

CAI International, Inc.  
Form 10-Q  
August 07, 2009  
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**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 June 30, 2009

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

**CAI International, Inc.**

(Exact name of registrant as specified in its charter)

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

**94-3109229**  
(I.R.S. Employer  
Identification No.)

**One Embarcadero Center, Suite 2101**

**San Francisco, California**  
(Address of principal executive offices)

**415-788-0100**  
(Registrant's telephone number, including area code)

**94111**  
(Zip 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 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  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) 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.

<b>Common</b>	<b>July 31, 2009</b>
Common Stock, \$.0001 par value per share	17,917,417 shares

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**CAUTIONARY STATEMENT FOR PURPOSES OF THE SAFE HARBOR PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995**

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 and 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, 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 identified under Risk Factors below, as well as those identified in our Annual Report Form 10-K for the fiscal year ended December 31, 2008 filed on March 16, 2009, pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. 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 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)**

	<b>June 30, 2009 (Unaudited)</b>	<b>December 31, 2008</b>
<b>ASSETS</b>		
Cash	\$ 13,855	\$ 28,535
Accounts receivable (owned fleet), net of allowance for doubtful accounts of \$756 and \$1,044 at June 30, 2009 and December 31, 2008, respectively	14,749	16,224
Accounts receivable (managed fleet)	22,895	24,683
Current portion of direct finance leases	5,412	6,108
Prepaid expenses	2,195	2,954
Deferred tax assets	2,704	1,924
Other current assets	1,805	563
<b>Total current assets</b>	<b>63,615</b>	<b>80,991</b>
Container rental equipment, net of accumulated depreciation of \$ 84,680 and \$86,936 at June 30, 2009 and December 31, 2008, respectively	300,986	310,397
Net investment in direct finance leases	10,644	14,003
Furniture, fixtures and equipment, net of accumulated depreciation of \$827 and \$722 at June 30, 2009 and December 31, 2008, respectively	545	629
Intangible assets, net of accumulated amortization of \$3,891 and \$3,081 at June 30, 2009 and December 31, 2008, respectively	5,806	6,608
<b>Total assets</b>	<b>\$ 381,596</b>	<b>\$ 412,628</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Accounts payable	\$ 8,302	\$ 4,682
Accrued expenses and other current liabilities	1,195	3,747
Due to container investors	16,068	23,847
Unearned revenue	4,821	4,542
Current portion of capital lease obligation	3,090	4,514
Rental equipment payable	5,067	3,905
<b>Total current liabilities</b>	<b>38,543</b>	<b>45,237</b>
Revolving credit facility	175,200	208,200
Deferred income tax liability	26,053	25,348
Capital lease obligation	17,870	18,070
Income taxes payable	2,026	1,983
<b>Total liabilities</b>	<b>259,692</b>	<b>298,838</b>

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Stockholders' equity:

Common stock, par value \$.0001 per share ; authorized 84,000,000 shares; issued and outstanding, 17,917,417 shares and 17,920,778 shares at June 30, 2009, and December 31, 2008, respectively	2	2
Additional paid-in capital	103,150	102,706
Accumulated other comprehensive loss	(1,640)	(2,022)
Retained earnings	20,392	13,104
<b>Total stockholders' equity</b>	<b>121,904</b>	<b>113,790</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 381,596</b>	<b>\$ 412,628</b>

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)**

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Revenue:</b>				
Container rental revenue	\$ 13,457	\$ 13,822	\$ 27,576	\$ 25,268
Management fee revenue	2,101	3,030	4,594	5,940
Gain on sale of container portfolios	497	3,295	753	6,217
Finance lease income	606	495	1,314	868
Total revenue	16,661	20,642	34,237	38,293
<b>Operating expenses:</b>				
Depreciation of container rental equipment	4,222	3,720	8,593	6,732
Amortization of intangible assets	400	389	808	701
Impairment of container rental equipment	25	107	61	202
Gain on disposition of used container equipment	(611)	(1,472)	(1,401)	(2,294)
Equipment rental expense				20
Storage, handling and other expenses	2,426	1,350	4,136	2,224
Marketing, general and administrative expense	4,777	5,168	9,692	9,616
Gain on foreign exchange	(83)	(51)	(3)	(95)
Total operating expenses	11,156	9,211	21,886	17,106
<b>Operating income</b>	<b>5,505</b>	<b>11,431</b>	<b>12,351</b>	<b>21,187</b>
Interest expense	1,050	2,080	2,352	4,103
Interest income	(3)	(123)	(7)	(170)
Net interest expense	1,047	1,957	2,345	3,933
Income before income taxes	4,458	9,474	10,006	17,254
<b>Income tax expense</b>	<b>1,125</b>	<b>3,210</b>	<b>2,718</b>	<b>5,701</b>
<b>Net income</b>	<b>\$ 3,333</b>	<b>\$ 6,264</b>	<b>\$ 7,288</b>	<b>\$ 11,553</b>
Net income per share:				
Basic	\$ 0.19	\$ 0.37	\$ 0.41	\$ 0.68
Diluted	\$ 0.19	\$ 0.37	\$ 0.41	\$ 0.67
Weighted average shares outstanding:				
Basic	17,901	17,113	17,899	17,111
Diluted	17,901	17,122	17,899	17,118

See accompanying notes to unaudited consolidated financial statements.





**Table of Contents****CAI INTERNATIONAL, INC.****CONSOLIDATED STATEMENTS OF CASH FLOW****(in thousands)****(UNAUDITED)**

	<b>Six Months Ended June 30,</b>	
	<b>2009</b>	<b>2008</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 7,288	\$ 11,553
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation	8,702	6,816
Amortization of debt issuance costs	246	229
Amortization of intangible assets	808	701
Impairment of container rental equipment	61	202
Stock-based compensation expense	456	554
Gain on foreign exchange	(169)	(95)
Gain on sale of container portfolios	(753)	(6,217)
Gain on disposition of used container equipment	(1,401)	(2,294)
Deferred income taxes	(381)	(211)
Bad debt expense	(45)	(100)
<b>Changes in other operating assets and liabilities:</b>		
Accounts receivable	3,371	(2,595)
Prepaid expenses and other assets	(724)	566
Accounts payable, accrued expenses and other current liabilities	1,204	179
Due to container investors	(7,779)	2,332
Unearned revenue	274	110
<b>Net cash provided by operating activities</b>	<b>11,158</b>	<b>11,730</b>
<b>Cash flows from investing activities:</b>		
Purchase of containers	(10,389)	(87,205)
Acquisition of Consent Equipment AB, net of cash acquired		(14,566)
Net proceeds from sale of container portfolios	5,840	