ALLIED HOLDINGS INC
Form 10-Q
November 14, 2003

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

[x] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 - **For the quarterly period ended September 30, 2003**

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	**58-0360550**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

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. [X] Yes [ ] No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act of 1934).
[ ] Yes [X] No

Outstanding common stock, no par value at October 31, 2003	8,741,830

TABLE OF CONTENTS

Table of Contents

ALLIED HOLDINGS, INC. AND SUBSIDIARIES

INDEX

Table of Contents

PART 1 - FINANCIAL INFORMATION
Item 1 - FINANCIAL STATEMENTS

ALLIED HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands)

	September 30, 2003	December 31, 2002
	(unaudited)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 83,349	$ 10,253
Short-term investments		60,732
Receivables, net of allowance for doubtful accounts of $3,389 and $5,587 respectively	58,078	58,512
Inventories	4,874	5,071
Deferred tax assets	24,034	39,826
Prepayments and other current assets	12,672	28,685
Total current assets	183,007	203,079
PROPERTY AND EQUIPMENT, NET	158,539	176,663
GOODWILL, NET	88,998	85,241
OTHER	33,805	20,525
Total assets	$464,349	$485,508
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	$ 17,854	$ 10,785
Trade accounts payable	27,817	36,585
Accrued liabilities	93,421	92,881
Total current liabilities	139,092	140,251
LONG-TERM DEBT, less current maturities	236,376	237,690
POSTRETIREMENT BENEFITS OTHER THAN PENSIONS	6,530	7,467
DEFERRED INCOME TAXES	11,364	27,746
OTHER LONG-TERM LIABILITIES	59,653	62,040
STOCKHOLDERS EQUITY:		
Preferred stock, no par value; 5,000 shares authorized, none outstanding		
Common stock, no par value; 20,000 shares authorized, 8,722 and 8,421 shares outstanding at September 30, 2003 and December 31, 2002,		

respectively		
Additional paid-in capital	47,373	46,801
Treasury stock at cost, 139 shares at September 30, 2003 and December 31, 2002	(707)	(707)
Accumulated deficit	(30,687)	(26,420)
Accumulated other comprehensive loss, net of tax	(4,645)	(9,360)
Total stockholders equity	11,334	10,314
Total liabilities and stockholders equity	$464,349	$485,508

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

Table of Contents

ALLIED HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands, Except Per Share Data)
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2003	2002	2003	2002
REVENUES	$197,089	$212,985	$640,759	$665,228
OPERATING EXPENSES:				
Salaries, wages and fringe benefits	107,369	117,804	348,446	363,853
Operating supplies and expenses	29,960	33,257	103,108	100,068
Purchased transportation	24,082	25,331	74,632	72,438
Insurance and claims	8,260	10,844	29,094	34,344
Operating taxes and licenses	6,992	7,638	22,989	24,731
Depreciation and amortization	11,011	13,142	34,688	40,087
Rents	1,579	1,685	4,819	4,895
Communications and utilities	1,745	1,425	5,213	5,290
Other operating expenses	2,791	2,859	8,175	7,607
Loss (gain) on disposal of operating assets, net	153	367	612	(347)
Total operating expenses	193,942	214,352	631,776	652,966
Operating income (loss)	3,147	(1,367)	8,983	12,262
OTHER INCOME (EXPENSE):				
Interest expense	(7,366)	(7,611)	(22,120)	(23,343)
Investment income (loss)	(398)	203	2,935	1,090
Gain on early extinguishment of debt				2,750
Foreign exchange gain (loss), net	(62)	124	2,386	157
Other, net	1,976	(57)	1,976	(264)
	(5,850)	(7,341)	(14,823)	(19,610)
LOSS BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	(2,703)	(8,708)	(5,840)	(7,348)
INCOME TAX BENEFIT	728	2,226	1,573	1,819
LOSS BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	(1,975)	(6,482)	(4,267)	(5,529)
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE, NET OF TAX				(4,092)
NET LOSS	($ 1,975)	($ 6,482)	($ 4,267)	($ 9,621)
BASIC AND DILUTED LOSS PER COMMON SHARE:				
LOSS BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	($ 0.23)	($ 0.78)	($ 0.50)	($ 0.67)
				($ 0.49)

CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE, NET OF TAX				
NET LOSS	($ 0.23)	($ 0.78)	($ 0.50)	($ 1.16)
BASIC AND DILUTED WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	8,507	8,324	8,459	8,282

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

Table of Contents

ALLIED HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Unaudited)

	For the Nine Months Ended September 30,	
	2003	**2002**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	($ 4,267)	($ 9,621)
Reconciliation of net loss to net cash provided by operating activities:		
Gain on early extinguishment of debt		(2,750)
Interest expense paid in kind	1,065	746
Amortization of deferred financing costs	3,007	3,013
Depreciation and amortization	34,688	40,087
Loss (gain) on disposal of assets and other, net	612	(83)
Foreign exchange gain, net	(2,386)	(157)
Cumulative effect of change in accounting principle		4,092
Deferred income taxes	(3,402)	(2,569)
Compensation expense related to stock options and grants	290	(210)
Amortization of Teamsters Union contract costs	1,000	1,800
Change in operating assets and liabilities:		
Receivables, net of allowance for doubtful accounts	1,840	12,276
Inventories	336	55
Prepayments and other current assets	16,359	1,556
Short-term investments	60,732	2,367
Trade accounts payable	(9,676)	(4,057)
Accrued liabilities and other	(18,596)	8,533
Net change in operating assets and liabilities	50,995	20,730
Net cash provided by operating activities	81,602	55,078
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(11,547)	(13,313)
Proceeds from sale of property and equipment	287	3,005
Proceeds from sale of equity investment in joint venture		2,700
Decrease in the cash surrender value of life insurance	2	1,341
Net cash used in investing activities	(11,258)	(6,267)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Additions to (repayments of) revolving credit facilities, net	(20,280)	(62,384)
Additions to long-term debt	99,875	82,750
Repayment of long-term debt	(74,905)	(46,360)
Payment of deferred financing costs	(3,031)	(9,262)
Proceeds from issuance of common stock	282	262
Repurchase of common stock		
Other, net	65	549
Net cash provided by (used in) financing activities	2,006	(34,445)

EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	746	16
NET INCREASE IN CASH AND CASH EQUIVALENTS	73,096	14,382
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	10,253	10,543
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 83,349	$ 24,925

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

Table of Contents

ALLIED HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

September 30, 2003 and 2002

(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 of America for complete financial statements. The 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 and nine month periods ended September 30, 2003 are not necessarily indicative of the results that may be expected for the year ended December 31, 2003. 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 2002 Annual Report on Form 10-K.

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation.

(2) Use of Estimates

The preparation of the consolidated financial statements requires management of the Company to make a number of estimates and assumptions relating to the reported amount of assets and liabilities and revenues and expenses during the period to disclose contingent assets and liabilities at the date of the consolidated financial statements. Significant items subject to such estimates and assumptions include the carrying amount of intangibles; property, plant and equipment; valuation allowances for receivables, inventories and deferred income tax assets; self-insurance reserves; and assets and obligations related to employee benefits. Actual results could differ from those estimates.

(3) Recent Accounting Pronouncements

In June 2001, FASB issued SFAS No. 143, *Accounting for Asset Retirement Obligations*. SFAS No. 143 requires the Company to record the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development, and/or normal use of the assets. The Company also records a corresponding asset that is depreciated over the life of the asset. Subsequent to the initial measurement of the asset retirement obligation, the obligation will be adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The Company adopted the provisions of SFAS No. 143 effective January 1, 2003. The Statement did not have a material impact on the financial position or results of operations of the Company as of the date of adoption.

In July 2002, the FASB issued SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*. The Statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring). This Statement requires recognition of a liability for a cost associated with an exit or disposal activity when the liability is incurred, as opposed to when the entity commits to an exit plan under EITF No. 94-3. The Company adopted the provisions of SFAS No. 146 effective January 1, 2003. The Statement did not have a material impact on the financial position or results of operations of the Company as of the date of adoption.

In November 2002, the FASB issued Interpretation No. 45, *Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others, an interpretation of FASB Statements No. 5, 57 and 107 and a rescission of FASB Interpretation No. 34.* This Interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under guarantees issued. The Interpretation also clarifies that a guarantor is required to recognize, at inception of a guarantee, a liability for the fair value of the obligation undertaken. The initial recognition and measurement provisions of the Interpretation are applicable to guarantees issued or modified after December 31, 2002. The Company adopted the recognition and measurement provisions of the Interpretation effective January 1, 2003 for guarantees issued or modified after December 31, 2002. The adoption of this Interpretation did not have a material impact on the financial position or results of operations of the Company as of the date of adoption. See note 11, Guarantees and Indemnifications.

In December 2002, the FASB issued SFAS No. 148, *Accounting for Stock-Based Compensation Transition and Disclosure, an amendment of FASB Statement No. 123*. This Statement amends FASB Statement No. 123, *Accounting for Stock-Based Compensation*, to provide alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of Statement No. 123 to require prominent disclosures in both annual and interim financial statements. Certain of the disclosure modifications are required for fiscal years and interim periods ending after December 15, 2002 and are included in the notes to these consolidated financial statements.

In January 2003, the FASB issued FASB Interpretation No. 46, *Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51*. This Interpretation addresses the consolidation of business enterprises (variable interest entities) to which the usual condition of consolidation does not apply. This interpretation focuses on financial interests that indicate control. It concludes that in the absence of clear control through voting interests, a company s exposure (variable interest) to the economic risks and potential rewards from the variable interest entity s assets and activities are the best evidence of control. Variable interests are rights and obligations that convey economic gains or losses from changes in the values of the variable interest entity s assets and li