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YRC Reports 1Q Loss But Cites Improvement

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YRC Worldwide Inc. reported a first-quarter loss of $274.1 million, nearly the same as a year earlier, but the less-than-truckload carrier cited steady progress in reducing operational losses in the most recent period.

The loss in first quarter of 2009 was $273.8 million. Revenue for the first three months of 2010 declined 29% to $1.06 billion from a year ago. However, revenue fell just 7.1% from the fourth quarter to the first quarter, and rose 7% in that period at YRC's regional LTL unit.

On a per-share basis, the loss was 53 cents in this year's first quarter and $4.61 in last year's quarter, reflecting the issuance of new shares resulting from a debt-for-equity exchange.

Chief Executive Officer William Zollars noted favorable trends in revenue, shipments and reduced losses.

"We are pleased with the sequential operating improvement during the quarter, and the traction we achieved in March," he said. "The regional companies have a lot of momentum."

He also noted that April business volumes were better than March.

YRC measured its progress during 2010's first quarter in the form of earnings before interest, taxes, depreciation and amortization, known as EBITDA.

By that measure, the loss was $27.6 million in January, $20.9 million in February and $4.7 million in March.

That total of $53.2 million, compared with a loss of $274.8 million on that basis last year in the first quarter.

The company also repeated the belief that it would show a profit on that basis during the second quarter.

All of the 2010 first-quarter losses measured by EBITDA were at the national LTL service, YRC said, as the regional business made $8.4 million.

Analysts agreed that YRC was being helped by stronger demand, but they still voiced some concerns.

For example, Robert W. Baird & Co. analyst Jon Langenfeld said YRC was hurt by continued market share losses to LTL rivals, and Christopher Ceraso of Credit Suisse Group raised questions about future debt burdens that threatened long-term recovery.

The revenue and shipment trends were better at the regional unit.

Its revenue and tonnage both were 7% higher in the first quarter, compared with the fourth quarter of 2009, and rates per 100 pounds of freight were up 0.1%.

However, on a year-to-year basis, the revenue drop was 13%, tonnage was off 10.5% and shipments dropped 14%.

Zollars said on a conference call the regional unit’s performance improvement was aided by cost reductions and service adjustments.

But the national business did not fare well.

YRC’s national LTL revenue was off 8.7%, and tonnage was off 11.1%, compared with the fourth quarter of 2009. That deterioration wasn’t as much as the year-to-year decline, which was 34% in revenue and 33% in shipments. Revenue per 100 pounds of freight shipped was stable, rising by 0.4%.

One helpful trend, Zollars said, was improved “pricing discipline” by competitors that cut rates in the past.

“It hasn’t become . . . consistent across the market at this point, but there are early indications that is happening,” he said.

The operating ratio for the national unit ended the first quarter at 127.9, compared with 129.3 a year earlier, and the regional unit finished at 112.8, improved from 120.9 over the same periods.

In other developments, YRC said it expects to have capital spending this year of $50 million to $75 million.

In addition, the company on May 4 announced more amendments to its credit facilities that set EBITDA targets.

Under the amendments, YRC is required to earn $5 million on that basis in the second quarter, a total of $50 million by the end of the third quarter and $100 million for the final three quarters of the year.

YRC also made a Securities and Exchange Commission filing stating the intention to issue $103 million in new shares. That issue would equal about 170 million more shares, based on the May 3 closing price of 61 cents a share.

On a year-to-year basis, YRC reduced its operating loss, which excludes interest and taxes, to $236.8 million from $379.2 million.

However, the latest result was far below the fourth quarter of 2009, when the operating loss was $95 million.

The operating loss widened from the fourth quarter to the first quarter because YRC’s revenue fell by $82 million and costs rose by $60 million.