

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-31**
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FILER

AIR EXPRESS INTERNATIONAL CORP /DE/

CIK: **700674** | IRS No.: **362074327** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-08306** | Film No.: **94527720**
SIC: **4731** Arrangement of transportation of freight & cargo

Mailing Address
120 TOKENEKE RD
P O BOX 1231
DARIEN CT 06820

Business Address
120 TOKENEKE RD P.O. BOX
1231
DARIEN CT 06820
2036557900

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 March 31, 1994

Commission file number: 1-8306

AIR EXPRESS INTERNATIONAL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

36-2074327

(State or Other of Jurisdiction of Incorporation or Organization)

(I.R.S. Employer Identification No.)

120 Tokeneke Road, Darien, Connecticut 06820

(203) 655-7900

(Address of, Including Zip Code, and Telephone Number, Including Area Code, of of Registrant's Principal Executive Offices)

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 Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 3 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 [X] No []

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date (applicable only to corporate registrants).

The number of shares of common stock outstanding as of May 10, 1994 was 13,765,583. (Net of 2,181,537 Treasury Shares)

AIR EXPRESS INTERNATIONAL CORPORATION
March 1994 Form 10-Q Quarterly Report

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AIR EXPRESS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

	March 31, 1994	December 31, 1993
	----- (Unaudited) <C>	----- <C>
<S>		
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 58,991	\$ 55,063
Short-term investments	10,109	10,109
Accounts receivable, (less allowance for doubtful accounts of \$2,832 and \$2,846)	149,281	150,969
Other current assets	3,472	3,224
	-----	-----
Total current assets	221,853	219,365
Investment in unconsolidated affiliates	7,740	7,595
Property, plant and equipment (less accumulated depreciation and amortization of \$35,335 and \$34,096)	28,722	27,323
Deposits and other current assets	4,632	4,604
Goodwill (less accumulated amortization of \$5,048 and \$4,674)	37,300	37,331
	-----	-----
Total assets	\$ 300,247 =====	\$ 296,218 =====
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
Current Liabilities:		
Current portion of long-term debt	\$ 1,526	\$ 1,509
Bank overdrafts payable	1,471	594

Transportation payable	68,397	69,640
Accounts payable	27,737	27,967
Accrued liabilities	29,872	28,250
Income taxes payables	9,907	10,587
	-----	-----
Total current liabilities	138,910	138,547
Long-term debt	79,140	78,464
Deferred taxes payable	1,088	1,088
	-----	-----
Total liabilities	219,138	218,099
Stockholders' Investment:		
Common stock- Preferred (authorized 1,000,000 shares, none outstanding)	-	-
Common, \$.01 par value (authorized 40,000,000 shares, issued 13,748,552 and 13,711,333 shares)	137	137
Capital surplus	41,493	41,251
Cumulative translation adjustments	(12,220)	(12,282)
Retained earnings	91,560	88,657
	-----	-----
	120,970	117,763
Less: 2,178,003 and 2,163,773 shares of treasury stock, at cost	(39,861)	(39,644)
	-----	-----
Total stockholders' investment	81,109	78,119
	-----	-----
Total liabilities and stockholders' investment	\$ 300,247	\$ 296,218
	=====	=====

</TABLE>

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AIR EXPRESS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(In thousands, except per share data)

	Three Months Ended March 31,	
	----- 1994 -----	----- 1993 -----
<S>	<C>	<C>
Revenues	\$ 204,810	\$ 153,344
Operational expenses:		
Transportation	143,884	102,759
Terminal	33,462	27,023
Selling, general and administrative expenses	21,408	17,685
	-----	-----
Operating income	6,056	5,877
Other income (expense):		
Interest expense, net	(919)	(813)
Other, net	407	415
	-----	-----
	(512)	(398)
	-----	-----

Income before provision for income taxes	5,544	5,479
Provision for income taxes	2,062	2,027
	-----	-----
Net income	\$ 3,482	\$ 3,452
	=====	=====
Income per common share		
Primary	\$.30	\$.29
	=====	=====
Fully diluted	\$.30	\$.29
	=====	=====
Weighted average number of common shares (000):		
Primary	11,673	11,733
	=====	=====
Fully diluted	13,889	13,196
	=====	=====

</TABLE>

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

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<TABLE>

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AIR EXPRESS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED March 31, 1994 AND 1993

(Dollars in thousands)

	1994	1993
	-----	-----
<S>	<C>	<C>
Cash flows from operating activities:		
Net income	\$ 3,482	\$ 3,452
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,333	1,183
Amortization of goodwill	301	204
Deferred income taxes	(351)	-
Undistributed (earnings) losses of affiliates	(50)	(13)
Gain on sales of assets, net	(19)	(5)
Other, net	(786)	(242)
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable, net	1,688	19,235
Decrease (increase) in prepaid expense and other	(248)	381
Increase (decrease) in transportation payables	(1,243)	(3,946)
Increase (decrease) in accounts payable	(230)	(7,074)
Increase (decrease) in accrued liabilities	1,620	(6,268)
Increase (decrease) in income taxes payable	(498)	650
	-----	-----
Total adjustments	1,517	4,105
	-----	-----
Net cash provided by operating activities	4,999	7,557
Cash flows from investing activities:		
Purchase of short-term investments	-	(33,807)
Gains (losses) from hedging activities	(105)	(450)
Proceeds from sales of assets	38	171

Capital expenditures	(2,328)	(1,387)
	-----	-----
Net cash used in investing activities	(2,395)	(35,473)
Cash flows from financing activities:		
Net borrowings (repayments) under revolving credit agreement	-	(5,000)
Net borrowings (repayments) in bank overdrafts payable	877	(1,359)
Additions to long-term debt	948	72,481
Payment of long-term debt	(312)	-
Issuance of common stock	242	208
Payment of cash dividends	(577)	(406)
Purchase of treasury stock	(217)	-
	-----	-----
Net cash (used) provided in financing activities	961	65,924
Effect of foreign currency exchange rates on cash	363	(381)
	-----	-----
Net increase (decrease) in cash and cash equivalents	3,928	37,627
Cash and cash equivalents at beginning of period	55,063	14,113
	-----	-----
Cash and cash equivalents at end of period	\$ 58,991	\$ 51,740
	=====	=====

</TABLE>

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AIR EXPRESS INTERNATIONAL CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

A. The consolidated balance sheet at March 31, 1994, the consolidated statements of operations for the three-month periods ended March 31, 1994 and 1993, and the consolidated statements of cash flows for the three-month periods ended March 31, 1994 and 1993 have been prepared by the Company without audit. In the opinion of management, all adjustments necessary to present fairly the financial position, results of operations, and cash flows for the interim periods have been made. Certain items in the March 31, 1993 financial statements have been reclassified to conform to the classification of March 31, 1994.

Certain information and footnote disclosures, normally included in financial statements prepared in accordance with generally accepted accounting principles, have been condensed or omitted. Accordingly, these condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's annual report to stockholders for the year ended December 31, 1993. The results of operations for the period ended March 31, 1994 are not necessarily indicative of the results of operations expected for the full year ending December 31, 1994.

B. Investments in equity affiliates are recorded using the equity method. Consolidated net income reflects joint venture profit of \$50,000 for the quarter ended March 31, 1994, compared with a profit of \$13,000 for the quarter ended March 31, 1993.

C. Interest expense, net is as follows:

<TABLE>

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	Three Months Ended March 31,	
	1994	1993
<S>	<C>	<C>
Interest expense	\$ (1,420)	\$ (1,288)
Interest income	501	475
Interest expense, net	\$ (919)	\$ (813)

</TABLE>

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D. Other income (expense) is as follows:

<TABLE>

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	Three Months Ended March 31,	
	1994	1993
<S>	<C>	<C>
Foreign exchange gains, net	\$ 388	\$ 395
Other, net	19	20
	\$ 407	\$ 415

</TABLE>

E. Statement of cash flows - interest and income taxes paid:

<TABLE>

<CAPTION>

	Three Months Ended March 31,	
	1994	1993
<S>	<C>	<C>
Interest	\$ 2,417	\$ 289
Income Taxes	3,065	2,006
	\$ 5,482	\$ 2,295

</TABLE>

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Item 2. Management's Discussion and Analysis of Financial Condition

and Results of Operations

Results of Operations

Included in the results of operations for the first quarter are the results from

the ocean freight activities of Votainer, which was acquired by the Company on July 1, 1993. The results of airfreight and ocean freight activities for the quarter are:

<TABLE>

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	First Quarter 1994		
	Air Freight	Ocean Freight	Total
	-----	-----	-----
<S>	<C>	<C>	<C>
Revenues	\$ 182,656	\$ 22,154	\$ 204,810
Expense:			
Transportation	126,972	16,912	143,884
Terminal	29,834	3,628	33,462
Selling, general and administrative	18,956	2,452	21,408
	-----	-----	-----
Operating income (loss)	\$ 6,894	\$ (838)	\$ 6,056
	=====	=====	=====

</TABLE>

Votainer's \$.8 million loss was mainly attributable to a \$.7 million loss in Votainer's United States operations, which comprised approximately 35.0% of Votainer's revenues.

Revenues from airfreight operations for the first quarter 1994 increased \$ 29.3 million or 19.1% compared to the first quarter of 1993 to \$182.7 million. The increase in airfreight revenues was attributable to a 10.3% increase in shipments and a 26.0% increase in the total weight of cargo shipped.

Gross profit (revenue less transportation expense) from airfreight operations for the first quarter of 1994 increased \$5.1 million or 10.1% when compared to the first quarter of 1993, to \$55.7 million. The higher gross profit was attributable to the increase in shipment and weight volumes. When compared to the first quarter of 1993, airfreight gross margin (gross profit as a percent of revenues) declined 2.5% to 30.5% in the first quarter of 1994 due to the effects of the Company's customers shipping significantly more weight which resulted in lower selling prices per unit of weight, and competitive pricing pressures.

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Internal operating expenses (terminal, selling and general and administrative) increased 10.2 million or 22.7% over the first quarter of 1993 due to the inclusion of 6.1 million of expenses from the ocean freight operations of Votainer and a 4.1 million or 9% increase in airfreight internal operating expenses. Internal operating expenses attributable to airfreight operations as a percentage of revenues for the first quarter 1994, were 26.7% compared to 29.2% for the same period of 1993.

Operating income for the first quarter 1994, (inclusive of an \$.8 million loss from ocean operations), increased 3% to \$6.1 million.

Interest expense for the first quarter of 1994 increased marginally over the comparable period in 1993.

The effective income tax rate for the first quarter 1994 compared to the first quarter 1993 was unchanged.

Liquidity and Capital Resources

At March 31, 1994, the Company's working capital increased to \$83 million from \$80.8 million at December 31, 1993. This increase was primarily provided by operations.

Capital expenditures for the three months ended March 31, 1994 were \$2.3 million compared to \$1.4 million for the first three months of 1993. This increase is due to the initial construction costs for the Company's new warehouse and distribution facility in Singapore. This facility is scheduled for completion in December, 1994 at a cost of approximately \$10.0 million, which will be partially financed by a \$6.5 million mortgage loan.

At March 31, 1994, the Company had available for future borrowings the full amount of its \$20.0 million revolving credit facility. Additionally, the Company's foreign subsidiaries have approximately \$10.5 million available under various overdraft facilities with foreign banks.

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PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Company believes that there are no legal proceedings, other than ordinary routine litigation incidental to the business of the Company, to which the Company or any of its subsidiaries is a party. Management is of the opinion that the ultimate outcome of existing legal proceedings, if adverse, would not have a material effect on the Company's consolidated financial position.

Item 2. Changes in Securities.

Not Applicable.

Item 3. Default Upon Senior Securities.

Not Applicable.

Item 4. Submission of Matter to a Vote of Security Holders.

Not Applicable.

Item 5. Other Information.

Not Applicable.

Item 6. Exhibits and Reports on Form 8-K

a) Computation of Earnings Per common Share - Exhibit 11

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 undersigned thereunto duly authorized.

Air Express International Corporation

(Registrant)

Date: May 10, 1994

/s/ Dennis M. Dolan

Dennis M. Dolan
Vice President and
Chief Financial Officer
(Principal Financial Officer)

Date: May 10, 1994

/s/ Walter L. McMaster

Walter L. McMaster
Vice President - Controller
(Principal Accounting Officer)

Exhibit 11

<TABLE>
<CAPTION>

AIR EXPRESS INTERNATIONAL CORPORATION AND SUBSIDIARIES
COMPUTATION OF EARNINGS PER COMMON SHARE
(Unaudited)

(In thousands, except
per share amounts)

	Three Months Ended March 31,	
	1994	1993
	-----	-----
	<C>	<C>
Primary:		
Net income applicable to common shares	\$ 3,482	\$ 3,452
	=====	=====
Weighted average of common shares outstanding	11,558	11,573
Common shares issuable on exercise of stock options	115	160
	-----	-----

* Average common shares outstanding

standing as adjusted	11,673	11,733
	=====	=====
Earnings per common share	\$.30	\$.29
	=====	=====
Fully diluted:		
Weighted average of common shares outstanding	11,558	11,573
Common shares issuable on exercise of stock options	137	160
Common shares issuable upon assumed conversion of subordinated debentures	2,194	1,462
	-----	-----
* Average common shares outstanding as adjusted	13,889	13,196
	=====	=====
Earnings per common share	\$.30	\$.29
	=====	=====

<FN>

* Primary earnings per share are computed by dividing net income by the weighted average common and common equivalent shares outstanding during the period. For the quarters ended March 31, 1994 and 1993, fully diluted earnings per share have been calculated assuming the conversion of the subordinated debentures and the elimination of the associated interest expense, net of tax, of approximately \$.73 million and \$.49 million, respectively.

</TABLE>