

WORLD FUEL SERVICES CORP  
Form 10-Q/A  
October 31, 2016  
Table of Contents

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-Q/A

(Amendment No. 1)

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2016

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 1-9533  
WORLD FUEL SERVICES CORPORATION  
(Exact name of registrant as specified in its charter)

Florida 59-2459427  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

9800 N.W. 41st Street 33178  
Miami, Florida (Zip Code)  
(Address of Principal Executive Offices)

Registrant's Telephone Number, including area code: (305) 428-8000

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

Edgar Filing: WORLD FUEL SERVICES CORP - Form 10-Q/A

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

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

The registrant had a total of 70,462,000 shares of common stock, par value \$0.01 per share, issued and outstanding as of October 20, 2016.

EXPLANATORY NOTE

World Fuel Services Corporation is filing this Amendment No. 1 (this “Form 10-Q/A”) solely to correct an inadvertent typographical error in Exhibit 31.2, Certification of Chief Financial Officer, and in the Exhibit Index reference to Exhibit 101, both of which included a reference to June 30, 2016, rather than September 30, 2016. This Form 10-Q/A does not otherwise update or amend any financial information or any other exhibits originally contained in, or filed with, our Quarterly Report for the period ended September 30, 2016, which was filed on October 28, 2016 (the “Original Report”) and does not reflect events occurring after the filing date of the Original Report. Accordingly, this Form 10-Q/A should be read in conjunction with the Original Report.

---

Table of Contents

Table of Contents

Part I. Financial Information

Item 1. Financial Statements (Unaudited)

Consolidated Balance Sheets as of September 30, 2016 and December 31, 2015 1

Consolidated Statements of Income and Comprehensive Income for the Three and Nine Months ended September 30, 2016 and 2015 2

Consolidated Statements of Shareholders' Equity for the Nine Months ended September 30, 2016 and 2015 2

Consolidated Statements of Cash Flows for the Nine Months ended September 30, 2016 and 2015 4

Notes to the Consolidated Financial Statements 6

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 23

Item 3. Quantitative and Qualitative Disclosures About Market Risk 35

Item 4. Controls and Procedures 35

Part II. Other Information

Item 1. Legal Proceedings 36

Item 1A. Risk Factors 36

Item 2. Unregistered sales of Equity Securities and Use of Proceeds 36

Item 6. Exhibits 37

Signatures 38

Table of Contents

## Part I — Financial Information

## Item 1. Financial Statements

## World Fuel Services Corporation and Subsidiaries

## Consolidated Balance Sheets

(Unaudited - In millions, except per share data)

	As of	
	September 30, 2016	December 31, 2015
Assets:		
Current assets:		
Cash and cash equivalents	\$872.3	\$582.5
Accounts receivable, net	2,062.6	1,812.6
Inventories	484.5	359.1
Prepaid expenses	57.6	57.9
Short-term derivative assets, net	34.4	220.4
Other current assets	241.2	208.0
Current assets held for sale	—	5.5
Total current assets	3,752.5	3,246.0
Property and equipment, net	260.3	225.6
Goodwill	720.0	675.8
Identifiable intangible and other non-current assets	419.7	341.4
Non-current assets held for sale	—	36.5
Total assets	\$5,152.5	\$4,525.3
Liabilities:		
Current liabilities:		
Short-term debt	\$28.8	\$25.5
Accounts payable	1,558.6	1,349.6
Customer deposits	106.5	118.3
Accrued expenses and other current liabilities	254.3	255.2
Current liabilities held for sale	—	5.6
Total current liabilities	1,948.2	1,754.2
Long-term debt	1,110.1	746.7
Non-current income tax liabilities, net	86.0	87.7
Other long-term liabilities	31.4	25.8
Non-current liabilities held for sale	—	5.0
Total liabilities	3,175.7	2,619.4
Commitments and contingencies		
Equity:		
World Fuel shareholders' equity:		
Preferred stock, \$1.00 par value; 0.1 shares authorized, none issued	—	—
Common stock, \$0.01 par value; 100 shares authorized, 70.4 and 70.8 issued and outstanding as of September 30, 2016 and December 31, 2015, respectively	0.7	0.7
Capital in excess of par value	418.0	435.3
Retained earnings	1,681.2	1,569.4

Edgar Filing: WORLD FUEL SERVICES CORP - Form 10-Q/A

Accumulated other comprehensive loss	(138.3 )	(109.5 )
Total World Fuel shareholders' equity	1,961.6	1,895.9
Noncontrolling interest equity	15.2	10.0
Total equity	1,976.8	1,905.9
Total liabilities and equity	\$5,152.5	\$4,525.3

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

Table of Contents

World Fuel Services Corporation and Subsidiaries  
Consolidated Statements of Income and Comprehensive Income  
(Unaudited – In millions, except per share data)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenue	\$7,399.8	\$7,810.7	\$19,223.6	\$23,647.8
Cost of revenue	7,163.1	7,584.0	18,546.9	23,017.1
Gross profit	236.7	226.7	676.7	630.7
Operating expenses:				
Compensation and employee benefits	106.6	94.2	306.2	270.3
Provision for bad debt	1.5	1.6	5.4	5.2
General and administrative	70.3	64.5	200.2	179.6
	178.4	160.3	511.9	455.1
Income from operations	58.2	66.4	164.8	175.6
Non-operating expenses, net:				
Interest expense and other financing costs, net	(10.3 )	(7.9 )	(26.0 )	(21.5 )
Other income, net	0.5	1.9	1.2	0.5
	(9.8 )	(6.0 )	(24.8 )	(21.0 )
Income before income taxes	48.4	60.4	140.1	154.6
Provision for income taxes	5.4	17.7	15.7	33.6
Net income including noncontrolling interest	43.0	42.7	124.4	121.0
Net income (loss) attributable to noncontrolling interest	0.3	(1.0 )	0.1	(3.5 )
Net income attributable to World Fuel	\$42.7	\$43.7	\$124.3	\$124.5
Basic earnings per common share	\$0.62	\$0.62	\$1.79	\$1.77
Basic weighted average common shares	69.1	70.0	69.4	70.5
Diluted earnings per common share	\$0.61	\$0.62	\$1.78	\$1.75
Diluted weighted average common shares	69.5	70.3	69.9	71.0
Comprehensive income:				
Net income including noncontrolling interest	\$43.0	\$42.7	\$124.4	\$121.0
Other comprehensive (loss) income:				
Foreign currency translation adjustments	(14.6 )	(27.4 )	(27.9 )	(38.0 )
Derivative instruments, net of income tax benefit of \$4.8 and \$1.7 for the three and nine months ended September 30, 2016, respectively	(7.7 )	(1.1 )	(2.8 )	(1.1 )
Other comprehensive (loss)	(22.4 )	(28.5 )	(30.7 )	(39.1 )
Comprehensive income including noncontrolling interest	20.7	14.2	93.7	81.9
Comprehensive income (loss) attributable to noncontrolling interest	1.4	(1.2 )	1.9	(1.2 )
Comprehensive income attributable to World Fuel	\$19.3	\$15.4	\$91.9	\$83.1

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



Table of ContentsWorld Fuel Services Corporation and Subsidiaries  
Consolidated Statements of Shareholders' Equity  
(Unaudited - In millions)

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Total World Fuel Shareholders' Equity	Noncontrolling Interest Equity	Total Equity	
	Shares	Amount						
Balance as of December 31, 2015	70.8	\$ 0.7	\$ 435.3	\$ 1,569.4	\$ (109.5 )	\$ 1,895.9	\$ 10.0	\$ 1,905.9
Net income	—	—	—	124.3	—	124.3	0.1	124.4
Cash dividends declared	—	—	—	(12.5 )	—	(12.5 )	—	(12.5 )
Distribution of noncontrolling interest	—	—	—	—	—	—	(0.2 )	(0.2 )
Amortization of share-based payment awards	—	—	14.5	—	—	14.5	—	14.5
Issuance of common stock related to share-based payment awards including income tax benefit of \$1.6 million	0.1	—	1.6	—	—	1.6	—	1.6
Purchases of common stock tendered by employees to satisfy the required withholding taxes related to share-based payment awards	(0.1 )	—	(4.2 )	—	—	(4.2 )	—	(4.2 )
Purchases of common stock	(0.4 )	—	(18.4 )	—	—	(18.4 )	—	(18.4 )
(a) Acquisition of remaining 49% equity interest	—	—	(10.9 )	—	—	(10.9 )	7.2	(3.7 )
Other comprehensive (loss) income	—	—	—	—	(28.9 )	(28.9 )	(1.8 )	(30.7 )
Balance as of September 30, 2016	70.4	\$ 0.7	\$ 418.0	\$ 1,681.2	\$ (138.3 )	\$ 1,961.6	\$ 15.2	\$ 1,976.8

(a) Relates to Tobras. See Note 3. Acquisitions, Asset and Liabilities Held for Sale.

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Total World Fuel Shareholders' Equity	Noncontrolling Interest Equity	Total Equity	
	Shares	Amount						
Balance as of December 31, 2014	72.1	\$ 0.7	\$ 496.4	\$ 1,412.0	\$ (59.2 )	\$ 1,849.9	\$ 9.5	\$ 1,859.4
Net income	—	—	—	124.5	—	124.5	(3.6 )	121.0
Cash dividends declared	—	—	—	(12.6 )	—	(12.6 )	—	(12.6 )



Edgar Filing: WORLD FUEL SERVICES CORP - Form 10-Q/A

Investment by noncontrolling interest	—	—	—	—	—	—	0.5	0.5
Distribution of noncontrolling interest	—	—	—	—	—	—	(0.3 )	(0.3 )
Amortization of share-based payment awards	—	—	13.0	—	—	13.0	—	13.0
Issuance of common stock related to share-based payment awards	0.3	—	—	—	—	—	—	—
Purchases of common stock tendered by employees to satisfy the required withholding taxes related to share-based payment awards	(0.1 )	—	(6.8 )	—	—	(6.8 )	—	(6.8 )
Purchases of common stock	(1.6 )	—	(70.5 )	—	—	(70.5 )	—	(70.5 )
Other comprehensive income	—	—	—	—	(43.8 )	(43.8 )	4.6	(39.1 )
Other	—	—	(0.1 )	—	—	(0.1 )	0.1	—
Balance as of September 30, 2015	70.8	\$ 0.7	\$ 431.9	\$ 1,523.9	\$ (103.0 )	\$ 1,853.5	\$ 10.9	\$ 1,864.4

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

Table of Contents

World Fuel Services Corporation and Subsidiaries  
Consolidated Statements of Cash Flows  
(Unaudited - In millions)

	For the Nine Months Ended September 30,	
	2016	2015
Cash flows from operating activities:		
Net income including noncontrolling interest	\$124.4	\$121.0
Adjustments to reconcile net income including noncontrolling interest to net cash provided by operating activities:		
Depreciation and amortization	58.4	47.0
Provision for bad debt	5.4	5.2
Gain on sale of held for sale assets and liabilities	(3.8 )	—
Share-based payment award compensation costs	14.5	13.2
Deferred income tax provision (benefit)	(14.5 )	6.9
Extinguishment of liabilities, net	(5.2 )	(6.9 )
Foreign currency losses, net	(18.3 )	4.0
Other	2.6	2.3
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable, net	(212.3 )	261.9
Inventories	(89.3 )	22.6
Prepaid expenses	(0.2 )	(9.9 )
Short-term derivative assets, net	192.5	119.0
Other current assets	(30.4 )	(115.6 )
Cash collateral with financial counterparties	128.8	93.9
Other non-current assets	13.6	3.2
Accounts payable	213.2	(213.4 )
Customer deposits	(10.5 )	(14.5 )
Accrued expenses and other current liabilities	(144.5 )	(19.2 )
Non-current income tax, net and other long-term liabilities	(4.0 )	4.7
Total adjustments	95.9	204.3
Net cash provided by operating activities	220.3	325.2
Cash flows from investing activities:		
Acquisition of businesses, net of cash acquired and other investments	(266.4 )	(82.0 )
Proceeds from sale of business	29.3	—
Capital expenditures	(28.9 )	(36.4 )
Other investing activities, net	6.9	4.4
Net cash (used in) investing activities	(259.2 )	(114.0 )
Cash flows from financing activities:		
Borrowings of debt	2,810.6	4,169.0
Repayments of debt	(2,451.1 )	(3,977.6 )
Payments of senior revolving credit facility and senior term loan facility loan costs	—	(3.4 )
Dividends paid on common stock	(12.5 )	(11.1 )
Purchases of common stock	(18.4 )	(70.5 )
Federal and state tax benefits resulting from tax deductions in excess of the compensation cost recognized for share-based payment awards	1.6	—
Purchases of common stock tendered by employees to satisfy the required withholding taxes related to share-based payment awards	(4.2 )	(6.8 )

Edgar Filing: WORLD FUEL SERVICES CORP - Form 10-Q/A

Other financing activities, net	(0.2 )	0.2
Net cash provided by financing activities	325.7	99.9
Effect of exchange rate changes on cash and cash equivalents	3.0	(3.8 )
Net increase in cash and cash equivalents	289.9	307.3
Cash and cash equivalents, as of beginning of period	582.5	302.3
Cash and cash equivalents, as of end of period	\$872.3	\$609.6

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

Table of Contents

Supplemental Schedule of Noncash Investing and Financing Activities:

Cash dividends declared, but not yet paid, were \$4.2 million as of September 30, 2016 and \$4.2 million as of September 30, 2015.

Prior to the acquisition of the remaining 49% of the outstanding equity interest of Tobras Distribuidora de Combustiveis Limitada (“Tobras”) from the minority owners, the Company completed a \$17.7 million non-cash settlement related to two promissory notes outstanding between the Company and Tobras which were offset and settled.

The proceeds from the sale of fixed assets for the nine months ended September 30, 2015 were in connection with a sale-leaseback arrangement.

In connection with our acquisitions, the following table presents the assets acquired, net of cash and liabilities assumed (in millions):

	For the Nine Months Ended September 30, 2016	For the Nine Months Ended September 30, 2015
Assets acquired, net of cash	\$ 321.6	\$ 100.1
Liabilities assumed	\$ 59.2	\$ 22.3

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

## Table of Contents

World Fuel Services Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

(Unaudited)

### 1. Basis of Presentation and Significant Accounting Policies

#### Basis of Presentation

We prepared the consolidated financial statements following the requirements of the United States (U.S.) Securities and Exchange Commission (SEC) for interim reporting. As permitted under those rules, certain footnotes or other financial information that are normally required by accounting principles generally accepted in the United States of America (U.S. GAAP) can be condensed or omitted. Unless the context requires otherwise, references to “World Fuel”, “the Company”, “we”, “us”, or “our” in this Quarterly Report on Form 10-Q (“10-Q Report”) refer to World Fuel Services Corporation and its subsidiaries.

Revenues, expenses, assets and liabilities can vary during each quarter of the year. Therefore, the results and trends in these interim financial statements may not be representative of those for the full year. As further discussed in Note 2, certain 2015 amounts contained in this 10-Q Report have been updated to reflect corrections to our previously issued financial statements. In the opinion of management, all adjustments necessary for a fair statement of the financial information, which are of a normal and recurring nature, have been made for the interim periods reported. The information included in this 10-Q Report should be read in conjunction with the consolidated financial statements and accompanying notes included in our 2015 Annual Report on Form 10-K (“2015 10-K Report”). Certain amounts in the consolidated financial statements and associated notes may not add due to rounding. All percentages have been calculated using unrounded amounts.

#### Significant Accounting Policies

The significant accounting policies we use for quarterly financial reporting are disclosed in Note 1 of the “Notes to the Consolidated Financial Statements” included in our 2015 10 K Report, and as updated in our 10-Q Report for the quarter ended March 31, 2016, “Item 2. Management’s Discussion and Analysis of Financial Condition”.

#### Adoption of New Accounting Standards

The following accounting standards updates were recently adopted by the Company:

**Business Combinations: Simplifying the Accounting for Measurement – Period Adjustments.** In September 2015, the Financial Accounting Standards Board (“FASB”) issued an Accounting Standards Update (“ASU”), to simplify the accounting for adjustments made to provisional amounts recognized in a business combination; the amendments eliminate the requirement to retrospectively account for those adjustments. The ASU requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. It also requires the acquirer to record, in the same period’s financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. This update became effective at the beginning of our 2016 fiscal year. The adoption of this ASU did not have a significant impact on our consolidated financial statements and disclosures.

**Interest—Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs.** In April 2015, the FASB issued an ASU which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this ASU. This update became

effective at the beginning of our 2016 fiscal year. The adoption of this ASU did not have a significant impact on our consolidated financial statements and disclosures.

**Consolidation: Amendments to the Consolidation Analysis.** In February 2015, the FASB issued an ASU which is intended to improve targeted areas of consolidation guidance for legal entities such as limited partnerships, limited liability corporations, and securitization structures. This update became effective at the beginning of our 2016 fiscal year. The adoption of this ASU did not have a significant impact on our consolidated financial statements and disclosures.

**Income Statement-Extraordinary and Unusual Items: Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items.** In January 2015, the FASB issued an ASU which eliminates the concept of extraordinary items. This update became effective at the beginning of our 2016 fiscal year. The adoption of this ASU did not have a significant impact on our consolidated financial statements and disclosures.

## Table of Contents

**Derivatives and Hedging: Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity.** In November 2014, the FASB issued an ASU which clarifies how current generally accepted accounting principles in the United States should be interpreted in evaluating the economic characteristics and risks of a host contract in a hybrid financial instrument that is issued in the form of a share. This update became effective at the beginning of our 2016 fiscal year. The adoption of this ASU did not have a significant impact on our consolidated financial statements and disclosures.

**Going Concern: In August 2014, the FASB issued an ASU 2014-15, Presentation of Financial Statements-Going Concern: Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern,** which requires management of the Company to evaluate whether there is substantial doubt about the Company's ability to continue as a going concern. This update is effective for the annual period ending after December 15, 2016, and for annual and interim periods thereafter. We do not believe the adoption of this new guidance will have an impact on our financial statement disclosures.

**Compensation - Stock Compensation: Accounting for Share-Based Payments when the Terms of an Award Provide that a Performance Target could be Achieved after the Requisite Service Period.** In June 2014, the FASB issued an ASU which includes guidance that requires a performance target that affects vesting and that could be achieved after the requisite service period to be treated as a performance condition. This update became effective at the beginning of our 2016 fiscal year. The adoption of this ASU did not have a significant impact on our consolidated financial statements and disclosures.

## 2. Correction of Previously Issued Financial Information

During the second quarter of 2016, we identified a correction to our provision for income taxes for certain prior periods, due to the accounting for the tax effects of foreign currency translation changes on intercompany loans that are considered to be of a long-term investment nature. The Company determined that it had incorrectly applied the accounting guidance in ASC 740, Income Taxes and recorded a deferred tax asset related to foreign currency translation losses in the provision for income taxes, resulting in the Company reporting a lower provision for income taxes in the periods that were impacted.

In accordance with Staff Accounting Bulletin ("SAB") No. 99, Materiality, and SAB No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements, management evaluated the materiality of the error from qualitative and quantitative perspectives, and concluded the error was not material to its previously issued annual and interim financial statements. The cumulative amounts of the corrections were approximately \$20.0 million, of which approximately \$12.5 million was attributable to the year ended December 31, 2015. The cumulative amount of the prior period adjustments would have been material to our Statement of Income and Comprehensive Income for the quarter ended June 30, 2016, had we made the correction in that period. Accordingly, we have revised our previously issued financial statements prospectively to correct these errors.

The corrections associated with the provision for income taxes line items as well as other immaterial adjustments are reflected in this 10-Q Report for all periods presented and those corrections will be reflected in our future filings.

Table of Contents

The following table presents the effect of the correction on the previously reported consolidated balance sheet as of December 31, 2015 and the statements of income and comprehensive income for the three and nine months ended September 30, 2015:

## Consolidated Balance Sheets

(Unaudited - In millions, except per share data)

	As of December 31, 2015		
	As Reported	Adjustment	Revised
Assets:			
Current assets:			
Cash and cash equivalents	\$582.5	—	\$582.5
Accounts receivable, net	1,812.6	—	1,812.6
Inventories	359.1	—	359.1
Prepaid expenses	57.9	—	57.9
Short-term derivative assets, net	227.2	(6.8	) 220.4
Other current assets	209.8	(1.8	) 208.0
Current assets held for sale	5.5	—	