	\$ 687	\$ 443,382	\$ 615,968	\$ 4,339	\$ 1,064,376	\$ 58	\$ 1,064,434	

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

## World Fuel Services Corporation and Subsidiaries

## Consolidated Statements of Cash Flows

(Unaudited - In thousands)

	For the Nine Months ended September 30,	
	2011	2010
Cash flows from operating activities:		
Net income including noncontrolling interest	\$ 146,172	\$ 107,265
Adjustments to reconcile net income including noncontrolling interest to net cash used in operating activities:		
Depreciation and amortization	29,111	13,093
Provision for bad debt	6,749	3,162
Gain on short-term investments		(1,900)
Deferred income tax benefit	(2,069)	(1,519)
Share-based payment award compensation costs	8,199	6,438
Foreign currency losses, net	3,844	71
Other	1,277	47
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable, net	(730,993)	(183,779)
Inventories	(179,573)	(93,083)
Prepaid expenses	7,939	(7,001)
Transaction taxes receivable	(34,853)	(29,623)
Other current assets	(43,334)	(3,504)
Short-term derivative assets, net	(9,274)	1,838
Non-current other assets	(615)	(3,890)
Accounts payable	542,235	