

WERNER ENTERPRISES INC

FORM 10-Q (Quarterly Report)

Filed 11/07/97 for the Period Ending 09/30/97

Address	14507 FRONTIER ROAD OMAHA, NE 68138
Telephone	4028956640
CIK	0000793074
Symbol	WERN
SIC Code	4213 - Trucking, Except Local
Industry	Trucking
Sector	Transportation
Fiscal Year	12/31

WERNER ENTERPRISES INC

FORM 10-Q (Quarterly Report)

Filed 11/7/1997 For Period Ending 9/30/1997

Address	14507 FRONTIER ROAD P O BOX 45308 OMAHA, Nebraska 68145
Telephone	402-895-6640
CIK	0000793074
Industry	Trucking
Sector	Transportation
Fiscal Year	12/31

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 quarter ended Commission file number
September 30, 1997 0-14690

WERNER ENTERPRISES, INC.

(Exact name of registrant as specified in its charter)

NEBRASKA

(State or other jurisdiction of
incorporation or organization)

47-0648386

(I.R.S. Employer Identification No.)

14507 FRONTIER ROAD
POST OFFICE BOX 45308
OMAHA, NEBRASKA 68145-0308 (402)895-6640
(Address of principal (Zip Code) (Registrant's telephone number)

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

As of October 31, 1997, 38,338,587 shares of the registrant's common stock, par value \$.01 per share, were outstanding.

PART I

FINANCIAL INFORMATION

Item 1. Financial Statements.

The interim consolidated financial statements contained herein reflect all adjustments which, in the opinion of management, are necessary for a fair statement of the financial condition and results of operations for the periods presented. They have been prepared in accordance with the instructions to Form 10-Q and do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements.

Operating results for the three-month and nine-month periods ended September 30, 1997 are not necessarily indicative of the results that may be expected for the year ending December 31, 1997. In the opinion of management, the information set forth in the accompanying consolidated condensed balance sheets is fairly stated in all material respects in relation to the consolidated balance sheets from which it has been derived.

These interim consolidated financial statements should be read in conjunction with the Company's latest annual report (which is incorporated by reference in the Form 10-K for the year ended December 31, 1996).

Consolidated Statements of Income for the Three Months Ended September 30, 1997 and 1996.....	Page 3
Consolidated Statements of Income for the Nine Months Ended September 30, 1997 and 1996.....	Page 4
Consolidated Condensed Balance Sheets as of September 30, 1997 and December 31, 1996.....	Page 5
Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 1997 and 1996.....	Page 6
Notes to Consolidated Financial Statements as of September 30, 1997.....	Page 7

WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF INCOME

(Amounts in thousands, except per share data)	Three Months Ended September 30	
	1997	1996
	(Unaudited)	
Operating revenues	\$200,237	\$167,155
Operating expenses:		
Salaries, wages and benefits	71,326	58,543
Fuel	16,060	15,515
Supplies and maintenance	16,588	14,289
Taxes and licenses	14,511	13,158
Insurance and claims	4,994	4,682
Depreciation	18,338	16,591
Rent and purchased transportation	35,399	24,227
Communications and utilities	2,123	2,087
Other	(2,129)	(1,175)
Total operating expenses	177,210	147,917
Operating income	23,027	19,238
Other expense (income):		
Interest expense	926	486
Interest income	(385)	(431)
Other	24	21
Total other expense	565	76
Income before income taxes	22,462	19,162
Income taxes	8,263	7,430
Net income	\$ 14,199	\$ 11,732
Average common shares outstanding	38,301	37,936
Earnings per share	\$.37	\$.31
Dividends declared per share	\$.025	\$.025

WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF INCOME

(Amounts in thousands, except per share data)	Nine Months Ended September 30	
	1997	1996
	(Unaudited)	
Operating revenues	\$565,921	\$474,698
Operating expenses:		
Salaries, wages and benefits	205,234	167,701
Fuel	50,044	43,943
Supplies and maintenance	47,081	40,189
Taxes and licenses	42,438	38,587
Insurance and claims	16,245	14,579
Depreciation	53,562	48,056
Rent and purchased transportation	96,051	70,542
Communications and utilities	6,244	5,976
Other	(5,507)	(2,993)
Total operating expenses	511,392	426,580
Operating income	54,529	48,118
Other expense (income):		
Interest expense	1,961	1,610
Interest income	(1,099)	(1,198)
Other	89	94
Total other expense	951	506
Income before income taxes	53,578	47,612
Income taxes	19,398	18,569
Net income	\$ 34,180	\$ 29,043
Average common shares outstanding	38,159	37,836
Earnings per share	\$.90	\$.77
Dividends declared per share	\$.075	\$.068

WERNER ENTERPRISES, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS

(In thousands)	September 30	December 31
	1997	1996
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 21,577	\$ 22,136
Accounts receivable, net	92,439	67,928
Prepaid taxes, licenses and permits	2,606	7,753
Other current assets	21,666	18,347
Total current assets	138,288	116,164
Property and equipment	673,688	579,075
Less - accumulated depreciation	171,893	146,028
Property and equipment, net	501,795	433,047
	\$640,083	\$549,211
	=====	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 26,959	\$ 19,025
Insurance and claims accruals	22,791	19,758
Accrued payroll	12,096	8,970
Income taxes payable	5,560	3,752
Other current liabilities	8,900	7,560
Total current liabilities	76,306	59,065
Long-term debt	60,000	30,000
Insurance, claims and other long-term accruals	29,333	29,275
Deferred income taxes	90,434	82,500
Stockholders' equity	384,010	348,371
	\$640,083	\$549,211
	=====	

WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Nine Months Ended September 30	
	1997	1996

	(Unaudited)	
Cash flows from operating activities:		
Net income	\$ 34,180	\$ 29,043
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	53,562	48,056
Deferred income taxes	7,934	8,249
Gain on disposal of operating equipment	(6,006)	(3,971)
Tax benefit from exercise of stock options	1,540	782
Insurance, claims and other long-term accruals	58	1,046
Changes in certain working capital items:		
Accounts receivable, net	(24,511)	(13,079)
Prepaid expenses and other current assets	1,828	5,188
Accounts payable	7,934	8,047
Other current liabilities	9,298	6,178

Net cash provided by operating activities	85,817	89,539

Cash flows from investing activities:		
Additions to property and equipment	(151,993)	(89,011)
Retirements of property and equipment	35,689	24,362

Net cash used in investing activities	(116,304)	(64,649)

Cash flows from financing activities:		
Proceeds from issuance of long-term debt	30,000	-
Repayments of long-term debt	-	(10,000)
Dividends on common stock	(2,856)	(2,394)
Stock options exercised	2,784	1,441

Net cash provided by (used in) financing activities	29,928	(10,953)

Net increase(decrease) in cash and cash equivalents	(559)	13,937
Cash and cash equivalents, beginning of period	22,136	16,227

Cash and cash equivalents, end of period	\$ 21,577	\$ 30,164
	=====	
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 1,872	\$ 1,686
Income taxes	8,043	7,756

WERNER ENTERPRISES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Commitments

As of September 30, 1997, the Company has commitments for capital expenditures of approximately \$33,000,000 (net cost, after revenue equipment trade-in allowances of approximately \$2,000,000).

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

This report contains forward-looking statements which are based on information currently available to the Company's management. Actual results could differ materially from those anticipated in forward-looking statements as a result of a number of factors, including, but not limited to, those discussed in Item 7, "Management's Discussion and Analysis of Results of Operations and Financial Condition", of the Company's Annual Report on Form 10-K for the year ended December 31, 1996.

Financial Condition:

During the nine months ended September 30, 1997, the Company generated cash flow from operations of \$85.8 million and made long-term borrowings of \$30.0 million, which enabled the Company to make net property additions, primarily revenue equipment, of \$116.3 million, and pay common stock dividends of \$2.9 million. If the Company continues to grow at its current rate (as described below), additional debt borrowings may occur. Based on the Company's strong financial position, management foresees no significant barriers to obtaining sufficient financing, if necessary, to continue with its growth plans.

The Company's long-term debt to equity ratio at September 30, 1997 was 15.6%, compared with 8.6% at December 31, 1996.

Results of Operations:

Three Months Ended September 30, 1997 and 1996

Operating revenues increased 20% for the three months ended September 30, 1997, compared to the same period of the prior year. A two cent per mile driver pay increase, effective January 1, 1997, helped the Company add and retain experienced drivers and owner-operators and contributed to a 16% increase in the average number of tractors compared to the same period of the prior year. Revenue per mile, excluding fuel surcharges, increased 2% compared to third quarter of 1996. A \$7.6 million increase in revenues from logistics transportation services also contributed to the overall increase in operating revenues.

Operating expenses, expressed as a percentage of operating revenues, were 88.5% for the three months ended September 30, 1997 and 1996. The Company's increase in logistics transportation services contributed to a shift in costs to the rent and purchased transportation expense category from several other expense categories, as described below.

Salaries, wages and benefits increased from 35.0% to 35.6% of revenues due primarily to the impact of a two cent per mile driver pay increase effective January 1, 1997, partially offset by favorable workers compensation claim experience and increased revenues from logistics transportation services. At times, there have been shortages of drivers in the trucking industry, particularly the medium-to-long haul segment. The Company anticipates that the competition for qualified drivers will continue to be high, and cannot predict whether it will experience shortages in the future. If such a shortage were to occur and increases in driver pay rates became necessary to attract and retain drivers, the Company's results of operations would be negatively impacted to the extent that corresponding freight rate increases were not obtained.

Fuel decreased from 9.3% to 8.0% of revenues, due mainly to lower average fuel prices during the quarter compared to the same quarter of the prior year, and increased revenues from logistics transportation services. Supplies and maintenance decreased from 8.5% to 8.3% of revenues, and taxes and licenses decreased from 7.9% to 7.2% of revenues due primarily to increased revenues from logistics transportation services. Refunds and state sales tax incentives also contributed to the decrease in taxes and licenses. Insurance and claims decreased from 2.8% to 2.5% of revenues due to favorable claims experience during the quarter and increased revenues from logistics transportation services. Depreciation decreased from 9.9% to 9.2% of revenues due primarily to the increase in logistics transportation revenues. Rent and purchased transportation increased from 14.5% to 17.7% of revenues due primarily to the Company's increase in logistics transportation services. Other operating expenses changed from (.7%) to (1.1%) of revenues due to an increase in gains on sales of revenue equipment to third parties resulting from an increase in the number of units sold.

The Company's effective income tax rate (income taxes as a percentage of income before income taxes) was 36.8% and 38.8% for the three month periods ended September 30, 1997 and 1996, respectively. The decrease was due to favorable settlement of income tax issues.

Nine Months Ended September 30, 1997 and 1996

Operating revenues increased by 19% for the nine months ended September 30, 1997, compared to the same period of the previous year. A two cent per mile driver pay increase, effective January 1, 1997, helped the Company add and retain experienced drivers and owner-operators and contributed to a 15% increase in the average number of tractors. Revenue per mile, excluding fuel surcharges, increased 1% compared to the first nine months of 1996. A \$17.2 million increase in revenues from logistics transportation services also contributed to the overall increase in operating revenues.

Operating expenses, expressed as a percentage of operating revenues, increased to 90.4% for the nine months ended September 30, 1997, compared to 89.9% for the same period of 1996. Salaries, wages and benefits increased from 35.3% to 36.3% of revenues due primarily to the impact of a two cent per mile driver pay increase effective January 1, 1997.

Fuel costs decreased from 9.3% to 8.8% of revenues due mainly to lower average fuel prices during most of 1997 compared to the same period of 1996 and the increased revenues from logistics transportation services. Fuel prices began rising at the end of first quarter 1996 and, for the most part, remained at elevated price levels during much of 1996 and the beginning of first quarter 1997. During April 1996, the Company began recovering the increased cost of fuel from customers via a temporary fuel surcharge. The amount of fuel surcharge recovered from customers typically varies as the price of fuel fluctuates on a weekly or monthly basis. The Company cannot predict whether the higher fuel prices will return or the extent to which fuel surcharges would be collected to offset such increases if fuel prices were to return to higher levels.

Taxes and licenses decreased from 8.1% to 7.5% of revenues due primarily to the increased revenues from logistics transportation services, and refunds and favorable development of state tax issues. Depreciation decreased from 10.1% to 9.5% of revenues due principally to increased revenues from logistics transportation services. Rent and purchased transportation increased from 14.9% to 17.0% of revenues due primarily to the Company's increase in logistics transportation services. Other operating expenses changed from (.6%) to (1.0%) of revenues mainly due to an increase in gains on sales of revenue equipment to third parties resulting from an increase in the number of units sold.

The Company's effective income tax rate was 36.2% and 39.0% for the nine month periods ended September 30, 1997 and 1996, respectively. The decrease was due to favorable settlement of income tax issues.

New Accounting Standards:

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings Per Share." This statement establishes standards for computing and presenting earnings per share (EPS). It requires dual presentation of basic and diluted EPS on the face of the income statement for all entities with complex capital structures. Currently, the Company presents a single disclosure of EPS. The standard is effective for financial statements for both interim and annual periods ending after December 15, 1997. Based on information currently available to management, the Company expects its diluted EPS will not differ materially from basic EPS.

PART II

OTHER INFORMATION

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

(a) Exhibits

Exhibit Number	Description	Page Number or Incorporated by Reference to
27	Financial Data Schedule	Page 13 of sequentially numbered pages

(b) Reports on Form 8-K.

A report on Form 8-K, filed July 18, 1997, regarding a news release on July 16, 1997, announcing the Company's operating revenues and earnings for the second quarter ended June 30, 1997.

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.

WERNER ENTERPRISES, INC.

Date: November 7, 1997

*By: /s/John J. Steele
John J. Steele
Vice President, Treasurer and
Chief Financial Officer*

Date: November 7, 1997

*By: /s/James L. Johnson
James L. Johnson
Corporate Secretary and Controller*

ARTICLE 5

MULTIPLIER: 1,000

PERIOD TYPE	9 MOS
FISCAL YEAR END	DEC 31 1997
PERIOD START	JAN 01 1997
PERIOD END	SEP 30 1997
CASH	21,577
SECURITIES	0
RECEIVABLES	92,439
ALLOWANCES	0
INVENTORY	0
CURRENT ASSETS	138,288
PP&E	673,688
DEPRECIATION	171,893
TOTAL ASSETS	640,083
CURRENT LIABILITIES	76,306
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	387
OTHER SE	383,623
TOTAL LIABILITY AND EQUITY	640,083
SALES	565,921
TOTAL REVENUES	565,921
CGS	0
TOTAL COSTS	511,392
OTHER EXPENSES	(1,010)
LOSS PROVISION	0
INTEREST EXPENSE	1,961
INCOME PRETAX	53,578
INCOME TAX	19,398
INCOME CONTINUING	34,180
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	34,180
EPS PRIMARY	.90
EPS DILUTED	.90

End of FilingPowered By **EDGAR**
Online© 2005 | **EDGAR Online, Inc.**