

WALL STREET JOURNAL

2nd UPDATE: YRC Worldwide Lenders Agree To Reset Loan Terms; Shares Surge

--Teamsters optimistic focus now will be on financial performance

--Stock closes up 11.8%

--Freight volumes said to be picking up along with economy

(Updates with comments from Teamsters representative beginning in 11th paragraph, stock activity and additional detail.)

By Bob Sechler
Of DOW JONES NEWSWIRES

YRC Worldwide Inc. (YRCW) secured a new lifeline from creditors on Monday, providing one of the largest U.S. trucking companies with breathing space after having struggled for more than three years to avoid bankruptcy protection.

The Overland Park, Kan.-based company has been restructuring since the economic downturn that claimed dozens of smaller trucking firms, and its scale as the largest domestic less-than-truckload carrier--just topping FedEx Corp.'s (FDX) freight division--makes its future a big swing factor for the industry.

Its shares closed up 11.8% Monday, at \$7.28.

Less-than-truckload carriers consolidate loads from multiple customers onto single trucks.

YRC's latest request for lender leniency marked its first under James Welch, a trucking industry veteran who left YRC in 2007 but returned as chief executive last July. He said Monday that he expects it to be the last time YRC formally seeks easier terms from creditors.

"We fully anticipate this will be the last time we go before the lenders" and request formal amendments to the credit agreements, he said.

Under the deal announced Monday, lenders are relaxing some loan terms--such as benchmarks for earnings before assorted items--and will allow YRC to retain proceeds from the sale of some surplus properties to help it preserve liquidity.

Welch couched the new terms, which were approved by 100% of lenders, as a vote of confidence in the company rather than an echo of its nearly three-year pattern of winning leniency, continuing to flounder and then asking for new terms. He said he always felt some of the debt covenants agreed to under former CEO William Zollars were too optimistic, noting that he said so last year during his interviews for the job.

"I was very clear with the search committee and even some of the lenders that I met with about that," Welch said.

A critical financial restructuring last summer gave YRC's lenders a 72.5% stake in the company, while members of the Teamsters union received a 25% stake after agreeing to wage and benefit concessions. The restructuring diluted common shareholders almost entirely.

A representative of J.P. Morgan Chase & Co. (JPM), which has led YRC's lender group, declined to comment Monday.

Iain Gold, a Teamsters representative, said the union is optimistic in the wake of YRC's new agreement with lenders that the focus now will be on YRC's operational performance, rather than its balance sheet.

"This just gives it a little more runway to [show] there's a good operational story here," said Gold, director of strategic research and campaigns at the union. "Indications are volumes are picking up, along with the broader economy."

YRC, which has struggled to integrate a big acquisition and also suffered from declining freight-transport demand industry wide during the recession,

has reported net annual losses totaling nearly \$3 billion since the start of 2007, and it finished 2011 with \$1.35 billion in total debt.

The stock had fallen 35% since the start of the year through Friday, based partly on renewed fears about the company's viability.

Welch declined to discuss YRC's recent financial results ahead of a first-quarter report expected later this week, though he said the company is "making continued progress."

YRC lost \$84.3 million in the final quarter of last year, and analysts expect it to lose more than \$150 million in 2012.

The company remains the largest operator in the domestic less-than-truckload sector, however, with 15.5% of the market based on 2011 revenue, according to SJ Consulting Group, just ahead of FedEx Freight's 15.4%.

YRC employed about 32,000 people at the end 2011--about 25,000 of them Teamsters--little more than half the workforce at the end of 2007.

-By Bob Sechler; Dow Jones Newswires; 512-258-1690;
bob.sechler@dowjones.com