

ALLIED HOLDINGS INC  
Form 10-Q  
August 14, 2001  
Table of Contents

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended June 30, 2001

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. Yes No

Outstanding common stock, No par value at July 31, 2001

8,242,851

**TOTAL NUMBER OF PAGES INCLUDED IN THIS REPORT: 42**

TABLE OF CONTENTS

PART 1 FINANCIAL INFORMATION

ITEM 1 FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

CONSOLIDATED STATEMENTS OF OPERATIONS

CONSOLIDATED STATEMENTS OF CASH FLOWS

Notes to Consolidated Financial Statements (Unaudited)

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk

PART II

OTHER INFORMATION

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

Item 5. Other Information

Item 6. Exhibits and Reports on Form 8-K.

Employment Agreement

---

**Table of Contents**

**INDEX**

**PART I**

**FINANCIAL INFORMATION**

	<b><u>PAGE</u></b>
<b>ITEM 1: FINANCIAL STATEMENTS</b>	
Consolidated Balance Sheets as of June 30, 2001 and  December 31, 2000 3	
Consolidated Statements of Operations for the Three and Six  Month Periods Ended June 30, 2001 and 2000 4	
Consolidated Statements of Cash Flows for the Six  Month Periods Ended June 30, 2001 and 2000 5	

Notes to  
Consolidated  
Financial  
Statements 6  
**ITEM 2**

Management's  
Discussion and  
Analysis of  
Financial

Condition and  
Results of  
Operations 18  
**ITEM 3**

Quantitative and  
Qualitative  
Disclosures  
about Market  
Risk 20

**PART II**

**OTHER INFORMATION**

**ITEM 4**

Submission of Matters to a Vote of Security Holders

23

**ITEM 5**

Other  
Information 23  
**ITEM 6**

Exhibits and  
Reports on Form  
8-K 24

Signature  
Page 25

---

**Table of Contents**

PART 1 FINANCIAL INFORMATION  
ITEM 1 FINANCIAL STATEMENTS

ALLIED HOLDINGS, INC. AND SUBSIDIARIES

Edgar Filing: ALLIED HOLDINGS INC - Form 10-Q

CONSOLIDATED BALANCE SHEETS  
(In Thousands)

	<u>June 30</u> <u>2001</u>	<u>December</u> <u>31</u> <u>2000</u>
	(Unaudited)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$13,434	\$2,373
Short-term investments	62,482	59,892
Receivables, net of allowance for doubtful accounts	93,204	114,266
Inventories	6,984	7,415
Deferred tax assets	12,389	10,191
Prepayments and other current assets	20,964	19,355
	<hr/>	
	<hr/>	
Total current assets	209,457	213,492
	<hr/>	
	<hr/>	
PROPERTY AND EQUIPMENT, NET	245,703	259,362
	<hr/>	
	<hr/>	
OTHER ASSETS:		
Goodwill, net	93,161	95,159
Other	43,693	42,526
	<hr/>	
	<hr/>	

Total other assets  
136,854 137,685

---

---

Total assets  
\$592,014 \$610,539

---

---

LIABILITIES AND  
STOCKHOLDERS EQUITY

CURRENT LIABILITIES:

Current maturities of long-term debt  
\$146,744 \$109  
Trade accounts payable  
41,879 45,975  
Accrued liabilities  
86,528 79,487

---

---

Total current liabilities  
275,151 125,571

---

---

LONG-TERM DEBT, less current  
maturities  
190,006 324,876

---

---

POSTRETIREMENT BENEFITS  
OTHER THAN PENSIONS  
9,579 9,943

---

---

DEFERRED INCOME TAXES

8,927 21,414

---

---

OTHER LONG-TERM  
LIABILITIES

75,480 69,594

---

---

STOCKHOLDERS EQUITY:

Common stock, no par value; 20,000  
shares authorized, 8,203 and 8,187  
shares outstanding at June 30, 2001  
and December 31, 2000, respectively

0 0

Additional paid-in capital

46,345 45,990

Retained (deficit) earnings

(3,976) 20,602

Cumulative other comprehensive  
income, net of tax

(8,791) (6,744)

Common stock in treasury, at cost,

139 shares at June 30, 2001 and

December 31, 2000

(707) (707)

---

---

Total stockholders equity

32,871 59,141

---

---

Total liabilities and stockholders  
equity

\$592,014 \$610,539

---

---

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)

	<u>For the Three Months Ended June 30</u>		<u>For the Six Months Ended June 30</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>REVENUES</b>				
\$250,195	\$295,897	\$468,374	\$578,781	
<hr/>				
<hr/>				
<hr/>				
<hr/>				
<hr/>				
<b>OPERATING EXPENSES:</b>				
Salaries, wages and fringe benefits	140,589	154,275	272,306	309,113
Operating supplies and expenses	38,330	48,302	79,772	99,884
Purchased transportation	28,666	29,301	51,962	56,454
Insurance and claims	13,768	13,087	27,057	25,143
Operating taxes and licenses	8,507	10,982	17,133	21,841
Depreciation and amortization	15,281	15,393	30,305	30,635
Rents	1,592	2,173	3,662	4,499
Communications and utilities	1,914	2,006	3,952	4,215
Other operating expenses	5,155	3,182	9,178	5,737

---

---

---

---

Total operating expenses  
253,802 278,701 495,327 557,521

---

---

---

---

Operating (loss) income  
(3,607) 17,196 (26,953) 21,260

---

---

---

---

OTHER INCOME (EXPENSE):

Equity in earnings of joint ventures, net of tax  
1,330 1,798 2,539 2,699  
Gain (loss) on sale of assets  
2,576 91 2,743 (12)  
Interest expense  
(9,387) (8,348) (17,853) (16,749)  
Interest income  
626 689 1,590 2,009

---

---

---

---

(4,855) (5,770) (10,981) (12,053)

---



---

---

---

LOSS (INCOME) BEFORE INCOME TAXES

(8,462) 11,426 (37,934) 9,207

INCOME TAX BENEFIT (EXPENSE)

2,746 (4,537) 13,356 (3,353)

---

---

---

---

NET (LOSS) INCOME

\$(5,716) \$6,889 \$(24,578) \$5,854

---

---

---

---

PER COMMON SHARE BASIC AND DILUTED

\$(0.71) \$0.87 \$(3.04) \$0.74

---

---

---

---

COMMON SHARES OUTSTANDING:

BASIC

8,086 7,916 8,083 7,901

---

---

---

---

DILUTED  
8,086 7,916 8,083 7,908

---

---

---

---

---

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

4

---

**Table of Contents**

ALLIED HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(In Thousands)

	<b>For the Six Months Ended June 30</b>	
	<b>2001</b>	<b>2000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss		
\$(24,578)	\$5,854	
<hr/>		
<hr/>		
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization		
30,305	30,635	
(Gain) loss on sale of property and equipment		
(2,743)	12	

Deferred income taxes  
 (13,356) 838  
 Compensation expense related to  
 stock options and grants  
 138 408  
 Equity in earnings of joint ventures  
 (2,539) (2,699)  
 Amortization of Teamsters Union  
 signing bonus  
 1,202 1,238  
 Change in operating assets and  
 liabilities excluding effect of  
 businesses acquired:

Receivables, net of allowance for  
 doubtful accounts  
 20,827 (4,289)  
 Inventories  
 415 42  
 Prepayments and other current assets  
 (1,635) (3,117)  
 Trade accounts payable  
 (4,084) (5,488)  
 Accrued liabilities  
 12,620 3,631

---



---

Total adjustments  
 41,150 21,211

---



---

Net cash provided by operating  
 activities  
 16,572 27,065

---



---

**CASH FLOWS FROM INVESTING  
ACTIVITIES:**

Purchases of property and equipment  
 (16,942) (9,079)  
 Proceeds from sale of property and  
 equipment  
 4,745 112  
 Purchase of business, net of cash  
 acquired  
 0 (8,185)  
 Investment in joint ventures

(464) 0  
 Increase in short-term investments  
 (2,590) (11,918)  
 Increase in the cash surrender value  
 of life insurance  
 (240) (240)

---



---

Net cash used in investing activities  
 (15,491) (29,310)

---



---

CASH FLOWS FROM  
 FINANCING ACTIVITIES:

Proceeds from (repayments of)  
 issuance of long-term debt, net  
 11,765 (7,095)  
 Proceeds from issuance of common  
 stock  
 217 422  
 Repurchase of common stock  
 0 (282)  
 Other, net  
 (573) 165

---



---

Net cash provided by (used in)  
 financing activities  
 11,409 (6,790)

---



---

EFFECT OF EXCHANGE RATE  
 CHANGES ON CASH AND CASH  
 EQUIVALENTS

(1,429) (641)  
 NET INCREASE (DECREASE) IN  
 CASH AND CASH  
 EQUIVALENTS  
 11,061 (9,676)  
 CASH AND CASH  
 EQUIVALENTS AT BEGINNING  
 OF YEAR  
 2,373 13,984

---

---

CASH AND CASH  
EQUIVALENTS AT END OF  
PERIOD  
\$13,434 \$4,308

---

---

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

5

---

**Table of Contents**

**Allied Holdings, Inc. and Subsidiaries**  
Notes to Consolidated Financial Statements (Unaudited)

Note 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 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 six month periods ended June 30, 2001 are not necessarily indicative of the results that may be expected for the year ended December 31, 2001. 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 2000 Annual Report on Form 10-K. Note 2. Long-Term Debt On September 30, 1997, the Company issued \$150 million of 8 5/8 %

senior notes  
(the Notes )  
through a  
private  
placement.  
Subsequently,  
the senior  
notes were  
registered with  
the Securities  
and Exchange  
Commission.  
The net  
proceeds from  
the Notes were  
used to fund  
the acquisition  
of Ryder  
Automotive  
Carrier  
Services, Inc.  
and RC  
Management  
Corp., pay  
related fees  
and expenses,  
and reduce  
outstanding  
indebtedness.  
The Company's  
obligations  
under the  
Notes are  
guaranteed by  
substantially  
all of the  
subsidiaries of  
the Company  
(the Guarantor  
Subsidiaries ).  
Haul Insurance  
Ltd.,  
Arrendadora  
de Equipo Para  
el Transporte  
de  
Automoviles,  
S. de R.L. de  
C.V., Axis  
Logistica, S.  
de R.L. de  
C.V. and Axis  
Netherlands  
C.V. do not  
guarantee the  
Company's  
obligations  
under the  
Notes (the  
Nonguarantor  
Subsidiaries ).  
The following

condensed consolidating balance sheets, statements of operations and statements of cash flows present the financial statements of the parent company and the combined financial statements of the Guarantor Subsidiaries and Nonguarantor subsidiaries. The Guarantors are jointly and severally liable for the Company's obligations under the Notes and there are no restrictions on the ability of the Guarantors to make distributions to the Company.

**Table of Contents**

SUPPLEMENTAL CONDENSED CONSOLIDATING BALANCE SHEET  
 JUNE 30, 2001  
 In Thousands

ALLIED GUARANTOR  
 HOLDINGS SUBSIDIARIES IN CONSOLIDATED

CURRENT ASSETS:

Cash and cash equivalents  
 \$(639) \$2,586 \$11,487 \$ 13,434  
 Short-term investments  
 62,482 62,482  
 Receivables, net of allowance for doubtful accounts  
 31 89,744 3,429 93,204  
 Inventories  
 6,984 6,984  
 Deferred tax asset - current



Edgar Filing: ALLIED HOLDINGS INC - Form 10-Q

10,193	1,614	582	12,389
Prepayments and other current assets			
1,567	19,132	265	20,964

---



---



---



---



---

Total current assets			
11,152	120,060	78,245	209,457

---



---



---



---



---

PROPERTY AND EQUIPMENT, NET

13,909	228,123	3,671	245,703
--------	---------	-------	---------

OTHER ASSETS:

Goodwill, net

1,574	91,587	93,161
-------	--------	--------

Other

17,246	16,560	9,887	43,693
--------	--------	-------	--------

Deferred tax asset noncurrent

30,108	(30,108)
--------	----------

Intercompany receivables

269,921	(269,921)
---------	-----------

Investment in subsidiaries

49,725	13,949	(63,674)
--------	--------	----------

---



---



---



---



---

Total other assets

368,574	122,096	9,887	(363,703)	136,854
---------	---------	-------	-----------	---------

---

---

---

---

---

Total assets  
\$393,635 \$470,279 \$91,803 \$(363,703) \$592,014

---

---

---

---

---

CURRENT LIABILITIES:

Current maturities of long-term debt  
\$145,104 \$1,640 \$ \$ \$146,744  
Trade accounts payable  
2,489 38,423 967 41,879  
Intercompany payables  
266,935 2,986 (269,921)  
Accrued liabilities  
23,171 49,535 13,822 86,528

---

---

---

---

---

Total current liabilities  
170,764 356,533 17,775 (269,921) 275,151

---

---

---

---



---

LONG-TERM DEBT, less current maturities  
 190,000 6 190,006  
 POSTRETIREMENT BENEFITS OTHER THAN PENSIONS  
 9,579 9,579  
 DEFERRED INCOME TAXES  
 39,035 (30,108) 8,927  
 OTHER LONG-TERM LIABILITIES  
 34,468 41,012 75,480  
 STOCKHOLDERS EQUITY:

Common stock, no par value

Additional paid-in capital  
 46,345 88,856 13,254 (102,110) 46,345  
 Retained (deficit) earnings  
 (3,976) (48,567) 22,686 25,881 (3,976)  
 Cumulative other comprehensive income, net of tax  
 (8,791) (9,631) (2,924) 12,555 (8,791)  
 Treasury stock  
 (707) (707)

---



---



---



---



---

Total stockholders equity  
 32,871 30,658 33,016 (63,674) 32,871

---



---



---



---



---

Total liabilities and stockholders equity  
 \$393,635 \$470,279 \$91,803 \$(363,703) \$592,014

---



---

**Table of Contents**

SUPPLEMENTAL CONDENSED CONSOLIDATING BALANCE SHEET  
 DECEMBER 31, 2000  
 In Thousands

~~ALLIED GUARANTEE GUARANTOR~~  
~~HOLDINGS SUBSIDIARIES CONSOLIDATED~~

CURRENT ASSETS:

Cash and cash equivalents	\$(1,213)	\$2,063	\$1,523	\$ 2,373
Short-term investments		59,892	59,892	
Receivables, net of allowance for doubtful accounts	805	112,876	585	114,266
Inventories		7,415	7,415	
Deferred tax asset - current	8,009	1,600	582	10,191
Prepayments and other current assets	1,974	15,007	2,374	19,355

Total current assets  
 9,575 138,961 64,956 213,492

---

---

PROPERTY AND EQUIPMENT, NET

16,319 239,866 3,177 259,362

OTHER ASSETS:

Goodwill, net

1,633 93,526 95,159

Other

15,732 16,372 10,422 42,526

Deferred tax asset noncurrent

17,585 (17,585)

Intercompany receivables

260,850 (260,850)

Investment in subsidiaries

80,057 14,072 (94,129)

---

---

---

---

---

---

Total other assets

375,857 123,970 10,422 (372,564) 137,685

---

---

---

---

---

---

Total assets

\$401,751 \$502,797 \$78,555 \$(372,564) \$610,539

---

---

---

---

---

CURRENT LIABILITIES:

Current maturities of long-term debt

\$ \$109 \$ \$ \$109

Trade accounts payable

1,590 43,475 910 45,975

Intercompany payables

259,268 1,582 (260,850)

Accrued liabilities

16,592 51,684 11,211 79,487

---



---



---



---



---

Total current liabilities

18,182 354,536 13,703 (260,850) 125,571

---



---



---



---



---

LONG-TERM DEBT, less current maturities

324,428 448 324,876

POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

9,943 9,943

DEFERRED INCOME TAXES

38,999 (17,585) 21,414

OTHER LONG-TERM LIABILITIES

36,660 32,934 69,594

STOCKHOLDERS EQUITY:

Common stock, no par value

Additional paid-in capital

45,990 81,180 13,612 (94,792) 45,990

Retained earnings (deficit)

20,602 (10,171) 20,309 (10,138) 20,602

Cumulative other comprehensive income, net of tax

(6,744) (8,798) (2,003) 10,801 (6,744)

Treasury stock

(707) (707)

---



---



---



---



---

Total stockholders' equity  
 59,141 62,211 31,918 (94,129) 59,141

---



---



---



---



---

Total liabilities and stockholders' equity  
 \$401,751 \$502,797 \$78,555 \$(372,564) \$610,539

---



---



---



---



---

**Table of Contents**

SUPPLEMENTAL CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS  
 SIX MONTHS ENDED JUNE 30, 2001  
 In Thousands

	ALLIED GUARANTOR HOLDINGS	NON-GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED
REVENUES	\$4,950	\$467,525	\$19,033	\$(23,134)	\$468,374

OPERATING EXPENSES:

Salaries, wages and fringe benefits

7,446 264,860 272,306

Operating supplies and expenses

975 78,744 53 79,772

Purchased transportation

51,962 51,962

Insurance and claims

27,702 17,539 (18,184) 27,057

Operating taxes and licenses

93 17,040 17,133

Depreciation and amortization

1,725 28,224 356 30,305

Rents

1,041 2,618 3 3,662

Communications and utilities

112 3,834 6 3,952

Other operating expenses

3,606 10,388 134 (4,950) 9,178

---



---



---



---



---

Total operating expenses

14,998 485,372 18,091 (23,134) 495,327

---



---



---



---



---

Operating (loss) income

(10,048) (17,847) 942 (26,953)

---



---



---



---



---

OTHER INCOME (EXPENSE):

Equity in earnings of joint ventures, net of tax  
 2,437 102 2,539  
 Gain on sale of assets  
 2,743 2,743  
 Interest expense  
 (17,069) (16,132) (96) 15,444 (17,853)  
 Interest income  
 15,495 112 1,427 (15,444) 1,590  
 Intercompany dividends  
 1,980 (1,980)  
 Equity in losses of subsidiaries  
 (28,117) 28,117

---



---



---



---



---



---

(27,711) (12,820) 1,433 28,117 (10,981)

---



---



---



---



---



---

(LOSS) INCOME BEFORE INCOME TAXES  
 (37,759) (30,667) 2,375 28,117 (37,934)  
 INCOME TAX BENEFIT (PROVISION)  
 13,181 912 (737) 13,356

NET (LOSS) INCOME  
 \$(24,578) \$(29,755) \$1,638 \$28,117 \$(24,578)

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

SUPPLEMENTAL CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS  
 SIX MONTHS ENDED JUNE 30, 2000  
 In Thousands

	ALLIED HOLDINGS	GUARANTOR SUBSIDIARIES	GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED
REVENUES	\$2,485	\$577,371	\$17,643	\$(18,718)	\$578,781
OPERATING EXPENSES:					
Salaries, wages and fringe benefits	1,775	307,338		309,113	
Operating supplies and expenses	800	99,059	25	99,884	
Purchased transportation	56,454			56,454	
Insurance and claims	25,245	16,130	(16,232)	25,143	
Operating taxes and licenses	5	21,836		21,841	
Depreciation and amortization	59	30,207	369	30,635	
Rents	39	4,460		4,499	
Communications and utilities	8	4,207		4,215	
Other operating expenses	1,276	6,762	185	(2,486)	5,737

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Total operating expenses

3,962 555,568 16,709 (18,718) 557,521

---



---



---



---



---

Operating (loss) income

(1,477) 21,803 934 21,260

---



---



---



---



---

OTHER INCOME (EXPENSE):

Equity in earnings (loss) of joint ventures, net of tax

2,913 (214) 2,699

Loss on sale of assets

(12) (12)

Interest expense

(14,896) (17,200) (53) 15,400 (16,749)

Interest income

15,382 191 1,836 (15,400) 2,009

Intercompany dividends

4,140 (4,140)

Equity in earnings of subsidiaries

5,340 (5,340)

---



---



---



---



---

9,966 (18,248) 1,569 (5,340) (12,053)

---

---

---

---

---

---

INCOME BEFORE INCOME TAXES  
8,489 3,555 2,503 (5,340) 9,207  
INCOME TAX (PROVISION) BENEFIT  
(2,635) 34 (752) (3,353)

---

---

---

---

---

---

NET INCOME  
\$5,854 \$3,589 \$1,751 \$(5,340) \$5,854

---

---

---

---

---

---

---

**Table of Contents**

SUPPLEMENTAL CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS  
THREE MONTHS ENDED JUNE 30, 2001  
In Thousands

ALLIED GUARANTOR  
HOLDINGS SUBSIDIARIES SUBSIDIARIES MINORITIES CONSOLIDATED

---

Edgar Filing: ALLIED HOLDINGS INC - Form 10-Q

REVENUES						\$2,475	\$249,749	\$9,538	\$(11,567)	\$250,195
						<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
OPERATING EXPENSES:										
Salaries, wages and fringe benefits										
2,325	138,264									140,589
Operating supplies and expenses										
72	38,208	50								38,330
Purchased transportation										
28,666										28,666
Insurance and claims										
13,900	8,960	(9,092)								13,768
Operating taxes and licenses										
46	8,461									8,507
Depreciation and amortization										
878	14,214	189								15,281
Rents										
509	1,080	3								1,592
Communications and utilities										
98	1,810	6								1,914
Other operating expenses										
1,846	5,690	94	(2,475)							5,155

---



---



---



---



---

Total operating expenses  
5,774 250,293 9,302 (11,567) 253,802

---



---



---



---



---

Operating (loss) income  
(3,299) (544) 236 (3,607)

---



---



---

---

---

OTHER INCOME (EXPENSE):

Equity in earnings of joint ventures, net of tax

1,218 112 1,330

Gain on sale of assets

2,576 2,576

Interest expense

(9,046) (8,073) (56) 7,788 (9,387)

Interest income

7,785 49 580 (7,788) 626

Intercompany dividends

1,729 (1,729)

Equity in losses of subsidiaries

(5,238) 5,238

---

---

---

---

---

---

---

---

(4,770) (5,959) 636 5,238 (4,855)

---

---

---

---

---

---

---

---

(LOSS) INCOME BEFORE INCOME TAXES

(8,069) (6,503) 872 5,238 (8,462)

INCOME TAX BENEFIT (PROVISION)

2,353 696 (303) 2,746

---

---

---

---

---

---

---

---

NET (LOSS) INCOME  
 \$(5,716) \$(5,807) \$569 \$5,238 \$(5,716)

SUPPLEMENTAL CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS  
 THREE MONTHS ENDED JUNE 30, 2000  
 In Thousands

	ALLIED HOLDINGS	GUARANTOR SUBSIDIARIES	GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED
REVENUES	\$ 1,243	\$ 295,899	\$ 8,017	\$ (9,262)	\$ 295,897
OPERATING EXPENSES:					
Salaries, wages and fringe benefits	117	154,158			154,275
Operating supplies and expenses	425	47,864	13		48,302
Purchased transportation	29,301		29,301		
Insurance and claims	12,871	8,234	(8,018)		13,087
Operating taxes and licenses	2	10,980			10,982
Depreciation and amortization	29	15,364			15,393
Rents	19	2,154			2,173
Communications and utilities	1	2,005			2,006
Other operating expenses	544	3,822	60	(1,244)	3,182

---

Total operating expenses

1,137 278,519 8,307 (9,262) 278,701

---



---



---



---



---



---

Operating income (loss)

106 17,380 (290) 17,196

---



---



---



---



---



---

OTHER INCOME (EXPENSE):

Equity in earnings (loss) of joint ventures, net of tax

1,914 (116) 1,798

Gain on sale of assets

91 91

Interest expense

(7,480) (8,540) (25) 7,697 (8,348)

Interest income

7,680 105 601 (7,697) 689

Intercompany dividends

4,140 (4,140)

Equity in earnings of subsidiaries

6,800 (6,800)

---



---



---



---



---



---



11,140 (10,570) 460 (6,800) (5,770)

---

---

---

---

---

INCOME BEFORE INCOME TAXES  
11,246 6,810 170 (6,800) 11,426  
INCOME TAX PROVISION  
(4,357) (82) (98) (4,537)

---

---

---

---

---

NET INCOME  
\$6,889 \$6,728 \$72 \$(6,800) \$6,889

---

---

---

---

---

---

**Table of Contents**

SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS  
SIX MONTHS ENDED JUNE 30, 2001  
In Thousands

Edgar Filing: ALLIED HOLDINGS INC - Form 10-Q

**ALLIED HOLDINGS**   **GUARANTOR**   **GUARANTOR**  
**HOLDINGS**   **SUBSIDIARIES**   **SUBSIDIARIES**   **ELIMINATIONS**   **CONSOLIDATED**

CASH FLOWS FROM OPERATING ACTIVITIES

	Net				
(loss) income	\$	(24,578)	\$	(29,755)	\$ 1,638
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:					
Depreciation and amortization		1,725	28,224	356	30,305
Gain on sale of property and equipment		(2,743)	(2,743)		
Deferred income taxes		(15,000)	1,644	(13,356)	
Compensation expense related to stock options and grants		138	138		
Equity in earnings of joint ventures		(2,437)	(102)	(2,539)	
Equity in losses of subsidiaries		28,117	(28,117)		
Amortization of Teamsters Union signing bonus		1,202	1,202		
Change in operating assets and liabilities:					
Receivables, net of allowance for doubtful accounts		774	22,897	(2,844)	20,827
Inventories		415	415		
Prepayments and other current assets		407	(4,151)	2,109	(1,635)
Intercompany receivables and payables		(9,071)	7,667	1,404	
Trade accounts payable		899	(5,040)	57	(4,084)
Accrued liabilities		6,579	(4,648)	10,689	12,620
Total adjustments		14,568	43,030	11,669	(28,117) 41,150

---



---



---



---

Net cash (used in) provided by operating activities  
 (10,010) 13,275 13,307 16,572

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property and equipment  
 (67) (16,155) (720) (16,942)  
 Intercompany sale of property and equipment  
 811 (811)  
 Proceeds from sale of property and equipment  
 4,745 4,745  
 Investment in joint ventures  
 (464) (464)  
 Intercompany dividend received (paid)  
 1,980 (1,980)  
 Increase in short-term investments  
 (2,590) (2,590)  
 Increase in cash surrender value of life insurance  
 (240) (240)

---



---



---



---



---

Net cash provided by (used in) investing activities  
 2,484 (14,201) (3,774) (15,491)

---



---



---



---

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from issuance of long-term debt, net

10,676 1,089 11,765

Proceeds from issuance of common stock

217 217

Other, net

(2,793) 868 1,352 (573)

---



---



---



---

Net cash provided by financing activities

8,100 1,957 1,352 11,409

---



---



---



---

EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS

(508) (921) (1,429)

NET INCREASE IN CASH AND CASH EQUIVALENTS

574 523 9,964 11,061

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR

(1,213) 2,063 1,523 2,373

---



---



---

CASH AND CASH EQUIVALENTS AT END OF PERIOD  
 \$(639) \$2,586 \$11,487 \$ 13,434

**Table of Contents**

SUPPLEMENTAL GUARANTOR INFORMATION  
 SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS  
 SIX MONTHS ENDED JUNE 30, 2000  
 In Thousands

	<del>ALLIED GUARANTOR</del>	<del>NON GUARANTOR</del>	<del>HOLDINGS</del>	<del>SUBSIDIARIES</del>	<del>SUBSIDIARIES</del>	<del>ELIMINATIONS</del>	<del>CONSOLIDATED</del>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Net income	\$5,854	\$ 3,589	\$ 1,751	\$ (5,340)	\$ 5,854		
Adjustments to reconcile net income to net cash (used in) provided by operating activities:							
Depreciation and amortization							
59 30,207 369 30,635							
Loss on sale of property and equipment							
12 12							
Deferred income taxes							
(2,269) 3,107 838							
Compensation expense related to stock options and grants							
408 408							
Equity in earnings (loss) of joint ventures							
(2,913) 214 (2,699)							
Equity in net income of subsidiaries							
(5,340) 5,340							
Amortization of Teamsters Union signing bonus							
1,238 1,238							

Change in operating assets and liabilities excluding effects of businesses acquired:

Receivables, net of allowance for doubtful accounts

7 (3,269) (1,027) (4,289)

Inventories

42 42

Prepayments and other current assets

(234) (2,751) (132) (3,117)

Trade accounts payable

(103) (5,154) (231) (5,488)

Intercompany payables

(11,665) 12,844 (1,179)

Accrued liabilities

4,463 (5,452) 4,620 3,631

---



---



---



---



---

Total adjustments

(14,674) 27,911 2,634 5,340 21,211

---



---



---



---



---

Net cash (used in) provided by operating activities

(8,820) 31,500 4,385 27,065

---



---



---



---



---

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property and equipment

	(7,706)	(1,373)	(9,079)
Proceeds from sale of property and equipment	112	112	
Purchase of business, net of cash acquired	(8,185)	(8,185)	
Return of capital	11,999	(11,999)	
Intercompany dividend received (paid)	4,140	(4,140)	
Increase in short-term investments	(11,918)	(11,918)	
Increase in cash surrender value of life insurance	(240)	(240)	

---



---



---



---



---

Net cash provided by (used in) investing activities  
 16,139 (32,158) (13,291) (29,310)

CASH FLOWS FROM FINANCING ACTIVITIES:

Repayment of (proceeds from) long-term debt, net	(7,477)	382	(7,095)
Proceeds from issuance of common stock	422	422	
Repurchase of common stock	(282)	(282)	
Other, net	(3,751)	2,386	1,530
	165		

---

Net cash (used in) provided by financing activities  
(11,088) 2,768 1,530 (6,790)

---

---

---

---

---

---

EFFECT OF EXCHANGE RATE CHANGES ON CASH  
AND CASH EQUIVALENTS

(223) (418) (641)

NET (DECREASE) INCREASE IN CASH AND CASH  
EQUIVALENTS

(3,769) 1,887 (7,794) (9,676)

CASH AND CASH EQUIVALENTS AT BEGINNING OF  
YEAR

1,852 3,179 8,953 13,984

---

---

---

---

---

---

CASH AND CASH EQUIVALENTS AT END OF  
PERIOD

\$(1,917) \$5,066 \$1,159 \$ 4,308

---

---

---

---

---

---



**Table of Contents**

Note 3. Comprehensive Income

The Company had a comprehensive loss of \$4.0 million for the second quarter of 2001 versus comprehensive income of \$5.5 million for the second quarter of 2000. For the first six months of 2001, the comprehensive loss was \$26.6 million, versus comprehensive income \$4.0 million for the first six months of 2000. The difference between comprehensive income and net income is the foreign currency translation adjustment, net of income taxes.

Note 4. Accounting for Derivative Instruments and Hedging Activities

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended, the statement establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting.

From time to time, the Company enters into future contracts to manage the risk associated with changes in fuel prices. Gains and losses from fuel hedging contracts are recognized as part of fuel expense when the Company uses the underlying fuel being hedged. The Company does not enter into fuel hedging contracts for speculative purposes. At June 30, 2001, the Company did not have any outstanding fuel hedging contracts or other derivative instruments that fall under the provisions of SFAS No. 133.

Note 5. Recent Accounting Pronouncements

In June 2001 the Financial Accounting Standards Board approved Statement of Financial Accounting Standard No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 141 prospectively prohibits the pooling of interest method of accounting for business combinations initiated after June 30, 2001. SFAS No. 142 requires companies to cease amortizing goodwill that existed at June 30, 2001. The amortization of existing goodwill will cease on December 31, 2001. Any goodwill resulting from acquisitions completed after June 30, 2001 will not be amortized. SFAS No. 142 also establishes a new method of testing goodwill for impairment on an annual basis or on an interim basis if an event occurs or circumstances change that would reduce the fair value of a reporting unit below its carrying value. The adoption of SFAS No. 142 will result in the Company's discontinuation of amortization of its goodwill; however, the Company will be required to test its goodwill for impairment under the new

**Table of Contents**

standard beginning in the first quarter of 2002, which could have an adverse effect on the Company's future results of operations if an impairment occurs.

Note 6. Workforce Reduction Expense

During 2000, the Company recorded a pre-tax \$2.5 million workforce reduction charge related to terminating approximately 100 employees. During 2000, severance payments amounted to approximately \$0.9 million. During the first quarter of 2001, the Company recorded a pre-tax workforce reduction charge of \$5.0 million, and a pre-tax charge of \$0.6 million in the second quarter of 2001. These charges were related to the termination of approximately 85 employees. Severance payments during the first quarter of 2001 amounted to approximately \$1.9 million and severance payments during the second quarter of 2001 were approximately \$1.3 million. At June 30, 2001, approximately \$4.0 million is outstanding and included in accrued liabilities.

Note 7. Segment Reporting

In accordance with the requirements of SFAS No. 131, Disclosure About Segments of an Enterprise and Related Information, the Company has identified two reportable industry segments through which it conducts its operating activities: Allied Automotive Group and Axis Group. These two segments reflect the organization used by management for internal reporting. Allied Automotive Group is engaged in the business of transporting automobiles and light trucks from manufacturing plants, ports, auctions, and railway distribution points to automobile dealerships. Axis Group provides distribution, automobile inspection, auction, and logistics services for the automotive industry.

**Three Months Ended  
June 30,**

**Six Months Ended  
June 30,**

Edgar Filing: ALLIED HOLDINGS INC - Form 10-Q

	2001	2000	2001	2000
Revenues unaffiliated customers:				
Allied Automotive Group	\$242,790	\$286,385	\$454,814	\$563,368
Axis Group	7,405	9,458	13,560	15,351
Corporate/other	54	62		
<hr/>				
<hr/>				
<hr/>				
<hr/>				
	\$250,195	\$295,897	\$468,374	\$578,781

<hr/>				
<hr/>				
<hr/>				
<hr/>				

Depreciation and amortization:

Allied Automotive Group	\$13,506	\$13,046	\$26,789	\$26,320
Axis Group	897	813	1,791	1,441
Corporate/other	878	1,534	1,725	2,874
<hr/>				
<hr/>				
<hr/>				
<hr/>				
	\$15,281	\$15,393	\$30,305	\$30,635

<hr/>				
<hr/>				

---



---

Operating (loss) profit:

Allied Automotive Group  
 \$(922) \$18,446 \$(17,218) \$25,612  
 Axis Group  
 850 441 398 138  
 Corporate/other  
 (3,535) (1,691) (10,133) (4,490)

---



---



---



---

(3,607) 17,196 (26,953) 21,260

---

**Table of Contents**

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Reconciling items:				
Equity income in joint ventures	\$1,330	\$1,798	\$2,539	\$2,699
Gain (loss) on sale of assets	2,576	91	2,743	(12)
Interest expense	(9,387)	(8,348)	(17,853)	(16,749)
Interest income	626	689	1,590	2,009
(Loss) income before income taxes				

Edgar Filing: ALLIED HOLDINGS INC - Form 10-Q

\$(8,462) \$11,426 \$(37,934) \$9,207

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Capital expenditures:

Allied Automotive Group  
 \$8,072 \$3,295 \$15,060 \$5,018  
 Axis Group  
 1,291 480 1,815 924  
 Corporate/other  
 2,063 67 3,137

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

\$9,363 \$5,838 \$16,942 \$9,079

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

<u>June 30,</u> <u>2001</u>	<u>December</u> <u>31</u> <u>2000</u>
--------------------------------	---

Total assets:  
 Allied Automotive Group  
 \$407,471 \$437,945  
 Axis Group  
 64,076 64,869  
 Corporate/other  
 120,467 107,725

\$592,014 \$610,539

Geographic financial information for 2001 and 2000 is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30	
	2001	2000	2001	2000
Revenues:				
United States	\$203,969	\$242,240	\$385,267	\$477,178
Canada	46,226	53,657	83,107	101,603
	\$250,195	\$295,897	\$468,374	\$578,781

Note 8. Equity Investments

Axis Group has entered into three joint ventures for the purpose of managing the distribution of vehicles in the United Kingdom and Brazil. Axis Group initially invested \$10,395,000 in the ventures. The Company is accounting for the investments under the equity method of accounting with its share of the ventures' earnings or loss reflected as equity in earnings (loss) of joint ventures in the consolidated statements of operations. The related equity investments are included in other assets in the accompanying consolidated balance sheets.

Equity in earnings for these joint ventures is recorded net of income taxes in the

15

**Table of Contents**

consolidated statements of operations by the Company. Income taxes related to the joint ventures for the six months ended June 30, 2001, and 2000 were \$1,306,000 and \$1,153,000, respectively.

The majority of the Company's equity in earnings of joint ventures in 2001 was derived from its joint venture in the United Kingdom, Ansa Logistics Limited. Summarized financial information of Ansa Logistics Limited for the periods ended June 30, 2001 and 2000 (in thousands):

	<b>June 30, 2001</b>	<b>December 31, 2000</b>
	<u>          </u>	<u>          </u>
Current assets	\$35,079	\$34,799
Other assets		
4,022 5,019		
<hr/>		
<hr/>		
Total assets	\$39,101	\$39,818
<hr/>		
<hr/>		
Current liabilities		
\$26,289 \$32,194		
<hr/>		

	Three Months Ended		Six Months Ended	
	2001	June 30, 2000	June 30 2001	2000
Revenues	\$29,226	\$29,511	\$57,597	\$57,994
Operating Income	\$ 1,269	\$ 2,261	\$ 5,007	\$ 5,495
Income from continuing operations	\$ 1,348	\$ 2,261	\$ 5,174	\$ 5,495
Net Income	\$ 836	\$ 1,402	\$ 3,208	\$ 3,407

Note 9. Litigation

The Company is routinely a party to litigation incidental to its business, primarily involving claims for personal injury and property damage incurred in the transportation of vehicles. The Company does not believe that any of such pending litigation, if adversely determined, would have a material adverse effect on the Company.

The Company is defending two pieces of related litigation in the Supreme Court of Erie County, New York: Gateway Development & Manufacturing, Inc. v. Commercial Carriers, Inc., et al., Index No. 1997/8920 (the Gateway Case ), and Commercial Carriers, Inc., v. Gateway Development & Manufacturing, Inc., et al. (the CCI Case ), Index No. I2000/8184. The claims at issue in both the Gateway Case and the CCI Case center around the contention that the Company breached legal duties with

respect to a failed business transaction involving Gateway Development & Manufacturing, Inc., Ryder Truck Rental, Inc., and Ryder System, Inc. In the Gateway Case, the

**Table of Contents**

Company has sought and received summary judgment in its favor on the sole claim (for tortious interference with contract) asserted against it by Gateway Development & Manufacturing, Inc., but the court has permitted the filing and service of cross-claims against the Company by the other defendants in that action. In the CCI Case, the Company has accepted service of a separate complaint asserting claims against the Company that are virtually identical to the cross-claims asserted against the Company by the other defendants in



the Gateway Case. It is anticipated that the claims asserted in both the Gateway Case and the CCI Case will be resolved in a unified proceeding. With respect to the entirety of this litigation, the Company intends to continue its vigorous defense against the claims asserted it, as management believes all of those claims are without merit. While the ultimate results of this litigation cannot be predicted, management does not expect that the resolution of these proceedings will have a material adverse effect on the Company's consolidated financial position or results of operations.

Note 10. Reclassifications

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

**Table of Contents**

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

**Results of Operations**

Revenues were \$250.2 million for the second quarter of 2001 versus revenues of \$295.9 million for the second quarter of 2000, a decrease of 15.4%. For the six-month period ended June 30, 2001, revenues were \$468.4 million, versus revenues of \$578.8 million for the six-month period ended June 30, 2000, a decrease of 19.1%. The decrease in revenues is primarily due to lower vehicle delivery volumes resulting from reduced new vehicle production.

The net loss was \$5.7 million during the second quarter of 2001 versus net income of \$6.9 million during the second quarter of 2000. Basic and diluted loss per share in the second quarter of 2001 were \$0.71, versus basic and diluted earnings per share of \$0.87 in the second quarter of 2000. For the six-month period ended June 30, 2001, the net loss was \$24.6 million, versus net income of \$5.9 million for the six-month period ended June 30, 2000. Basic and diluted loss per share for the six-month period ended June 30, 2001 were \$3.04 versus basic and diluted earnings per share of \$0.74 for the six-month period ended June 30, 2000. In April 2001 the Company

amended its revolving credit facility and its senior subordinated notes to avoid defaults relating to its financial covenants. The maturity date of the amended revolving credit facility has been accelerated from September 30, 2002 to January 31, 2002. The Company is engaged in discussions with a number of lenders to replace its revolving credit facility, and completion of the financing is anticipated by year-end. The Company expensed approximately \$0.5 million, or \$0.6 per share, of administrative costs related to the amendments during the first quarter of 2001 and expensed approximately \$1.0 million, or \$0.12 per share, of costs resulting from the amendments during the second quarter of 2001. As discussed above, the Company in

April 2001 negotiated amendments to certain affirmative, negative and financial covenants of the Revolving Credit Facility and the Senior Subordinated Notes. As a result of the amendments, the Company does not anticipate any covenant violations during 2001. There can be no assurance, however, that the Company will be able to comply with these or its other debt covenants or that, if it fails to do so, it will be able to obtain amendments to or waivers of such covenants. Failure of the Company to comply with covenants contained in its debt instruments, if not waived, or to adequately service debt obligations, could result in default under its debt instruments. Any default under the Company's debt instruments, particularly any default that results in acceleration of

indebtedness  
or foreclosure  
on collateral,  
could have a  
material  
adverse effect  
on the  
Company.

## **Table of Contents**

The following is a discussion of the changes in the Company's major expense categories: Salaries, wages and fringe benefits increased from 52.1 % of revenues in the second quarter of 2000 to 56.2 % of revenues in the second quarter of 2001, and from 53.4% of revenues for the first six months of 2000 to 58.1% of revenues for the first six months of 2001. The increase was due in part to severance charged to expense of \$4.3 million in the first quarter of 2001 and \$0.6 million in the second quarter of 2001 that was part of the Company's workforce and overhead

reduction program, as well as annual wage increases for remaining employees. In addition, the significant drop in vehicle deliveries caused operating inefficiencies that increased salaries, wages, and fringe benefits as a percentage of revenues. Operating supplies and expenses decreased from 16.3% of revenues in the second quarter of 2000 to 15.3% of revenues in the second quarter of 2001, and decreased from 17.3% for the first six months of 2000 to 17.0% for the first six months of 2001. The decrease was due primarily to a decrease in parts and maintenance expense related to vigorous expense reduction programs and decreasing volumes, combined with lower fuel costs. Purchased transportation increased

from 9.9% of revenues in the second quarter of 2000 to 11.5% of revenues in the second quarter of 2001, and increased from 9.8% of revenues for the first six months of 2000 to 11.1% of revenues for the first six months of 2001. As volumes decline, units are hauled by drivers with the highest seniority. The number of owner operators stayed relatively constant from year to year while the number of company drivers decreased, resulting in higher purchased transportation for 2001 compared to 2000. Insurance and claims expense increased from 4.4% of revenues in the second quarter of 2000 to 5.5% of revenues in the second quarter of 2001, and increased from 4.3% of revenue for the first six months of

2000 to 5.8% of revenues for the first six months of 2001. The increase was a result of an increase in cargo claims expense and costs related to higher auto, general liability and property insurance premiums that were unaffected by the decline in vehicles delivered. Depreciation and amortization expense increased from 5.2% of revenues in the second quarter of 2000 to 6.1% of revenues in the second quarter of 2001, and increased from 5.3% of revenues for the first six months of 2000 to 6.5% of revenues for the first six months of 2001. The increase as a percentage of revenues was due primarily to a sharp decline in vehicles delivered which reduced revenues. Depreciation and amortization expense stayed relatively



constant in 2001 versus 2000; depreciation and amortization expense was \$15.3 million in the second quarter of 2001 and \$15.4 million in the second quarter of 2000, and \$30.3 million for the first six months of 2001 versus \$30.6 million for the first six months of 2000. Gain on sale of assets increased from \$91,000 in the second quarter of 2000 to \$2,576,000 in the second quarter of 2001, and increased from a loss of \$12,000 for the first six months of 2000 to a gain of \$2,743,000 for the first six months of 2001. The increase was due primarily to the disposition of excess real estate and other assets in Canada during the second quarter of 2001.

**Table of Contents**

Interest expense increased from 2.8% of revenues during the second quarter of 2000 to 3.8% of revenues in the second quarter of 2001, and increased from 2.9% of revenues for the first six months of 2000 to 3.8% of revenues for the first six months of 2001. The increase was due to higher interest rates in 2001 versus 2000, higher long-term debt levels and additional costs related to the amendment of the Company's revolving credit facility and its senior subordinated notes.

**Financial Condition, Liquidity and Capital Resources**

Net cash provided by operating activities totaled \$16.6 million for the six-month period ended June 30, 2001, versus \$27.1 million provided by operating activities for the six-month period ended June 30, 2000. The decline in cash provided by operating activities was due primarily to reduced earnings during the first six months of 2001 versus 2000, offset with a favorable change in operating assets and liabilities as the Company has implemented measures to improve asset utilization.

Net cash used in investing activities totaled \$15.5 million for the six-month

period ended  
June 30, 2001,  
versus  
\$29.3 million  
for the  
six-month  
period ended  
June 30, 2000.  
The decrease  
was due  
primarily to the  
purchase of CT  
Group, a  
logistics  
service group,  
in February  
2000 for  
\$8.2 million,  
combined with  
a change in the  
investment  
portfolio mix  
of the  
Company's  
captive  
insurance  
company  
which  
increased  
short-term  
investments by  
\$11.9 million  
and reduced  
cash and cash  
equivalents by  
a like amount  
in 2000. These  
changes were  
offset by an  
increase in  
capital  
spending in the  
first six months  
of 2001 versus  
2000. The  
increase is due  
to the timing of  
capital  
expenditures.  
In 2000, capital  
expenditures of  
\$32.3 million  
were weighted  
to the last half  
of the year.  
Planned capital  
expenditures  
have been  
reduced to  
\$20-25 million  
for 2001. As  
vehicle

delivery volumes have declined, older rigs have been taken out of service and not replaced, which will allow the Company to reduce capital expenditures without materially increasing the average age of the fleet. The number of active rigs declined from 4,867 rigs in the second quarter of 2000 to 4,222 rigs in the second quarter of 2001. Net cash provided by financing activities totaled \$11.4 million for the six-month period ended June 30, 2001, versus cash used by financing activities of \$6.8 million for the six-month period ended June 30, 2000. The increase was due to an increase in borrowings during 2001 as a result of the lower operating cash flow.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

#### **Disclosures About Market Risks**

The market risk inherent in the Company's market risk sensitive instruments and positions is the potential loss arising from adverse changes in short-term investment prices, interest rates, fuel prices, and foreign currency exchange rates.

---

**Table of Contents****Short-term****Investments**

The Company does not use derivative financial instruments in its investment portfolio. The Company places its investments in instruments that meet high credit quality standards, as specified in the Company's investment policy guidelines. The policy also limits the amount of credit exposure to any one issue, issuer, and type of instrument. Short-term investments at June 30, 2001, which are recorded at fair value of \$62.5 million, have exposure to price risk. This risk is estimated as the potential loss in fair value resulting from a hypothetical 10% adverse change in quoted prices and amounts to \$6.3 million.

**Interest Rates**

The Company primarily issues long-term debt obligations to support general

corporate purposes including capital expenditures and working capital needs. The majority of the Company's long-term debt obligations bear a fixed rate of interest. A one-percentage point increase in interest rates affecting the Company's floating rate long-term debt would reduce pre-tax income by \$1.5 million over the next fiscal year. A one-percentage point change in interest rates would not have a material effect on the fair value of the Company's fixed rate long-term debt. **Fuel Prices** The Company is dependent on diesel fuel to operate its fleet of rigs. Diesel fuel prices are subject to fluctuations due to unpredictable factors such as weather, government policies, changes in global demand, and global production. To reduce price risk caused by market fluctuations, the Company generally follows a policy of hedging a

portion of its anticipated diesel fuel consumption.

The instruments used are principally readily marketable exchange traded futures contracts that are designated as hedges. The changes in market value of such contracts have a high correlation to the price changes of diesel fuel.

Gains and losses resulting from fuel hedging transactions are recognized when the underlying fuel being hedged is used. A 10% increase in diesel fuel prices would reduce pre-tax income by \$5.0 million over the next fiscal year. At June 30, 2001, the Company did not have any outstanding fuel hedging contracts.

**Foreign  
Currency  
Exchange  
Rates**

Although the majority of the Company's operations are in the United States, the Company does have foreign subsidiaries (primarily Canada). The net investments

in foreign subsidiaries translated into dollars using exchange rates at June 30, 2001, are \$100.5 million. The potential loss in fair value impacting other comprehensive income resulting from a hypothetical 10% change in quoted foreign currency exchange rates amounts to \$10.1 million. The Company does not use derivative financial instruments to hedge its exposure to changes in foreign currency exchange rates.

**Seasonality and Inflation**

The Company's revenues are seasonal, with the second and fourth quarters generally experiencing higher revenues than the first and third quarters. The volume of vehicles shipped during the second and fourth quarters is generally higher due to the introduction of new models which are shipped to dealers during those periods and the higher spring and early



summer sales of  
automobiles  
and light trucks.  
During the first  
and third

**Table of Contents**

quarters, vehicle  
shipments typically  
decline due to  
lower sales volume  
during those  
periods and  
scheduled plant  
shut downs.  
Inflation has not  
significantly  
affected the  
Company's results  
of operations.

**Cautionary Notice  
Regarding  
Forward-Looking  
Statements**

Statements in this  
quarterly report on  
Form 10-Q  
contains  
forward-looking  
statements,  
including  
statements  
regarding, among  
other items, (i) the  
Company's plans,  
intentions or  
expectations,  
(ii) general industry  
trends, competitive  
conditions and  
customer  
preferences,  
(iii) the Company's  
management  
information  
systems, and its  
ability to resolve  
any Year 2000  
issues related  
thereto (iv) the  
Company's efforts  
to reduce costs,  
(v) the adequacy of  
the Company's  
sources of cash to  
finance its current

and future operations and (vi) resolution of litigation without material adverse effect on the Company. This notice is intended to take advantage of the safe harbor provided by the Private Securities Litigation Reform Act of 1995 with respect to such forward-looking statements. These forward-looking statements involve a number of risks and uncertainties. Among others, factors that could cause actual results to differ materially are the following: economic recessions or downturns in new vehicle production or sales; the highly competitive nature of the automotive distribution industry; dependence on the automotive industry; loss or reduction of revenues generated by the Company's major customers; the variability of quarterly results and seasonality of the automotive distribution industry; labor disputes involving the Company or its significant customers; the dependence on key personnel who have been hired or retained by the Company; the availability of strategic acquisitions or joint venture partners; changes in

regulatory requirements which are applicable to the Company's business; changes in vehicle sizes and weights which may adversely impact vehicle deliveries per load; the ability to increase the rates charged to customers; risks associated with doing business in foreign countries; problems related to information technology systems and computations that must be made by the Company or its customers and vendors in 2000, 2001 or beyond; and the risk factors listed herein from time to time in the Company's Securities and Exchange Commission reports, including but not limited to, its Annual Reports on Form 10-K or 10-Q.

**Table of Contents**

**PART II**

**OTHER INFORMATION**

**Item 4. Submission of Matters to a Vote of Security Holders**

On May 15, 2001 the Annual Meeting of Shareholders was held. The following Directors were elected for terms that will expire on the date of the annual meeting in the year indicated below. The number of shares voted for, against and abstentions are also indicated.

**Proposal I (Election of Directors)**

<b>FOR</b>	<b>AGAINST</b>	<b>TERM</b>
------------	----------------	-------------

Edgar Filing: ALLIED HOLDINGS INC - Form 10-Q

Joseph W. Collier	5,897,245	80,537	2004
Guy W. Rutland, IV			
5,867,672 110,110 2004			
Berner F. Wilson, Jr.			
5,902,905 74,876 2004			

The following Directors terms will continue as indicated.

Robert J. Rutland	2003
William P. Benton	
2003	
David G. Bannister	
2003	
Bernard O. De Wulf	
2002	
Guy W. Rutland, III	
2002	
Robert R. Woodson	
2002	
Hugh E. Sawyer	
2003	

**Proposal II (Amend the Company s Employee Stock Purchase Plan to increase the number of shares subject to the Plan by 350,000)**

FOR	AGAINST	ABSTAIN
6,338,666	144,620	10,317

**Proposal III (To appoint Arthur Andersen LLP as independent public accountants)**

FOR	AGAINST	ABSTAIN
6,454,218	37,560	1,824

**Item 5. Other Information.**

On June 18, 2001, Hugh E. Sawyer joined the Company as President and Chief Executive Officer and as a member of the Board of Directors. Mr. Sawyer entered into an employment agreement with the Company which is included as an exhibit to this report.

**Table of Contents**

On July 13, 2001, the Company announced that it had been advised by the New York Stock Exchange ( NYSE ) that the Company currently falls below the continued listing standard requiring stockholders equity of not less than \$50 million and total market capitalization of not less than \$50 million.

As required by the NYSE, Allied has submitted a detailed plan to the Listing and Compliance Committee of the NYSE demonstrating how the Company plans to be in compliance with the continued listing standard on or before November 29, 2002, the deadline set by the NYSE. Based on internal estimates, and execution of planned corporation transactions, Allied believes it will satisfy the continued listing standard by the NYSE deadline. After reviewing the plan, the Committee will either accept it (following which the Company will be subject to quarterly

## Edgar Filing: ALLIED HOLDINGS INC - Form 10-Q

monitoring for compliance with the plan) or not (in which event the Company will be subject to NYSE trading suspension and delisting). Should the Company's shares cease being traded on the NYSE, the Company believes that an alternative trading venue will be available.

### Item 6. Exhibits and Reports on Form 8-K.

- a) Exhibits 10.1 Employment agreement between the Company and Hugh E. Sawyer Dated June 18, 2001
- b) Reports on Form 8-K: None

24

---

### Table of Contents

#### 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.

	Allied Holdings, Inc.
August 14, 2001	/s/ Hugh E. Sawyer
_____ (Date)	_____ Hugh E. Sawyer on behalf of Registrant as President and Chief Executive Officer
August 14, 2001	/s/ Daniel H. Popky
_____ (Date)	_____ Daniel H. Popky on behalf of Registrant as Senior Vice President, Finance and Chief Financial Officer

25