Expeditors®

In This Section

# EXPEDITORS REPORTS FIRST QUARTER 2023 EPS OF $1.45

May 02, 2023

SEATTLE--(BUSINESS WIRE)-- Expeditors International of Washington, Inc. (NASDAQ:EXPD) today announced first quarter 2023 financial results including the following comparisons to the same quarter of 2022:

- Diluted Net Earnings Attributable to Shareholders per share (EPS[1]) decreased 29% to $1.45
- Net Earnings Attributable to Shareholders decreased 35% to $226 million
- Operating Income decreased 40% to $276 million
- Revenues decreased 44% to $2.6 billion
- Airfreight tonnage volume decreased 6% and ocean container volume decreased 26%

“Operating conditions during the first quarter of 2023 were very similar to what we experienced in the fourth quarter of 2022, when shippers swiftly adapted to increased consumer caution and slowing demand for their products, while also battling inflation and tighter financing,” said Jeffrey S. Musser, President and Chief Executive Officer. “Our business continued to be impacted by comparatively soft demand, along with significantly reduced buy and sell rates relative to what we experienced during the pandemic. We are adapting and working diligently to bring expenses in line with lower revenue by lowering headcount and payroll expenses without resorting to layoffs.

“Following the steep drop in volumes and rates in the fourth quarter, the economic challenges continued to impact all of our businesses during the first quarter. With supply chains largely normalized, average sell rates in air fell ahead of declining buy rates, and tonnage also declined. Ocean volumes were lower and sell rates also fell faster than buy rates, while carrier capacity is no longer constrained and schedules have become more regular. Revenues in Customs Brokerage and Other Services also declined and expenses were significantly lower compared to a year ago because supply-chain congestion largely cleared and there were fewer costs incurred related to the February 2022 cyber-attack.

“Throughout our long history, we have demonstrated an ability to adapt to change. Wherever we look, there is uncertainty with the global economy and our industry is now very far removed from the pandemic days when capacity was extremely constrained and the ports were gridlocked. For the time being, everyone from ocean and air carriers to shippers are highly focused on everything impacting their bottom line, including the cost of moving goods.”

Bradley S. Powell, Senior Vice President and Chief Financial Officer, added, “We are adjusting well to the current operating environment of lower tonnage and volumes and unpredictable buy and sell rates, and we are working diligently to gain efficiencies and bring expenses in line with revenue. Compared to the year-ago period, which was significantly impacted by the February 2022 cyber-attack, salaries and related costs decreased 17% on lower commissions and bonuses as a result of lower revenues and operating income. Those cost decreases demonstrate the power behind our incentive-based compensation structure, which rewards our people when financial results are strong, and naturally incentivizes them to make adjustments based on volumes and improve efficiency when financial results are less robust. We continue to carefully monitor cash flow from operations, which exceeded $546 million in the first quarter of 2023, and we returned $213 million to shareholders via repurchases of common stock.”

[1]Diluted earnings attributable to shareholders per share.

NOTE: See Disclaimer on Forward-Looking Statements in this release.

Expeditors is a global logistics company headquartered in Seattle, Washington. The Company employs trained professionals in 176 district offices and numerous branch locations located on six continents linked into a seamless worldwide network through an integrated information management system. Services include the consolidation or forwarding of air and ocean freight, customs brokerage, vendor consolidation, cargo insurance, time-definite transportation, order management, warehousing and distribution and customized logistics solutions.

**Disclaimer on Forward-Looking Statements:**

Certain statements contained in this news release are “forward-looking statements,” based on management’s views with respect to future events and underlying assumptions that involve risks and uncertainties. These forward-looking statements include statements regarding our uncertain short-term outlook; a normalized supply chain; softening demand; pressure on buy and sell rates; an increasingly fragile global economy; rising inflation and financing costs; and signs of a slowing economy and drop in demand. Future financial performance could differ materially because of factors such as: our ability to leverage the strength of our carrier relationships; the strength of our non-asset-based operating model; our expectation that pressure on rates may continue; our ability to align expenses with revenues and to enhance our productivity; our ability to maintain our existing accounts and gain new business; our ability to invest in our strategic efforts to explore new areas for profitable growth; and our ability to remain a strong, healthy, unified and resilient organization. The normalizing of the supply chain at the end of the pandemic, along with the current uncertainty in the global economy, could have the effect of heightening many of the other risks described in Item 1A of our Annual Report on Form 10-K, including, without limitation, those related to the success of our strategy and desire to maintain historical unitary profitability, our ability to attract and retain customers, our ability to manage costs, interruptions to our information technology systems, the ability of third-party providers to perform and potential litigation as updated by our reports on Form 10-Q, filed with the Securities and Exchange Commission. These and other factors are discussed in the Company’s regulatory filings with the Securities and Exchange Commission, including those in “Item 1A. Risk Factors” of the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2022 and the Company’s most recent Form 10-Q. The forward-looking statements contained in this news release speak only as of this date and the Company does not assume any obligation to update them except as required by law.

**Expeditors International of Washington, Inc.**

**First Quarter 2023 Earnings Release, May 2, 2023**

**Financial Highlights for the three months ended March 31, 2023 and 2022 (Unaudited)**

(in 000's of US dollars except share data)

| | Three months ended March 31, | | |
|---|---|---|---|
| | **2023** | **2022** | **% Change** |
| **Revenues** | $ 2,592,589 | $ 4,664,298 | (44)% |

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| | | | | |
|---|---|---|---|---|
| **transportation and other expenses** [1] | $ 1,719,102 | $ 3,516,111 | (51)% |
| **Salaries and other operating expenses**[2] | $ 597,518 | $ 686,427 | (13)% |
| **Operating income** [3] | $ 275,969 | $ 461,760 | (40)% |
| **Net earnings attributable to shareholders** | $ 226,011 | $ 346,109 | (35)% |
| **Diluted earnings attributable to shareholders per share** | $ 1.45 | $ 2.05 | (29)% |
| **Basic earnings attributable to shareholders per share** | $ 1.47 | $ 2.07 | (29)% |
| **Diluted weighted average shares outstanding** | 155,472 | 169,216 | |
| **Basic weighted average shares outstanding** | 154,164 | 167,499 | |

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[1]Directly related cost of transportation and other expenses totals Operating Expenses from Airfreight services, Ocean freight and ocean services and Customs brokerage and other services as shown in the Condensed Consolidated Statements of Earnings.

[2]Salaries and other operating expenses totals Salaries and related, Rent and occupancy, Depreciation and amortization, Selling and promotion and Other as shown in the Condensed Consolidated Statements of Earnings.

[3]Operating income in the first quarter 2022 includes $62 million in expenses incurred as a result of the Company's global systems downtime and investigation, recovery and remediation efforts caused by a targeted cyber-attack that occurred in that quarter.

During the three months ended March 31, 2023, we repurchased 1,959 million shares of common stock at an average price of $108.98 per share, compared to the three months ended March 31, 2022 when we did not repurchase any shares of common stock.

| | Employee Full-time Equivalents as of | | |
|---|---|---|---|
| | **March 31, 2023** | **December 31, 2022** | **March 31, 2022** |
| **North America** | 7,455 | 7,778 | 7,718 |
| **Europe** | 4,089 | 4,228 | 4,020 |
| **North Asia** | 2,385 | 2,448 | 2,511 |
| **South Asia** | 1,790 | 1,851 | 1,790 |

| | | | |
|---|---|---|---|
| ca and India | 1,502 | 1,540 | 1,527 |
| Latin America | 816 | 859 | 832 |
| Information Systems | 1,220 | 1,173 | 1,042 |
| Corporate | 424 | 425 | 427 |
| Total | 19,681 | 20,302 | 19,867 |

| | First quarter year-over-year percentage increase (decrease) in [1]: | |
|---|---|---|
| 2023 | Airfreight kilos | Ocean freight FEU |
| January | (27)% | (23)% |
| February | (10)% | (25)% |
| March | 33% | (29)% |
| Quarter | (6)% | (26)% |

[1]February and March 2022 air and ocean activity was significantly reduced due to the Company's global systems downtime experienced as result of a cyber-attack that occurred in the first quarter 2022, affecting comparability with the first quarter 2023 results.

*Investors may submit written questions via e-mail to: investor@expeditors.com. Questions received by the end of business on May 5, 2023 will be considered in management's 8-K "Responses to Selected Questions."*

NOTE: See Disclaimer on Forward-Looking Statements in this release.

EXPEDITORS INTERNATIONAL OF WASHINGTON, INC.

AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(In thousands, except per share data)

(Unaudited)

| | March 31, 2023 | December 31, 2022 |
|---|---|---|
| **Assets:** | | |
| Current Assets: | | |
| Cash and cash equivalents | $ 2,350,794 | $ 2,034,131 |
| Accounts receivable, less allowance for credit loss of $8,358 at March 31, 2023 and $9,466 at December 31, 2022 | 1,604,467 | 2,107,645 |
| Deferred contract costs | 195,670 | 257,545 |
| Other | 106,080 | 118,696 |
| Total current assets | 4,257,011 | 4,518,017 |
| Property and equipment, less accumulated depreciation and amortization $577,841 at March 31, 2023 and $567,757 at December 31, 2022 | 500,482 | 501,916 |
| Operating lease right-of-use assets | 509,019 | 507,503 |
| Goodwill | 7,927 | 7,927 |
| Deferred federal and state income taxes, net | 38,093 | 37,449 |
| Other assets, net | 20,045 | 17,622 |
| Total assets | $ 5,332,577 | $ 5,590,434 |
| **Liabilities:** | | |
| Current Liabilities: | | |
| Accounts payable | $ 950,907 | $ 1,108,996 |
| Accrued expenses, primarily salaries and related costs | 432,816 | 479,262 |
| Contract liabilities | 244,667 | 323,101 |

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|---|---|---|
| ing lease liabilities | 98,469 | 95,621 |
| Federal, state and foreign income taxes | 33,197 | 47,075 |
| Total current liabilities | 1,760,056 | 2,054,055 |
| Noncurrent portion of operating lease liabilities | 422,153 | 422,844 |
| Commitments and contingencies | | |
| **Shareholders' Equity:** | | |
| Preferred stock, none issued | — | — |
| Common stock, par value $0.01 per share. Issued and outstanding: 152,712 shares at March 31, 2023 and 154,313 shares at December 31, 2022 | 1,527 | 1,543 |
| Additional paid-in capital | — | 139 |
| Retained earnings | 3,336,140 | 3,310,892 |
| Accumulated other comprehensive loss | (190,498) | (202,553) |
| Total shareholders' equity | 3,147,169 | 3,110,021 |
| Noncontrolling interest | 3,199 | 3,514 |
| Total equity | 3,150,368 | 3,113,535 |
| Total liabilities and equity | $ 5,332,577 | $ 5,590,434 |

EXPEDITORS INTERNATIONAL OF WASHINGTON, INC.

AND SUBSIDIARIES

Condensed Consolidated Statements of Earnings

(In thousands, except per share data)

(Unaudited)

| | Three months ended March 31, | |
|---|---|---|
| | 2023 | 2022 |
| **Revenues:** | | |
| Airfreight services | $ 904,903 | $ 1,598,555 |
| Ocean freight and ocean services | 697,307 | 1,976,246 |
| Customs brokerage and other services | 990,379 | 1,089,497 |
| Total revenues | 2,592,589 | 4,664,298 |
| **Operating Expenses:** | | |
| Airfreight services | 666,022 | 1,142,546 |
| Ocean freight and ocean services | 483,682 | 1,600,243 |
| Customs brokerage and other services | 569,398 | 773,322 |
| Salaries and related | 449,848 | 538,940 |
| Rent and occupancy | 57,632 | 50,928 |
| Depreciation and amortization | 15,261 | 12,975 |
| Selling and promotion | 6,384 | 4,048 |
| Other | 68,393 | 79,536 |
| Total operating expenses | 2,316,620 | 4,202,538 |
| Operating income | 275,969 | 461,760 |
| **Other Income (Expense):** | | |
| Interest income | 18,775 | 1,892 |
| Interest expense | (2,645) | (503) |
| Other, net | 8,479 | 8,030 |

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|---|---|---|
| , net | 24,609 | 9,419 |
| Earnings before income taxes | 300,578 | 471,179 |
| Income tax expense | 74,580 | 121,699 |
| Net earnings | 225,998 | 349,480 |
| Less net (losses) earnings attributable to the noncontrolling interest | (13) | 3,371 |
| Net earnings attributable to shareholders | $ 226,011 | $ 346,109 |
| Diluted earnings attributable to shareholders per share | $ 1.45 | $ 2.05 |
| Basic earnings attributable to shareholders per share | $ 1.47 | $ 2.07 |
| Weighted average diluted shares outstanding | 155,472 | 169,216 |
| Weighted average basic shares outstanding | 154,164 | 167,499 |

EXPEDITORS INTERNATIONAL OF WASHINGTON, INC.

AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

| | For the three months ended March 31, | |
|---|---|---|
| | **2023** | **2022** |
| **Operating Activities:** | | |
| Net earnings | $ 225,998 | $ 349,480 |
| Adjustments to reconcile net earnings to net cash from operating activities: | | |

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|---|---|---|
| coveries) on accounts receivable | 1,072 | (416) |
| Deferred income tax expense (benefit) | 2,036 | (3,236) |
| Stock compensation expense | 12,488 | 11,603 |
| Depreciation and amortization | 15,261 | 12,975 |
| Other, net | 1,159 | 455 |
| Changes in operating assets and liabilities: | | |
| Decrease (increase) in accounts receivable | 508,606 | (132,348) |
| (Decrease) increase in accounts payable and accrued liabilities | (202,923) | 140,191 |
| Decrease in deferred contract costs | 67,621 | 173,930 |
| Decrease in contract liabilities | (84,447) | (193,357) |
| Increase in income taxes payable, net | 91 | 46,259 |
| (Increase) decrease in other, net | (550) | 8,410 |
| Net cash from operating activities | 546,412 | 413,946 |
| **Investing Activities:** | | |
| Purchase of property and equipment | (10,126) | (14,412) |
| Other, net | 575 | 79 |
| Net cash from investing activities | (9,551) | (14,333) |
| **Financing Activities:** | | |
| Payments on borrowings on lines of credit | (26,402) | (3,102) |
| Proceeds from borrowings on lines of credit | 11,495 | 22,592 |
| Proceeds from issuance of common stock | 9,288 | 5,751 |
| Repurchases of common stock | (213,502) | — |
| Payments for taxes related to net share settlement of equity awards | (7,445) | (7,482) |

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|---|---|---|
| activities | (226,566) | 17,759 |
| Effect of exchange rate changes on cash and cash equivalents | 6,368 | (6,438) |
| Change in cash and cash equivalents | 316,663 | 410,934 |
| Cash and cash equivalents at beginning of period | 2,034,131 | 1,728,692 |
| Cash and cash equivalents at end of period | $ 2,350,794 | $ 2,139,626 |
| **Taxes Paid:** | | |
| Income taxes | $ 70,786 | $ 77,960 |

EXPEDITORS INTERNATIONAL OF WASHINGTON, INC.

AND SUBSIDIARIES

Business Segment Information

(In thousands)

(Unaudited)

| | UNITED STATES | OTHER NORTH AMERICA | LATIN AMERICA | NORTH ASIA | SOUTH ASIA | EUROPE | MIDDLE EAST, AFRICA AND INDIA | ELIMI-NATIONS | CONSOLI-DATED |
|---|---|---|---|---|---|---|---|---|---|
| **For the three months ended March 31, 2023:** | | | | | | | | | |
| Revenues | $ 945,494 | 109,850 | 54,695 | 582,421 | 224,127 | 534,464 | 142,703 | (1,165) | 2,592,589 |
| Directly related cost of transportation and other expenses[1] | $ 539,957 | 69,205 | 32,302 | 452,342 | 157,623 | 372,260 | 95,949 | (536) | 1,719,102 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| operating expenses[2] | $ 267,683 | 35,824 | 19,502 | 71,140 | 46,798 | 127,372 | 29,832 | (633) | 597,518 |
| Operating income (loss) | $ 137,854 | 4,821 | 2,891 | 58,939 | 19,706 | 34,832 | 16,922 | 4 | 275,969 |
| Identifiable assets at period end | $3,005,502 | 206,459 | 119,334 | 633,970 | 284,028 | 844,049 | 254,458 | (15,223) | 5,332,577 |
| Capital expenditures | $ 5,444 | 469 | 230 | 590 | 167 | 2,983 | 243 | — | 10,126 |
| Equity | $2,284,489 | 35,977 | 57,026 | 317,325 | 153,321 | 191,116 | 154,143 | (43,029) | 3,150,368 |
| **For the three months ended March 31, 2022:** | | | | | | | | | |
| Revenues | $1,241,224 | 104,610 | 57,707 | 1,769,016 | 646,329 | 575,791 | 270,681 | (1,060) | 4,664,298 |
| Directly related cost of transportation and other expenses[1] | $ 763,423 | 64,232 | 33,857 | 1,480,093 | 538,883 | 417,620 | 218,100 | (97) | 3,516,111 |
| Salaries and other operating expenses[2] | $ 333,649 | 24,869 | 13,101 | 123,113 | 45,329 | 109,269 | 38,042 | (945) | 686,427 |
| Operating income | $ 144,152 | 15,509 | 10,749 | 165,810 | 62,117 | 48,902 | 14,539 | (18) | 461,760 |
| Identifiable assets at period end | $4,199,798 | 283,674 | 147,391 | 1,329,469 | 591,672 | 1,076,451 | 358,722 | (31,184) | 7,955,993 |
| Capital expenditures | $ 9,477 | 1,078 | 109 | 531 | 290 | 2,058 | 869 | — | 14,412 |
| Equity | $2,753,888 | 108,208 | 52,188 | 337,802 | 189,168 | 317,436 | 133,250 | (42,609) | 3,849,331 |

[1] Directly related cost of transportation and other expenses totals Operating Expenses from Airfreight services, Ocean freight and ocean services and Customs brokerage and other services as shown in the Condensed

Consolidated Statements of Earnings.

[2] Salaries and other operating expenses totals Salaries and related, Rent and occupancy, Depreciation and amortization, Selling and promotion and Other as shown in the Condensed Consolidated Statements of Earnings.

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