

Echo Global Logistics, Inc.
Form 10-Q
October 30, 2015
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 September 30, 2015

Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number 001-34470

ECHO GLOBAL LOGISTICS, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

20-5001120
(I.R.S. Employer Identification No.)

600 West Chicago Avenue
Suite 725
Chicago, Illinois 60654
Phone: (800) 354-7993
(Address (including zip code) and telephone number (including area code)
of registrant's principal executive offices)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes: No:

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes: No:

Indicate by check mark whether the Registrant is an a large accelerated filer, an accelerated filer, or non-accelerated filer. See 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:

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(Do not check if a 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:

As of October 28, 2015, the Registrant had 30,944,392 shares of Common Stock, par value \$0.0001 per share, outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

Echo Global Logistics, Inc. and Subsidiaries
Consolidated Statements of Operations
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Revenue	\$449,993,415	\$320,565,829	\$1,105,127,231	\$873,355,913
Costs and expenses:				
Transportation costs	362,614,918	262,135,779	894,955,721	719,378,267
Selling, general, and administrative expenses	71,318,890	45,761,471	176,796,987	124,033,421
Depreciation and amortization	7,448,076	3,693,949	16,572,233	10,060,299
Income from operations	8,611,531	8,974,630	16,802,290	19,883,926
Interest income	—	—	23,909	—
Interest expense	(3,414,826)	(40,439)	(7,803,050)	(67,168)
Other expense	—	(74,534)	(126,295)	(165,130)
Other expense, net	(3,414,826)	(114,973)	(7,905,436)	(232,298)
Income before provision for income taxes	5,196,705	8,859,657	8,896,854	19,651,628
Income tax expense	(1,738,000)	(3,402,053)	(2,792,000)	(7,519,848)
Net income	\$3,458,705	\$5,457,604	\$6,104,854	\$12,131,780
Income per common share:				
Basic	\$0.12	\$0.24	\$0.23	\$0.53
Diluted	\$0.11	\$0.23	\$0.22	\$0.51
See accompanying notes.				

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Consolidated Balance Sheets

	September 30, 2015 (Unaudited)	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$42,787,640	\$32,542,119
Accounts receivable, net of allowance for doubtful accounts of \$861,356 and \$1,226,297 at September 30, 2015 and December 31, 2014, respectively	226,415,467	145,198,419
Income taxes receivable	930,706	1,968,511
Prepaid expenses	3,284,895	2,849,011
Deferred income taxes	871,493	995,171
Other current assets	2,913,155	2,114,356
Total current assets	277,203,356	185,667,587
Property and equipment, net	25,931,840	21,276,709
Intangible assets:		
Goodwill	308,376,368	77,909,537
Intangible assets, net of accumulated amortization of \$22,580,858 and \$15,046,556 at September 30, 2015 and December 31, 2014, respectively	151,737,121	30,871,423
Other assets	2,601,084	318,938
Total assets	\$765,849,769	\$316,044,194
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$129,741,693	\$85,999,784
Due to seller-short term	2,278,518	4,243,088
Accrued expenses	31,014,136	19,496,000
Other current liabilities	—	17,507,500
Total current liabilities	163,034,347	127,246,372
Convertible notes, net	195,000,276	—
Due to seller-long term	1,752,665	1,087,990
Other noncurrent liabilities	2,332,707	1,502,019
Deferred income taxes	14,220,907	4,333,635
Total liabilities	376,340,902	134,170,016
Stockholders' equity:		
Common stock, par value \$0.0001 per share, 100,000,000 shares authorized, 29,739,087 and 23,207,051 shares issued and outstanding at September 30, 2015 and December 31, 2014, respectively	2,976	2,322
Additional paid-in capital	314,217,541	112,688,360
Retained earnings	75,288,350	69,183,496
Total stockholders' equity	389,508,867	181,874,178
Total liabilities and stockholders' equity	\$765,849,769	\$316,044,194
See accompanying notes.		

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Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30,	
	2015	2014
Operating activities		
Net income	\$6,104,854	\$12,131,780
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred income taxes	(1,714,478)	(185,897)
Noncash stock compensation expense	9,211,324	3,351,598
Noncash interest expense	3,031,114	—
Change in contingent consideration due to seller	145,938	2,104,820
Depreciation and amortization	16,572,233	10,060,299
Change in assets, net of acquisitions:		
Accounts receivable	(17,535,896)	(41,920,880)
Taxes receivable	1,037,805	2,656,720
Prepaid expenses and other assets	128,630	213,030
Change in liabilities, net of acquisitions:		
Accounts payable	31,501,579	29,476,084
Accrued expenses and other	4,313,420	9,161,654
Net cash provided by operating activities	52,796,523	27,049,208
Investing activities		
Purchases of property and equipment	(10,006,874)	(12,400,638)
Payments for acquisitions, net of cash acquired	(390,538,011)	(33,768,519)
Net cash used in investing activities	(400,544,885)	(46,169,157)
Financing activities		
Tax benefit of stock options exercised	1,684,155	298,457
Payment of contingent consideration	(2,945,833)	(3,274,670)
Proceeds from exercise of stock options	1,017,207	563,679
Employee tax withholdings related to net share settlements of equity-based awards	(1,632,795)	(872,443)
Proceeds from borrowing on line of credit	34,782,500	5,000,000
Repayments of amounts borrowed on line of credit	(34,782,500)	(5,000,000)
Proceeds from borrowing on ABL facility	35,000,000	—
Repayments of amounts borrowed on ABL facility	(35,000,000)	—
Proceeds from sale of common stock, net of underwriting discounts and commissions	158,412,500	—
Proceeds from issuance of convertible notes, net of underwriting discounts and commissions	223,100,000	—
Payment of common stock and debt issuance costs	(4,133,851)	—
Payment to former owners of One Stop Logistics	(17,507,500)	—
Net cash provided by (used in) financing activities	357,993,883	(3,284,977)
Increase (decrease) in cash and cash equivalents	10,245,521	(22,404,926)
Cash and cash equivalents, beginning of period	32,542,119	52,506,560
Cash and cash equivalents, end of period	\$42,787,640	\$30,101,634
Supplemental disclosure of cash flow information		
Cash paid during the period for interest	\$2,439,991	\$67,168
Cash paid during the period for income taxes	1,868,942	4,751,450

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Non-cash investing activity		
Common stock issued for acquisition of Command	\$14,746,000	\$—
Non-cash financing activity		
Due to seller	1,500,000	880,000
Notes payable to former owners of One Stop	—	17,507,500
See accompanying notes.		

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Echo Global Logistics, Inc. and Subsidiaries
Consolidated Statement of Stockholders' Equity
Nine Months Ended September 30, 2015
(Unaudited)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Total
	Shares	Amount			
Balance at December 31, 2014	23,207,051	\$2,322	\$112,688,360	\$69,183,496	\$181,874,178
Share compensation expense	—	—	9,211,324	—	9,211,324
Exercise of stock options	147,501	15	1,017,192	—	1,017,207
Common stock issued for vested restricted stock	173,378	18	(18) —	—
Common stock issued for vested performance shares	17,375	2	(2) —	—
Common stock issued from equity offering, net of underwriting discounts and commissions	5,750,000	575	157,835,675	—	157,836,250
Equity component of convertible note offering, net of issuance costs and deferred taxes	—	—	18,956,232	—	18,956,232
Common shares withheld and retired to satisfy employee tax withholding obligations upon vesting of share-based awards	(60,047) (6) (1,632,789) —	(1,632,795
Common shares issued for acquisition	503,829	50	14,745,950		