

Edgar Filing: ALLIED HOLDINGS INC - Form 10-Q

ALLIED HOLDINGS INC
Form 10-Q
May 14, 2001

1

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 - FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2001

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: 0-22276

ALLIED HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

GEORGIA

58-

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Id

SUITE 200, 160 CLAIREMONT AVENUE, DECATUR, GEORGIA 30030

(Address of principal executive offices)

(404) 373-4285

(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

Outstanding common stock, No par value at April 21, 2001.....

TOTAL NUMBER OF PAGES INCLUDED IN THIS REPORT: 23

INDEX

PART I

FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

Consolidated Balance Sheets as of March 31, 2001 and
December 31, 2000.....

Consolidated Statements of Operations for the Three
Month Periods Ended March 31, 2001 and 2000.....

Consolidated Statements of Cash Flows for the Three
Month Periods Ended March 31, 2001 and 2000.....

Notes to Consolidated Financial Statements.....

ITEM 2

Management's Discussion and Analysis of Financial
Condition and Results of Operations.....

ITEM 3

Quantitative and Qualitative Disclosures about
Market Risk.....

PART II

OTHER INFORMATION

ITEM 6

Exhibits and Reports on Form 8-K.....

Signature Pages.....

PART 1 - FINANCIAL INFORMATION
ITEM 1 - FINANCIAL STATEMENTS

Edgar Filing: ALLIED HOLDINGS INC - Form 10-Q

ALLIED HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

| | MARCH 31 2001 ----- (UNAUDITED) |
|---|--|
| ASSETS | |
| CURRENT ASSETS: | |
| Cash and cash equivalents | \$ 7,869 |
| Short-term investments | 68,885 |
| Receivables, net of allowance for doubtful accounts | 97,874 |
| Inventories | 7,099 |
| Deferred tax assets | 9,616 |
| Prepayments and other current assets | 18,712 |
| | ----- |
| Total current assets | 210,055 |
| | ----- |
| PROPERTY AND EQUIPMENT, NET | 250,592 |
| | ----- |
| OTHER ASSETS: | |
| Goodwill, net | 93,075 |
| Other | 44,961 |
| | ----- |
| Total other assets | 138,036 |
| | ----- |
| Total assets | \$ 598,683 |
| | ===== |
| LIABILITIES AND STOCKHOLDERS' EQUITY | |
| CURRENT LIABILITIES: | |
| Current maturities of long-term debt | \$ 148,170 |
| Trade accounts payable | 41,320 |
| Accrued liabilities | 90,469 |
| | ----- |
| Total current liabilities | 279,959 |
| | ----- |
| LONG-TERM DEBT, less current maturities | 190,008 |
| | ----- |
| POSTRETIREMENT BENEFITS OTHER THAN PENSIONS | 9,768 |
| | ----- |
| DEFERRED INCOME TAXES | 7,885 |
| | ----- |
| OTHER LONG-TERM LIABILITIES | 74,344 |
| | ----- |
| STOCKHOLDERS' EQUITY: | |
| Common stock, no par value; 20,000 shares authorized, 8,210 and | |

Edgar Filing: ALLIED HOLDINGS INC - Form 10-Q

| | |
|--|------------|
| 8,187 shares outstanding at March 31, 2001 and December 31, 2000, respectively | 0 |
| Additional paid-in capital | 46,144 |
| Retained earnings | 1,740 |
| Cumulative other comprehensive income, net of tax | (10,458) |
| Common stock in treasury, at cost, 139 shares at March 31, 2001 and December 31, 2000 | (707) |
| | ----- |
| Total stockholders' equity | 36,719 |
| | ----- |
| Total liabilities and stockholders' equity | \$ 598,683 |
| | ===== |

The accompanying notes are an integral part of these consolidated balance sheets.

3

4

ALLIED HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)

| | FOR THE THREE MONTHS ENDED MARCH 31 | |
|--|--|---------------------|
| | 2001 (UNAUDITED) | 2000 (UNAUDITED) |
| | ----- | ----- |
| REVENUES | \$218,179 | \$282,884 |
| | ----- | ----- |
| OPERATING EXPENSES: | | |
| Salaries, wages and fringe benefits | 131,717 | 154,838 |
| Operating supplies and expenses | 41,442 | 51,582 |
| Purchased transportation | 23,296 | 27,153 |
| Insurance and claims | 13,289 | 12,056 |
| Operating taxes and licenses | 8,626 | 10,859 |
| Depreciation and amortization | 15,024 | 15,242 |
| Rents | 2,070 | 2,326 |
| Communications and utilities | 2,038 | 2,209 |
| Other operating expenses | 3,856 | 2,658 |
| | ----- | ----- |
| Total operating expenses | 241,358 | 278,923 |
| | ----- | ----- |
| Operating (loss) income | (23,179) | 3,961 |
| | ----- | ----- |
| OTHER INCOME (EXPENSE): | | |
| Equity in earnings of joint ventures, net of tax | 1,209 | 901 |
| Interest expense | (8,466) | (8,401) |
| Interest income | 964 | 1,320 |
| | ----- | ----- |

Edgar Filing: ALLIED HOLDINGS INC - Form 10-Q

| | | |
|---|-------------|------------|
| | (6,293) | (6,180) |
| | ----- | ----- |
| LOSS BEFORE INCOME TAXES | (29,472) | (2,219) |
| INCOME TAX BENEFIT | 10,610 | 1,184 |
| | ----- | ----- |
| NET LOSS | \$ (18,862) | \$ (1,035) |
| | ===== | ===== |
| PER COMMON SHARE - BASIC AND DILUTED | \$ (2.35) | \$ (0.13) |
| | ===== | ===== |
| COMMON SHARES OUTSTANDING - BASIC AND DILUTED | 8,020 | 7,898 |
| | ===== | ===== |

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

4

5

ALLIED HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

CASH FLOWS FROM OPERATING ACTIVITIES:

Net loss

Adjustments to reconcile net loss to net cash provided by operating activities:

- Depreciation and amortization
- (Gain) loss on sale of property and equipment
- Deferred income taxes
- Compensation expense related to stock options and grants
- Equity in earnings of joint ventures
- Amortization of Teamsters Union signing bonus
- Change in operating assets and liabilities excluding effect of businesses acquired:
 - Receivables, net of allowance for doubtful accounts
 - Inventories
 - Prepayments and other current assets
 - Trade accounts payable
 - Accrued liabilities

Edgar Filing: ALLIED HOLDINGS INC - Form 10-Q

Total adjustments

Net cash provided by operating activities

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property and equipment
Proceeds from sale of property and equipment
Purchase of business, net of cash acquired
Investment in joint ventures
Increase in short-term investments
Increase in the cash surrender value of life insurance

Net cash used in investing activities

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from (repayments of) issuance of long-term debt, net
Proceeds from issuance of common stock
Repurchase of common stock
Other, net

Net cash provided by financing activities

EFFECT OF EXCHANGE RATE CHANGES ON CASH
AND CASH EQUIVALENTS

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR

CASH AND CASH EQUIVALENTS AT END OF PERIOD

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

ALLIED HOLDINGS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Unaudited)

Note 1. Basis of Presentation

The unaudited consolidated financial statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. The

Edgar Filing: ALLIED HOLDINGS INC - Form 10-Q

statements contained herein reflect all adjustments, all of which are of a normal, recurring nature, which are, in the opinion of management, necessary to present fairly the financial condition, results of operations and cash flows for the periods presented. Operating results for the three-month period ended March 31, 2001 are not necessarily indicative of the results that may be expected for the year ended December 31, 2001. The interim financial statements should be read in conjunction with the financial statements and notes thereto of Allied Holdings, Inc. and Subsidiaries, (the "Company") included in the Company's 2000 Annual Report on Form 10-K.

Note 2. Long-Term Debt and Supplemental Guarantor Information

On September 30, 1997, the Company issued \$150 million of 8 5/8% senior notes (the "Notes") through a private placement. Subsequently, the senior notes were registered with the Securities and Exchange Commission. The net proceeds from the Notes were used to fund the acquisition of Ryder Automotive Carrier Services, Inc. and RC Management Corp., pay related fees and expenses, and reduce outstanding indebtedness. The Company's obligations under the Notes are guaranteed by substantially all of the subsidiaries of the Company (the "Guarantor Subsidiaries"). Haul Insurance Ltd., Arrendadora de Equipo Para el Transporte de Automoviles, S. de R.L. de C.V., Axis Logistica, S. de R.L. de C.V. and Axis Netherlands C.V. do not guarantee the Company's obligations under the Notes (the "Nonguarantor Subsidiaries"). The following condensed consolidating balance sheets, statements of operations and statements of cash flows present the financial statements of the parent company, and the combined financial statements of the Guarantor Subsidiaries and Nonguarantor subsidiaries. The Guarantors are jointly and severally liable for the Company's obligations under the Notes and there are no restrictions on the ability of the Guarantors to make distributions to the Company.

6

7

SUPPLEMENTAL CONDENSED CONSOLIDATING BALANCE SHEET MARCH 31, 2001 IN THOUSANDS

| | ALLIED HOLDINGS | GUARANTOR SUBSIDIARIES | NONGUA SUBSID |
|---|--------------------|---------------------------|------------------|
| | ----- | ----- | ----- |
| CURRENT ASSETS: | | | |
| Cash and cash equivalents | \$ 76 | \$ 3,926 | \$ 3 |
| Short-term investments | -- | -- | 68 |
| Receivables, net of allowance for doubtful accounts | 33 | 94,112 | 3 |
| Inventories | -- | 7,099 | |
| Deferred tax asset - current | 8,009 | 1,025 | |
| Prepayments and other current assets | 1,873 | 16,458 | |
| Total current assets | 9,991 | 122,620 | 77 |
| | ----- | ----- | ----- |
| PROPERTY AND EQUIPMENT, NET | 14,973 | 231,884 | 3 |

Edgar Filing: ALLIED HOLDINGS INC - Form 10-Q

| | | | |
|---|------------|------------|-------|
| OTHER ASSETS: | | | |
| Goodwill, net | 1,603 | 91,472 | |
| Other | 15,503 | 19,279 | 10 |
| Deferred tax asset - noncurrent | 18,357 | -- | |
| Intercompany receivables | 274,149 | -- | |
| Investment in subsidiaries | 52,800 | 14,325 | |
| | ----- | ----- | ----- |
| Total other assets | 362,412 | 125,076 | 10 |
| | ----- | ----- | ----- |
| Total assets | \$ 387,376 | \$ 479,580 | \$ 91 |
| | ===== | ===== | ===== |
| CURRENT LIABILITIES: | | | |
| Current maturities of long-term debt | \$ 148,103 | \$ 67 | \$ |
| Trade accounts payable | 1,650 | 37,737 | 1 |
| Intercompany payables | -- | 270,508 | 3 |
| Accrued liabilities | 10,904 | 66,202 | 13 |
| | ----- | ----- | ----- |
| Total current liabilities | 160,657 | 374,514 | 18 |
| | ----- | ----- | ----- |
| LONG-TERM DEBT, LESS CURRENT MATURITIES | 190,000 | 8 | |
| POSTRETIREMENT BENEFITS OTHER THAN PENSIONS | -- | 9,768 | |
| DEFERRED INCOME TAXES | -- | 26,242 | |
| OTHER LONG-TERM LIABILITIES | -- | 34,968 | 39 |
| STOCKHOLDERS' EQUITY: | | | |
| Common stock, no par value | -- | -- | |
| Additional paid-in capital | 46,144 | 89,000 | 14 |
| Retained earnings | 1,740 | (42,246) | 21 |
| Cumulative other comprehensive income, net of tax | (10,458) | (12,674) | (2) |
| Treasury stock | (707) | -- | |
| | ----- | ----- | ----- |
| Total stockholders' equity | 36,719 | 34,080 | 33 |
| | ----- | ----- | ----- |
| Total liabilities and stockholders' equity | \$ 387,376 | \$ 479,580 | \$ 91 |
| | ===== | ===== | ===== |

7

8

SUPPLEMENTAL CONDENSED CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2000
In Thousands

| | | |
|----------|--------------|--------------|
| ALLIED | GUARANTOR | NONGUARANTOR |
| HOLDINGS | SUBSIDIARIES | SUBSIDIARIES |
| ----- | ----- | ----- |

Edgar Filing: ALLIED HOLDINGS INC - Form 10-Q

| | | | |
|---|------------|------------|-----------|
| CURRENT ASSETS: | | | |
| Cash and cash equivalents | \$ (1,213) | \$ 2,063 | \$ 1,523 |
| Short-term investments | -- | -- | 59,892 |
| Receivables, net of allowance for doubtful accounts | 805 | 112,876 | 585 |
| Inventories | -- | 7,415 | -- |
| Deferred tax asset - current | 8,009 | 1,600 | 582 |
| Prepayments and other current assets | 1,974 | 15,007 | 2,374 |
| | ----- | ----- | ----- |
| Total current assets | 9,575 | 138,961 | 64,956 |
| | ----- | ----- | ----- |
| PROPERTY AND EQUIPMENT, NET | 16,319 | 239,866 | 3,177 |
| OTHER ASSETS: | | | |
| Goodwill, net | 1,633 | 93,526 | -- |
| Other | 15,732 | 16,372 | 10,422 |
| Deferred tax asset - noncurrent | 17,585 | -- | -- |
| Intercompany receivables | 260,850 | -- | -- |
| Investment in subsidiaries | 80,057 | 14,072 | -- |
| | ----- | ----- | ----- |
| Total other assets | 375,857 | 123,970 | 10,422 |
| | ----- | ----- | ----- |
| Total assets | \$ 401,751 | \$ 502,797 | \$ 78,555 |
| | ===== | ===== | ===== |
| CURRENT LIABILITIES: | | | |
| Current maturities of long-term debt | \$ -- | \$ 109 | \$ -- |
| Trade accounts payable | 1,590 | 43,475 | 910 |
| Intercompany payables | -- | 259,268 | 1,582 |
| Accrued liabilities | 16,592 | 51,684 | 11,211 |
| | ----- | ----- | ----- |
| Total current liabilities | 18,182 | 354,536 | 13,703 |
| | ----- | ----- | ----- |
| LONG-TERM DEBT, LESS CURRENT MATURITIES | 324,428 | 448 | -- |
| POSTRETIREMENT BENEFITS OTHER THAN PENSIONS | -- | 9,943 | -- |
| DEFERRED INCOME TAXES | -- | 38,999 | -- |
| OTHER LONG-TERM LIABILITIES | -- | 36,660 | 32,934 |
| STOCKHOLDERS' EQUITY: | | | |
| Common stock, no par value | -- | -- | -- |
| Additional paid-in capital | 45,990 | 81,180 | 13,612 |
| Retained earnings | 20,602 | (10,171) | 20,309 |
| Cumulative other comprehensive income, net of tax | (6,744) | (8,798) | (2,003) |
| Treasury stock | (707) | -- | -- |
| | ----- | ----- | ----- |
| Total stockholders' equity | 59,141 | 62,211 | 31,918 |
| | ----- | ----- | ----- |
| Total liabilities and stockholders' equity | \$ 401,751 | \$ 502,797 | \$ 78,555 |
| | ===== | ===== | ===== |

Edgar Filing: ALLIED HOLDINGS INC - Form 10-Q

THREE MONTHS ENDED MARCH 31, 2001
IN THOUSANDS

| | ALLIED HOLDINGS ----- | GUARANTOR SUBSIDIARIES ----- | NONGUA SUBSID ----- |
|---|-----------------------------|------------------------------------|---------------------------|
| REVENUES | \$ -- | \$ 217,776 | \$ 9 |
| OPERATING EXPENSES: | | | |
| Salaries, wages and fringe benefits | 5,121 | 126,596 | |
| Operating supplies and expenses | 903 | 40,536 | |
| Purchased transportation | -- | 23,296 | |
| Insurance and claims | -- | 13,802 | 8 |
| Operating taxes and licenses | 47 | 8,579 | |
| Depreciation and amortization | 847 | 14,010 | |
| Rents | 532 | 1,538 | |
| Communications and utilities | 14 | 2,024 | |
| Other operating expenses | (715) | 4,531 | |
| Total operating expenses | 6,749 | 234,912 | 8 |
| Operating (loss) income | (6,749) | (17,136) | |
| OTHER INCOME (EXPENSE): | | | |
| Equity in earnings (loss) of joint ventures, net of tax | -- | 1,219 | |
| Interest expense | (8,023) | (8,059) | |
| Interest income | 7,710 | 63 | |
| Intercompany dividends | 251 | (251) | |
| Equity in net loss of subsidiaries | (22,879) | -- | |
| | (22,941) | (7,028) | |
| (LOSS) INCOME BEFORE INCOME TAXES | (29,690) | (24,164) | 1 |
| INCOME TAX BENEFIT (PROVISION) | 10,828 | 216 | |
| NET (LOSS) INCOME | \$ (18,862) | \$ (23,948) | \$ 1 |

SUPPLEMENTAL CONDENSED CONSOLIDATED INCOME STATEMENT
THREE MONTHS ENDED MARCH 31, 2000
IN THOUSANDS

| | ALLIED HOLDINGS ----- | GUARANTOR SUBSIDIARIES ----- | NONGUA SUBSID ----- |
|--|-----------------------------|------------------------------------|---------------------------|
|--|-----------------------------|------------------------------------|---------------------------|

Edgar Filing: ALLIED HOLDINGS INC - Form 10-Q

| | | | |
|---|------------|------------|--------|
| REVENUES | \$ 1,242 | \$ 281,472 | \$ 9,6 |
| | ----- | ----- | ----- |
| OPERATING EXPENSES: | | | |
| Salaries, wages and fringe benefits | 1,658 | 153,180 | |
| Operating supplies and expenses | 375 | 51,195 | |
| Purchased transportation | -- | 27,153 | |
| Insurance and claims | -- | 12,374 | 7,8 |
| Operating taxes and licenses | 3 | 10,856 | |
| Depreciation and amortization | 30 | 14,843 | 3 |
| Rents | 20 | 2,306 | |
| Communications and utilities | 7 | 2,202 | |
| Other operating expenses | 732 | 3,043 | 1 |
| | ----- | ----- | ----- |
| Total operating expenses | 2,825 | 277,152 | 8,4 |
| | ----- | ----- | ----- |
| Operating (loss) income | (1,583) | 4,320 | 1,2 |
| | ----- | ----- | ----- |
| OTHER INCOME (EXPENSE): | | | |
| Equity in earnings (loss) of joint ventures, net of tax | -- | 999 | (|
| Interest expense | (7,416) | (8,660) | (|
| Interest income | 7,702 | 86 | 1,2 |
| Equity in net loss of subsidiaries | (1,460) | -- | |
| | ----- | ----- | ----- |
| | (1,174) | (7,575) | 1,1 |
| | ----- | ----- | ----- |
| (LOSS) INCOME BEFORE INCOME TAXES | (2,757) | (3,255) | 2,3 |
| | ----- | ----- | ----- |
| INCOME TAX BENEFIT (PROVISION) | 1,722 | 116 | (6 |
| | ----- | ----- | ----- |
| NET (LOSS) INCOME | \$ (1,035) | \$ (3,139) | \$ 1,6 |
| | ===== | ===== | ===== |

9

10

SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2001
IN THOUSANDS

| | ALLIED HOLDINGS | GUARANTOR SUBSIDIARIES |
|---|--------------------|---------------------------|
| | ----- | ----- |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net (loss) income | \$ (18,862) | \$ (23,948) |
| | ----- | ----- |
| Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities: | | |
| Depreciation and amortization | 847 | 14,010 |
| Gain on sale of property and equipment | -- | (168) |
| Deferred income taxes | -- | (10,593) |
| Compensation expense related to stock options and grants | 69 | -- |

11

Edgar Filing: ALLIED HOLDINGS INC - Form 10-Q

| | | |
|--|----------|----------|
| Equity in (earnings) loss of joint ventures | -- | (1,219) |
| Equity in net loss of subsidiaries | 22,879 | -- |
| Amortization of Teamsters Union signing bonus | -- | 600 |
| Change in operating assets and liabilities: | | |
| Receivables, net of allowance for doubtful accounts | 772 | 17,533 |
| Inventories | -- | 232 |
| Prepayments and other current assets | 101 | (1,590) |
| Intercompany receivables and payables | (13,299) | 11,240 |
| Trade accounts payable | 60 | (5,431) |
| Accrued liabilities | (5,096) | 12,358 |
| | ----- | ----- |
| Total adjustments | 6,333 | 36,972 |
| | ----- | ----- |
| Net cash (used in) provided by operating activities | (12,529) | 13,024 |
| | ----- | ----- |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property and equipment | (63) | (6,907) |
| Proceeds from sale of property and equipment | -- | 436 |
| Investment in joint ventures | -- | -- |
| Intercompany dividend received (paid) | 251 | (251) |
| Increase in short-term investments | -- | -- |
| Increase in cash surrender value of life insurance | (120) | -- |
| | ----- | ----- |
| Net cash provided by (used in) investing activities | 68 | (6,722) |
| | ----- | ----- |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from (repayment of) long-term debt, net | 13,675 | (482) |
| Proceeds from issuance of common stock | 85 | -- |
| Other, net | (10) | (3,499) |
| | ----- | ----- |
| Net cash provided by (used in) financing activities | 13,750 | (3,981) |
| | ----- | ----- |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | -- | (458) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 1,289 | 1,863 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | (1,213) | 2,063 |
| | ----- | ----- |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | \$ 76 | \$ 3,926 |
| | ===== | ===== |

10

11

SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2000
IN THOUSANDS

| | |
|-----------------|------------------------|
| ALLIED HOLDINGS | GUARANTOR SUBSIDIARIES |
| ----- | ----- |

12

Edgar Filing: ALLIED HOLDINGS INC - Form 10-Q

| | | |
|--|-----------|------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net (loss) income | \$(1,035) | \$ (3,139) |
| | ----- | ----- |
| Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities: | | |
| Depreciation and amortization | 30 | 14,843 |
| Loss on sale of property and equipment | -- | 103 |
| Deferred income taxes | (32) | (342) |
| Compensation expense related to stock options and grants | 237 | -- |
| Equity in earnings (loss) of joint ventures | -- | (999) |
| Equity in net loss of subsidiaries | 1,460 | -- |
| Amortization of Teamsters Union signing bonus | -- | 606 |
| Change in operating assets and liabilities: | | |
| Receivables, net of allowance for doubtful accounts | 7 | (7,192) |
| Inventories | -- | 5 |
| Prepayments and other current assets | (276) | (3,700) |
| Trade accounts payable | 99 | (87) |
| Intercompany payables | (3,276) | 3,226 |
| Accrued liabilities | 1,244 | 4,583 |
| | ----- | ----- |
| Total adjustments | (507) | 11,046 |
| | ----- | ----- |
| Net cash (used in) provided by operating activities | (1,542) | 7,907 |
| | ----- | ----- |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property and equipment | -- | (1,868) |
| Proceeds from sale of property and equipment | -- | 44 |
| Purchase of business, net of cash acquired | -- | (8,185) |
| Intercompany dividend received (paid) | 47 | (47) |
| Increase in short-term investments | -- | -- |
| Increase in cash surrender value of life insurance | -- | (120) |
| | ----- | ----- |
| Net cash provided by (used in) investing activities | 47 | (10,176) |
| | ----- | ----- |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Repayment of long-term debt, net | -- | (79) |
| Proceeds from issuance of common stock | 218 | -- |
| Repurchase of common stock | (282) | -- |
| Other, net | (12) | 251 |
| | ----- | ----- |
| Net cash (used in) provided by financing activities | (76) | 172 |
| | ----- | ----- |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | | |
| | -- | (244) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | |
| | (1,571) | (2,341) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | | |
| | 1,852 | 3,179 |
| | ----- | ----- |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | | |
| | \$ 281 | \$ 838 |
| | ===== | ===== |

Edgar Filing: ALLIED HOLDINGS INC - Form 10-Q

Note 3. Comprehensive Income

The Company had a comprehensive loss of \$22.6 million in the first quarter of 2001 versus a comprehensive loss of \$1.5 million in the first quarter of 2000. The difference between comprehensive loss and net loss is the foreign currency translation adjustment, net of income taxes.

Note 4. Accounting for Derivative Instruments and Hedging Activities

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards "SFAS" No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, the statement establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting.

From time to time, the Company enters into future contracts to manage the risk associated with changes in fuel prices. Gains and losses from fuel hedging contracts are recognized as part of fuel expense when the Company uses the underlying fuel being hedged. The Company does not enter into fuel hedging contracts for speculative purposes. At March 31, 2001, the Company did not have any outstanding fuel hedging contracts or other derivative instruments that fall under the provisions of SFAS No. 133. The Company will adopt SFAS No. 133 prior to entering into additional future fuel hedging contracts, and does not expect it to have a material impact on its financial position or results of operations.

Note 5. Workforce Reduction Expense

During 2000, the Company recorded a pre-tax \$2.5 million workforce reduction charge related to terminating approximately 100 employees. During 2000, severance payments amounted to approximately \$0.9 million. During the first quarter of 2001, the Company recorded a pre-tax workforce reduction charge of \$5.0 million related to terminating approximately 65 employees and severance payments amounted to approximately \$1.9 million. At March 31, 2001, approximately \$4.7 million is outstanding and included in accrued liabilities.

12

13

Note 6. Segment Reporting

In accordance with the requirements of SFAS No. 131, "Disclosure About Segments of an Enterprise and Related Information," the Company has identified two reportable industry segments through which it conducts its operating activities: Allied Automotive Group and Axis Group. These two segments reflect the organization used by management for internal reporting. Allied Automotive Group is engaged in the business

Edgar Filing: ALLIED HOLDINGS INC - Form 10-Q

of transporting automobiles and light trucks from manufacturing plants, ports, auctions, and railway distribution points to automobile dealerships. Axis Group provides distribution, automobile inspection, auction, and logistics services for the automotive industry.

| | Three Months Ended March 31, | |
|-----------------------------------|------------------------------|------------|
| | 2001 | 2000 |
| Revenues--unaffiliated customers: | | |
| Allied Automotive Group | \$ 212,024 | \$ 276,983 |
| Axis Group | 6,155 | 5,893 |
| Corporate/other | -- | 8 |
| Total | \$ 218,179 | \$ 282,884 |
| ===== | | |
| Depreciation and amortization: | | |
| Allied Automotive Group | \$ 13,283 | \$ 13,274 |
| Axis Group | 894 | 628 |
| Corporate/other | 847 | 1,340 |
| Total | \$ 15,024 | \$ 15,242 |
| ===== | | |
| Operating profit (loss): | | |
| Allied Automotive Group | \$ (16,129) | \$ 7,166 |
| Axis Group | (452) | (303) |
| Corporate/other | (6,598) | (2,902) |
| Total | (23,179) | 3,961 |
| Reconciling items: | | |
| Equity income in joint ventures | \$ 1,209 | \$ 901 |
| Interest expense | (8,466) | (8,401) |
| Interest income | 964 | 1,320 |
| (Loss) income before income taxes | \$ (29,472) | \$ (2,219) |
| ===== | | |
| Capital expenditures: | | |
| Allied Automotive Group | \$ 6,988 | \$ 1,723 |
| Axis Group | 524 | 444 |
| Corporate/other | 67 | 1,074 |
| Total | \$ 7,579 | \$ 3,241 |
| ===== | | |

Edgar Filing: ALLIED HOLDINGS INC - Form 10-Q

| | March 31, 2001 ----- | December 31, 2000 ----- |
|-------------------------|----------------------------|-------------------------------|
| Total assets: | | |
| Allied Automotive Group | \$ 419,735 | \$ 437,945 |
| Axis Group | 60,929 | 64,869 |
| Corporate/other | 118,019 | 107,725 |
| | ----- | ----- |
| Total | \$ 598,683 ===== | \$ 610,539 ===== |

Geographic financial information for 2001 and 2000 is as follows (in thousands):

| | Three Months Ended March 31, ----- | |
|---------------|---------------------------------------|---------------------|
| | 2001 ----- | 2000 ----- |
| Revenues: | | |
| United States | \$ 181,298 | \$ 234,938 |
| Canada | 36,881 | 47,946 |
| | ----- | ----- |
| | \$ 218,179 ===== | \$ 282,884 ===== |

Revenues are attributed to the respective countries based on the location of the origination terminal.

Note 7. Equity Investments

Axis Group has entered into three joint ventures for the purpose of managing the distribution of vehicles in the United Kingdom and Brazil. Axis Group initially invested \$10,395,000 in the ventures. The Company is accounting for the investments under the equity method of accounting with its share of the ventures' earnings or loss reflected as equity in earnings (loss) of joint ventures in the consolidated statements of operations. The related equity investments are included in other assets in the accompanying consolidated balance sheets.

Equity in earnings for these joint ventures is recorded net of income taxes in the consolidated statements of operations by the Company. Income taxes related to the joint ventures for the periods ended March 31, 2001, and 2000 were \$517,000 and \$388,000, respectively.

The majority of the Company's equity in earnings of joint ventures in 2001 was derived from its joint venture in the United Kingdom, Ansa Logistics Limited. Summarized financial information of Ansa Logistics Limited for the periods ended March 31, 2001 and 2000 (in thousands):

Edgar Filing: ALLIED HOLDINGS INC - Form 10-Q

& Manufacturing, Inc., but anticipates the filing and service of cross-claims that the court has permitted to be asserted against the Company by the other defendants in that action. In the CCI Case, the Company has accepted or expects to accept service of a separate complaint asserting claims against the Company that are virtually identical to the cross-claims that the Company expects to be asserted against it by the other defendants in the Gateway Case. It is anticipated that the claims asserted in both the Gateway Case and the CCI Case will be resolved in a unified proceeding. With respect to the entirety of this litigation, the Company intends to continue its vigorous defense against the claims asserted it, as management believes all of those claims are without merit. While the

15

16

ultimate results of this litigation cannot be predicted, management does not expect that the resolution of these proceedings will have a material adverse effect on the Company's consolidated financial position or results of operations.

16

17

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Revenues were \$218.2 million in the first quarter of 2001 versus revenues of \$282.9 million in the first quarter of 2000, a decrease of 22.9%. The decrease in revenues was due to lower vehicle delivery volumes resulting from decreased new vehicle production and sales. New vehicle production in the United States and Canada in the first quarter of 2001 was at its lowest level since 1993 in a first quarter without labor disputes. Production for the Big Three automakers - all major customers of AAG - declined by 23 percent. The production cuts helped new vehicle inventories decline from 77 days at year-end to 63 days at the end of the first quarter. New vehicle inventories are now just slightly higher than the 61-day supply at the end of the first quarter in 2000.

The Company experienced a net loss of \$18.9 million in the first quarter of 2001 versus a net loss of \$1.0 million in the first quarter of 2000. Basic and diluted loss per share in the first quarter of 2001 were \$2.35 versus basic and diluted loss per share of \$0.13 in the first quarter of 2000.

Consolidated revenues were down \$64.7 million, primarily due to the significant drop in volume. Vehicle deliveries declined 837,000 units, which translates into \$75 million of revenue at an average revenue per unit. The Company estimates that the volume decline in the first quarter of 2001, at an average margin per unit, reduced net earnings by \$15.4 million. Offsetting the impact on revenues from the volume decline was a 3.7% increase in AAG's revenue per unit from \$86.54 to \$89.71. Most of the increase in the revenue per unit was due to fuel surcharges that offset higher fuel costs during the quarter.

Edgar Filing: ALLIED HOLDINGS INC - Form 10-Q

Due to the significant volume decline, the Company has implemented a program to achieve a \$25 million reduction in overhead expenses. During the first quarter of 2001, the Company recorded an after-tax charge of \$3.2 million, or \$0.40 per share, for severance and workforce reduction expenses relating to its overhead reduction program.

The Company recently amended its revolving credit facility and its senior subordinated notes to avoid defaults relating to its financial covenants. The maturity date of the amended revolving credit facility has been accelerated from September 30, 2002 to January 31, 2002. The Company is engaged in discussions with a number of lenders to replace its revolving credit facility, and completion of the financing is anticipated by year-end. There can be no assurance acceptable financing can be obtained by January 31, 2002, which may have a material adverse effect on the Company. The Company expensed approximately \$0.5 million, or \$0.06 per share, of administrative costs related to the amendments during the first quarter of 2001.

17

18

The following is a discussion of the changes in the Company's major expense categories:

Salaries, wages and fringe benefits increased from 54.7% of revenues in the first quarter of 2000 to 60.4% of revenues in the first quarter of 2001. The increase was primarily due to severance charged to expense for \$4.3 million that was part of the Company's workforce and overhead reduction program, as well as annual wage increases for remaining employees. In addition, the significant drop in vehicle deliveries caused operating inefficiencies which increased salaries, wages, and fringe benefits as a percentage of revenues.

Operating supplies and expenses increased from 18.2% of revenues in the first quarter of 2000 to 19.0% of revenues in the first quarter of 2001. The increase was due primarily to inefficiencies related to the decline in vehicle deliveries, combined with increases in fuel prices.

Purchased transportation increased from 9.6% of revenues in the first quarter of 2000 to 10.7% of revenues in the first quarter of 2001. The increase was due primarily to the increase in the mix of loads hauled by owner-operators versus Company drivers. The percentage of owner-operators increased in the first quarter of 2001 versus 2000 due to the fact that owner-operators generally have more seniority than Company drivers. As lay-offs are done based on seniority, the declining volumes have led to a greater percentage of idled Company trucks.

Insurance and claims expense increased from 4.3% of revenues in the first quarter of 2000 to 6.1% of revenues in the first quarter of 2001. The increase was a result of an increase in cargo claims expense and costs related to higher auto, general liability and property insurance premiums that were unaffected by the decline in vehicles delivered.

Depreciation and amortization increased from 5.4% of revenues in the first quarter of 2000 to 6.9% of revenues in the first quarter of 2001. Depreciation and amortization expense stayed relatively constant

Edgar Filing: ALLIED HOLDINGS INC - Form 10-Q

although revenues declined.

Other operating expenses increased from 0.9% of revenues in the first quarter of 2000 to 1.8% of revenues in the first quarter of 2001. The increase was due primarily to severance and debt amendment related costs incurred in the first quarter of 2001.

Equity in earnings of joint ventures, net of tax, increased from \$0.9 million in the first quarter of 2000 to earnings of \$1.2 million in the first quarter of 2001. The increase was due primarily to improved earnings from the Company's joint ventures in the United Kingdom.

Interest expense increased from \$8.4 million, or 3.0% of revenues, in the first quarter of 2000, to \$8.5 million, or 3.9% of revenues, in the first quarter of 2001. The increase was due to slightly higher interest rates and higher debt levels in 2001 versus 2000.

18

19

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities totaled \$12.3 million for the three months ended March 31, 2001 versus \$10.2 million for the three months ended March 31, 2000. The improvement in cash provided from operations was due to a large decrease in the accounts receivable balance. In the first quarter of 2001, the accounts receivable balance decreased significantly, while in the first quarter of 2000 accounts receivable increased. The decrease in accounts receivable was primarily due to a re-organization of the revenue process, which increased cash collections, combined with the decrease in revenues related to declining volumes. The change in the receivables balance was offset by a decrease in the deferred tax liabilities due to the net loss in the first quarter of 2001.

Net cash used in investing activities totaled \$16.7 million for the three months ended March 31, 2001 versus \$20.8 million for the three months ended March 31, 2000. The decrease was due primarily to the purchase of CT Group, a logistics services group, in March 2000 for \$8.2 million. Capital expenditures were \$7.6 million in the first quarter of 2001 versus \$3.2 million in the first quarter of 2000. The increase is due to the timing of capital expenditures. In 2000, capital expenditures were weighted to the last half of the year and were \$32.5 million. Planned capital expenditures have been reduced to \$20-25 million in 2001. The Company plans to reduce capital expenditures due to the volume decline by taking rigs out of service rather than replacing them. The average age of active rigs in 2001 is comparable to 2000 as the number of active rigs declined from 5,085 rigs in the first quarter of 2000 versus 4,277 rigs in the first quarter of 2001.

Net cash provided by financing activities totaled \$11.0 million for the three months ended March 31, 2001 versus \$1.5 million for the three months ended March 31, 2000. The increase was due to an increase in borrowings during 2001 as a result of the higher net loss.

19

20

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

Edgar Filing: ALLIED HOLDINGS INC - Form 10-Q

DISCLOSURES ABOUT MARKET RISKS

The market risk inherent in the Company's market risk sensitive instruments and positions is the potential loss arising from adverse changes in short-term investment prices, interest rates, fuel prices, and foreign currency exchange rates.

SHORT-TERM INVESTMENTS - The Company does not use derivative financial instruments in its investment portfolio. The Company places its investments in instruments that meet high credit quality standards, as specified in the Company's investment policy guidelines. The policy also limits the amount of credit exposure to any one issue, issuer, and type of instrument. Short-term investments at March 31, 2001, which are recorded at a fair value of \$68.9 million, have exposure to price risk. This risk is estimated as the potential loss in fair value resulting from a hypothetical 10% adverse change in quoted prices and amounts to \$6.9 million.

INTEREST RATES - The Company primarily issues long-term debt obligations to support general corporate purposes including capital expenditures and working capital needs. The majority of the Company's long-term debt obligations bear a fixed rate of interest. A one-percentage point increase in interest rates affecting the Company's floating rate long-term debt would reduce pre-tax income by \$1.5 million over the next fiscal year. A one-percentage point change in interest rates would not have a material effect on the fair value of the Company's fixed rate long-term debt.

FUEL PRICES - The Company is dependent on diesel fuel to operate its fleet of rigs. Diesel fuel prices are subject to fluctuations due to unpredictable factors such as weather, government policies, changes in global demand, and global production. To reduce price risk caused by market fluctuations, the Company generally follows a policy of hedging a portion of its anticipated diesel fuel consumption. The instruments used are principally readily marketable exchange traded futures contracts, which are designated as hedges. The changes in market value of such contracts have a high correlation to the price changes of diesel fuel. Gains and losses resulting from fuel hedging transactions are recognized when the underlying fuel being hedged is used. A 10% increase in diesel fuel prices would reduce pre-tax income by \$1.3 million over the next fiscal year.

FOREIGN CURRENCY EXCHANGE RATES - Although the majority of the Company's operations are in the United States, the Company does have foreign subsidiaries (primarily Canada). The net investments in foreign subsidiaries translated into dollars using exchange rates at March 31, 2001, are \$90.0 million. The potential loss in fair value impacting other comprehensive income resulting from a hypothetical 10% change in quoted foreign currency exchange rates amounts to \$9.0 million. The Company does not use derivative financial instruments to hedge its exposure to changes in foreign currency exchange rates.

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS - This Quarterly Report on Form 10-Q contains, and from time to time the Company and its officers, directors or employees may make other forward-looking statements, including statements regarding, among other items, (i) the Company's plans, intentions or expectations, (ii) general industry

Edgar Filing: ALLIED HOLDINGS INC - Form 10-Q

trends, competitive conditions and customer preferences, (iii) the Company's management information systems, (iv) the Company's efforts to reduce costs, (v) the adequacy of the Company's sources of cash to finance its current and future operations and (vi) resolution of litigation without material adverse effect on the Company. This notice is intended to take advantage of the "safe harbor" provided by the Private Securities Litigation Reform Act of 1995 with respect to such forward-looking statements. Without limiting the generality of the foregoing, the words "believe," "anticipate," "seek," "expect," "estimate," "intend," "plan," and similar expressions are intended to identify such forward-looking statements. These forward-looking statements involve a number of risks and uncertainties. Among others, factors that could cause actual results to differ materially from historical results or results expressed or implied by such forward-looking statements are the following: economic recessions or downturns in new vehicle production or sales; the highly competitive nature of the automotive distribution industry; dependence on the automotive industry; loss or reduction of revenues generated by the Company's major customers or the loss of any such customers; the variability of quarterly results and seasonality of the automotive distribution industry; the Company's highly leveraged financial position; labor disputes involving the Company or its significant customers; the dependence on key personnel who have been hired or retained by the Company; the availability of strategic acquisitions or joint venture partners; increases in fuel prices; increased frequency and severity of work related accidents and workers' compensation claims; increased expenses due to layoffs of employees; changes in regulatory requirements which are applicable to the Company's business; changes in vehicle sizes and weights which may adversely impact vehicle deliveries per load; risks associated with doing business in foreign countries; problems related to information technology systems and computations that must be made by the Company or its customers and vendors in 2001 or beyond; and other risk factors set forth from time to time in the Company's Securities and Exchange Commission reports, including but not limited to, this Quarterly Report on Form 10-Q. Many of these factors are beyond the Company's ability to control or predict, and readers are cautioned not to put undue reliance on such forward-looking statements. The Company disclaims any obligation to update or review any forward-looking statements contained in this Quarterly Report or in any statement referencing the risk factors and other cautionary statements set forth in this Quarterly Report.

21

22

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

- (a) Exhibits: None
- (b) Reports on Form 8-K: None

22

23

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the

Edgar Filing: ALLIED HOLDINGS INC - Form 10-Q

undersigned thereunto duly authorized.

Allied Holdings, Inc.

May 14, 2001

(Date)

/s/ Robert J. Rutland

Robert J. Rutland
on behalf of Registrant as
Chairman and
Chief Executive Officer

May 14, 2001

(Date)

/s/ Daniel H. Popky

Daniel H. Popky
on behalf of Registrant as
Senior Vice President, Finance
and Chief Financial Officer