

CAI International, Inc.
Form 10-Q
August 05, 2015

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 June 30, 2015

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: 001-33388

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CAI International, Inc.

(Exact name of registrant as specified in its charter)

Delaware 94-3109229
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

Steuart Tower, 1 Market Plaza, Suite 900
San Francisco, California 94105
(Address of principal executive offices) (Zip Code)

415-788-0100

(Registrant's telephone number, including area code)

None

(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

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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.

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 Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.

Common	July 31, 2015
Common Stock, \$.0001 par value per share	21,219,243 shares

Table of Contents

CAI INTERNATIONAL, INC.

INDEX

	Page No.
<u>Part I — Financial Information</u>	5
Item 1. <u>Financial Statements (Unaudited)</u>	5
<u>Consolidated Balance Sheets at June 30, 2015 and December 31, 2014</u>	5
<u>Consolidated Statements of Income for the three and six months ended June 30, 2015 and 2014</u>	7
<u>Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2015 and 2014</u>	8
<u>Consolidated Statements of Cash Flows for the six months ended June 30, 2015 and 2014</u>	9
<u>Notes to Unaudited Consolidated Financial Statements</u>	10
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	21
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	29
Item 4. <u>Controls and Procedures</u>	30
<u>Part II — Other Information</u>	31
Item 1. <u>Legal Proceedings</u>	31
Item 1A. <u>Risk Factors</u>	31
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	31
Item 3. <u>Defaults Upon Senior Securities</u>	31
Item 4. <u>Mine Safety Disclosures</u>	32
Item 5. <u>Other Information</u>	32
Item 6. <u>Exhibits</u>	32

Signatures

33

3

Table of Contents

SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains certain forward-looking statements, including, without limitation, statements concerning the conditions in our industry, our operations, our economic performance and financial condition, including, in particular, statements relating to our business, operations, growth strategy and service development efforts. The Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for certain forward-looking statements so long as such information is identified as forward-looking and is accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those projected in the information. When used in this Quarterly Report on Form 10-Q, the words “may,” “might,” “should,” “estimate,” “project,” “plan,” “anticipate,” “expect,” “intend,” “outlook,” “believe” and other similar expressions are intended to identify forward-looking statements and information. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates. These forward-looking statements are based on estimates and assumptions by our management that, although we believe to be reasonable, are inherently uncertain and subject to a number of risks and uncertainties. These risks and uncertainties include, without limitation, those in our Annual Report on Form 10-K for the year ended December 31, 2014 filed with the Securities and Exchange Commission (SEC) on February 27, 2015 and our other reports filed with the SEC. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law. Reference is also made to such risks and uncertainties detailed from time to time in our other filings with the SEC.

Table of Contents

PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CAI INTERNATIONAL, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share information)

(UNAUDITED)

	June 30, 2015	December 31, 2014
Assets		
Current assets		
Cash	\$ 20,271	\$ 27,810
Cash held by variable interest entities	40,859	26,011
Accounts receivable (owned fleet), net of allowance for doubtful accounts of \$896 and \$680 at June 30, 2015 and December 31, 2014, respectively	48,172	49,524
Accounts receivable (managed fleet)	7,348	8,498
Current portion of direct finance leases	20,288	18,150
Prepaid expenses	17,404	14,806
Total current assets	154,342	144,799
Restricted cash	7,723	8,232
Rental equipment, net of accumulated depreciation of \$311,726 and \$274,333 at June 30, 2015 and December 31, 2014, respectively	1,721,187	1,564,777
Net investment in direct finance leases	82,288	76,814
Furniture, fixtures and equipment, net of accumulated depreciation of \$2,232 and \$2,019 at June 30, 2015 and December 31, 2014, respectively	780	945
Intangible assets, net of accumulated amortization of \$4,807 and \$4,817 at June 30, 2015 and December 31, 2014, respectively	137	273
Total assets (1)	\$ 1,966,457	\$ 1,795,840
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 6,722	\$ 8,414
Accrued expenses and other current liabilities	8,116	9,029

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Due to container investors	8,791	12,984
Unearned revenue	10,352	7,172
Current portion of debt	231,181	203,199
Current portion of capital lease obligations	92	1,015
Rental equipment payable	17,999	7,381
Total current liabilities	283,253	249,194
Debt	1,165,324	1,058,754
Deferred income tax liability	43,848	43,419
Capital lease obligations	-	1,568
Total liabilities (2)	1,492,425	1,352,935
Stockholders' equity		
Common stock: par value \$.0001 per share; authorized 84,000,000 shares; issued and outstanding		
21,201,743 and 20,788,277 shares at June 30, 2015 and December 31, 2014, respectively	2	2
Additional paid-in capital	161,481	154,894
Accumulated other comprehensive loss	(7,638)	(5,677)
Retained earnings	319,328	292,897
Total CAI stockholders' equity	473,173	442,116
Non-controlling interest	859	789
Total stockholders' equity	474,032	442,905
Total liabilities and stockholders' equity	\$ 1,966,457	\$ 1,795,840

Table of Contents

- (1) Total assets at June 30, 2015 and December 31, 2014 include the following assets of certain variable interest entities (VIEs) that can only be used to settle the liabilities of those VIEs: Cash, \$40,859 and \$26,011; Net investment in direct finance leases, \$323 and \$156; and Rental equipment, net of accumulated depreciation, \$98,081 and \$102,100, respectively.

- (2) Total liabilities at June 30, 2015 and December 31, 2014 include the following VIE liabilities for which the VIE creditors do not have recourse to CAI International, Inc.: Current portion of debt, \$80,201 and none; Debt, \$64,029 and \$132,419, respectively.

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

CAI INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)

(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenue				
Rental revenue	\$ 56,734	\$ 51,493	\$ 111,617	\$ 102,177
Management fee revenue	287	1,595	1,544	3,120
Finance lease income	2,345	2,224	4,697	4,279
Total revenue	59,366	55,312	117,858	109,576
Operating expenses				
Depreciation of rental equipment	22,029	19,056	43,252	37,719
Amortization of intangible assets	45	99	129	198
Loss (gain) on sale of used rental equipment	192	(1,534)	(165)	(3,324)
Storage, handling and other expenses	6,994	6,797	13,759	12,790
Marketing, general and administrative expenses	6,972	6,397	14,099	13,103
Loss on foreign exchange	100	153	59	317
Total operating expenses	36,332	30,968	71,133	60,803
Operating income	23,034	24,344	46,725	48,773
Interest expense	9,048	8,883	17,829	17,678
Interest income	(1)	(1)	(4)	(5)
Net interest expense	9,047	8,882	17,825	17,673
Net income before income taxes and non-controlling interest	13,987	15,462	28,900	31,100
Income tax expense	1,057	1,968	2,399	3,375
Net income	12,930	13,494	26,501	27,725
Net income attributable to non-controlling interest	(41)	(48)	(70)	(8)
Net income attributable to CAI common stockholders	\$ 12,889	\$ 13,446	\$ 26,431	\$ 27,717
Net income per share attributable to CAI common stockholders				
Basic	\$ 0.61	\$ 0.61	\$ 1.26	\$ 1.26
Diluted	\$ 0.60	\$ 0.60	\$ 1.24	\$ 1.23

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Weighted average shares outstanding				
Basic	21,095	21,910	21,000	22,061
Diluted	21,398	22,355	21,346	22,506

See accompanying notes to unaudited consolidated financial statements.

7

Table of Contents

CAI INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net income	\$ 12,930	\$ 13,494	\$ 26,501	\$ 27,725
Other comprehensive income, net of tax:				
Foreign currency translation adjustments	458	(76)	(1,961)	(11)
Comprehensive income	13,388	13,418		