

WABASH NATIONAL CORP /DE

Form 10-Q

May 01, 2007

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

[X]

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2007
OR
TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

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For the transition period from _____ to _____

Commission file number: 1-10883

WABASH NATIONAL CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State of Incorporation)

52-1375208
(IRS Employer
Identification Number)

1000 Sagamore Parkway South,
Lafayette, Indiana
(Address of Principal
Executive Offices)

47905
(Zip Code)

Registrant's telephone number, including area code: (765) 771-5300

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.
Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).
Yes No

The number of shares of common stock outstanding at April 30, 2007 was 31,719,865.

WABASH NATIONAL CORPORATION

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WABASH NATIONAL CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	March 31, 2007 (Unaudited)	December 31, 2006
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 17,419	\$ 29,885
Accounts receivable, net	109,470	110,462
Inventories	170,513	133,133
Deferred income taxes	26,206	26,650
Prepaid expenses and other	3,893	4,088
Total current assets	327,501	304,218
PROPERTY, PLANT AND EQUIPMENT, net	127,675	129,325
EQUIPMENT LEASED TO OTHERS, net	1,143	1,302
GOODWILL	66,692	66,692
INTANGIBLE ASSETS	35,131	35,998
OTHER ASSETS	19,404	18,948
	\$ 577,546	\$ 556,483
<u>LIABILITIES AND STOCKHOLDERS EQUITY</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 109,414	\$ 90,632
Other accrued liabilities	59,101	58,706
Total current liabilities	168,515	149,338
LONG-TERM DEBT	128,850	125,000
DEFERRED INCOME TAXES	1,766	1,556
OTHER NONCURRENT LIABILITIES AND CONTINGENCIES	2,892	2,634
STOCKHOLDERS EQUITY:		
Preferred stock, 25,000,000 shares authorized, no shares issued or outstanding	-	-
Common stock 75,000,000 shares authorized, \$0.01 par value, 30,279,636 and 30,480,034 shares issued and outstanding, respectively	319	319

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Additional paid-in capital	343,920	342,737
Retained deficit	(53,244)	(52,887)
Accumulated other comprehensive income	2,995	2,975
Treasury stock at cost, 1,193,300 and 974,900 common shares, respectively	(18,467)	(15,189)
Total stockholders' equity	275,523	277,955
	\$ 577,546	\$ 556,483

See Notes to Condensed Consolidated Financial Statements.

WABASH NATIONAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

(Unaudited)

	Three Months Ended March 31,	
	2007	2006
NET SALES	\$ 258,854	\$ 262,119
COST OF SALES	238,669	239,328
Gross profit	20,185	22,791
GENERAL AND ADMINISTRATIVE EXPENSES	12,720	10,703
SELLING EXPENSES	4,150	3,308
Income from operations	3,315	8,780
OTHER INCOME (EXPENSE):		
Interest expense	(1,546)	(1,559)
Foreign exchange gains and losses, net	34	(117)
Other, net	59	57
Income before income taxes	1,862	7,161
INCOME TAX EXPENSE	866	2,824
NET INCOME	\$ 996	\$ 4,337
COMMON STOCK DIVIDENDS DECLARED	\$ 0.045	\$ 0.045
BASIC NET INCOME PER SHARE	\$ 0.03	\$ 0.14
DILUTED NET INCOME PER SHARE	\$ 0.03	\$ 0.13
COMPREHENSIVE INCOME		
Net income	\$ 996	\$ 4,337

Foreign currency translation adjustment	20	92
NET COMPREHENSIVE INCOME	\$ 1,016	\$ 4,429

See Notes to Condensed Consolidated Financial Statements.

WABASH NATIONAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(Unaudited)

	Three Months Ended March 31,	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 996	\$ 4,337
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	4,743	4,122
Net gain on the sale of assets	-	(16)
Deferred income taxes	654	2,812
Excess tax benefits from stock-based compensation	(65)	(176)
Stock-based compensation	1,083	867
Changes in operating assets and liabilities:		
Accounts receivable	992	65,505
Inventories	(37,367)	(41,085)
Prepaid expenses and other	194	1,232
Accounts payable and accrued liabilities	20,662	11,934
Other, net	(425)	942
Net cash (used in) provided by operating activities	(8,533)	50,474
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(1,832)	(5,711)
Acquisition, net of cash acquired	-	(71,550)
Proceeds from the sale of property, plant and equipment	-	347
Net cash used in investing activities	(1,832)	(76,914)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	35	385
Excess tax benefits from stock-based compensation	65	176
Borrowings under revolving credit facilities	44,650	106
Payments under revolving credit facilities	(40,800)	(106)
Payments under long-term debt obligations	-	(500)
Repurchase of common stock	(4,658)	-
Common stock dividends paid	(1,393)	(1,407)
Net cash used in financing activities	(2,101)	(1,346)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(12,466)	(27,786)
CASH AND CASH EQUIVALENTS AT BEGINNING OF QUARTER	29,885	67,437

CASH AND CASH EQUIVALENTS AT END OF QUARTER	\$	17,419	\$	39,651
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See Notes to Condensed Consolidated Financial Statements

WABASH NATIONAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. GENERAL

The condensed consolidated financial statements of Wabash National Corporation (the Company) have been prepared without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the accompanying condensed consolidated financial statements contain all material adjustments (consisting only of normal recurring adjustments) necessary to present fairly the consolidated financial position of the Company, its results of operations and cash flows. The condensed consolidated financial statements included herein should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's 2006 Annual Report on Form 10-K, as amended.

Certain items previously reported in specific condensed consolidated financial statement captions have been reclassified to conform to the 2007 presentation. These reclassifications had no impact on net income for the period previously reported.

2. NEW ACCOUNTING PRONOUNCEMENTS

Income Taxes. On January 1, 2007, the Company adopted the Financial Accounting Standards Board (FASB) Final Interpretation Number 48, Accounting for Uncertainty in Income Taxes (FIN 48). The Company has no adjustment to report in respect of the effect of adoption of FIN 48.

The Company's policy with respect to interest and penalties associated with reserves or allowances for uncertain tax positions is to classify such interest and penalties in income tax expense in the Statements of Operations. As of January 1, 2007, the total amount of unrecognized income tax benefits computed under FIN 48 was approximately \$13.0 million, all of which, if recognized, would impact the effective income tax rate of the Company. As of January 1, 2007, the Company had recorded a total of \$0.4 million of accrued interest and penalties related to uncertain tax positions. The Company foresees no significant changes to the facts and circumstances underlying its reserves and allowances for uncertain income tax positions as reasonably possible during the next 12 months. As of January 1, 2007, the Company is subject to unexpired statutes of limitation for U.S. federal income taxes for the years 2001-2007. The Company is also subject to unexpired statutes of limitation for Indiana state income taxes for the years 1998-2007.

Fair Value Measurements. In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*. The Statement provides guidance for using fair value to measure assets and liabilities and only applies when other standards require or permit the fair value measurement of assets and liabilities. It does not expand the use of fair value measurement. This Statement is effective for fiscal years beginning after November 15, 2007. The adoption of this Statement is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

Fair Value Option. In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. This Statement permits entities to choose to measure many financial instruments and certain other items at fair value. This Statement is effective for fiscal years beginning after November 15, 2007. The adoption of this Statement is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

3. ACQUISITION

As part of the Company's commitment to expand its customer base and grow its market leadership, Wabash National Corporation acquired all of the outstanding shares of Transcraft Corporation on March 3, 2006, for

approximately \$69.3 million in cash, including \$0.6 million in closing costs, consisting primarily of legal and accounting fees. An additional purchase price payment of \$4.5 million is payable in the first half of 2007 based on Transcraft's achievement of 2006 performance targets.

Unaudited Pro forma Results

The results of Transcraft are included in the Consolidated Statements of Operations from the date of acquisition. The following unaudited pro forma information is shown below as if the acquisition of Transcraft had been completed as of the beginning of the fiscal year presented (in thousands, except per share amounts).

	Three Months Ended March 31, 2006
Sales	\$ 293,076
Operating income	8,616
Net income	4,217
Basic net income per share	0.14
Diluted net income per share	0.13

The information presented above is for informational purposes only and is not necessarily indicative of the actual results that would have occurred had the acquisitions been consummated at the beginning of the respective period, nor are they necessarily indicative of future operating results of the combined companies under the ownership and management of the Company.

4. INVENTORIES

Inventories consisted of the following (in thousands):

	March 31, 2007	December 31, 2006
Raw material and components	\$ 55,421	\$ 50,398
Work in process	4,082	1,157
Finished goods	91,396	64,299
After-market parts	5,770	5,770
Used trailers	13,844	11,509
	\$ 170,513	\$ 133,133

5. DEBT

On March 6, 2007, the Company entered into a Second Amended and Restated Loan and Security Agreement (Revolving Facility) with its lenders. The Revolving Facility replaced the Company's prior facility. The Revolving Facility increased the capacity under the facility from \$125 million to \$150 million, subject to a borrowing base, and

extended the maturity date of the facility from September 30, 2007 to March 6, 2012.

The Revolving Facility requires that no later than May 1, 2008, the Company do one or more of the following in connection with our Senior Convertible Notes: (i) repurchase all or a portion of the Senior Convertible Notes, (ii) defease any outstanding indebtedness evidenced by the Senior Convertible Notes or (iii) institute cash reserves equal to the outstanding principal balance of the Senior Convertible Notes from funds other than proceeds from the Revolving Facility, which cash reserves shall only be used to satisfy the Company's obligations under the Senior Convertible Notes and which shall remain in place until the Senior Convertible Notes have been paid in full.

As of March 31, 2007, the Company was in compliance with all covenants of the Revolving Facility.

6. STOCK-BASED COMPENSATION

The Company adopted Statement of Financial Accounting Standards (SFAS) No. 123(R), *Share-Based Payment*, on January 1, 2006 using the modified prospective method. This Statement requires that all share-based payments to employees, including grants of employee stock options, be recognized in the financial statements based upon their fair value.

SFAS No. 123(R) requires the use of a valuation model to calculate the fair value of stock option awards. The Company has valued new stock option awards granted subsequent to the adoption of SFAS No. 123(R) using a binomial model, which incorporates various assumptions including volatility, expected life, dividend yield and risk-free interest rates. The expected life and volatility assumptions are based on the Company's historical experience as well as the terms and conditions of the stock option awards it grants to employees.

The Company's policy is to recognize expense for awards subject to graded vesting using the straight-line attribution method. The amount of after-tax compensation costs related to nonvested stock options and restricted stock not yet recognized was \$4.8 million at March 31, 2007, for which the expense will be recognized through 2010.

7. CONTINGENCIES

Various lawsuits, claims and proceedings have been or may be instituted or asserted against the Company arising in the ordinary course of business, including those pertaining to product liability, labor and health related matters, successor liability, environmental and possible tax assessments. While the amounts claimed could be substantial, the ultimate liability cannot now be determined because of the considerable uncertainties that exist. Therefore, it is possible that results of operations or liquidity in a particular period could be materially affected by certain contingencies. However, based on facts currently available, management believes that the disposition of matters that are currently pending or asserted will not have a material adverse effect on the Company's financial position, liquidity or results of operations.

8. NET INCOME PER SHARE

Per share results have been computed based on the average number of common shares outstanding. The computation of basic and diluted net income per share is determined using net income as the numerator and the number of shares included in the denominator as follows (in thousands, except per share amounts):

	Three Months Ended March 31,	
	2007	2006
Basic net income per share:		
Net income applicable to common stockholders	\$ 996	\$ 4,337
Weighted average common shares outstanding	30,293	31,114
Basic net income per share	\$ 0.03	\$ 0.14
Diluted net income per share:		
Net income applicable to common stockholders	\$ 996	\$ 4,337
After-tax equivalent of interest on convertible notes		741
Diluted net income applicable to common stockholders	\$ 996	\$ 5,078
Weighted average common shares outstanding	30,293	31,114