

WERNER ENTERPRISES INC

FORM 10-Q (Quarterly Report)

Filed 08/14/97 for the Period Ending 06/30/97

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 8/14/1997 For Period Ending 6/30/1997

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
June 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.)

INTERSTATE 80 & HIGHWAY 50

POST OFFICE BOX 45308

OMAHA, NEBRASKA 68145 (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 July 31, 1997, 38,289,327 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 six-month periods ended June 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).

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WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF INCOME

(Amounts in thousands, except per share data)	Three Months Ended June 30	
	1997	1996
	(Unaudited)	
Operating revenues	\$193,635	\$159,640
Operating expenses:		
Salaries, wages and benefits	70,635	56,781
Fuel	16,719	15,060
Supplies and maintenance	15,548	13,177
Taxes and licenses	15,208	13,027
Insurance and claims	4,901	4,610
Depreciation	17,976	15,849
Rent and purchased transportation	33,004	23,385
Communications and utilities	1,937	2,013
Other	(2,342)	(907)
Total operating expenses	173,586	142,995
Operating income	20,049	16,645
Other expense (income):		
Interest expense	588	475
Interest income	(299)	(371)
Other	36	37
Total other expense	325	141
Income before income taxes	19,724	16,504
Income taxes	7,192	6,481
Net income	\$ 12,532	\$ 10,023
Average common shares outstanding	38,182	37,795
Earnings per share	\$.33	\$.27
Dividends declared per share	\$.025	\$.023

WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF INCOME

(Amounts in thousands, except per share data)	Six Months Ended June 30	
	1997	1996
	(Unaudited)	
Operating revenues	\$365,684	\$307,543
Operating expenses:		
Salaries, wages and benefits	133,908	109,158
Fuel	33,984	28,428
Supplies and maintenance	30,493	25,900
Taxes and licenses	27,927	25,429
Insurance and claims	11,251	9,897
Depreciation	35,224	31,465
Rent and purchased transportation	60,652	46,315
Communications and utilities	4,121	3,889
Other	(3,378)	(1,818)
Total operating expenses	334,182	278,663
Operating income	31,502	28,880
Other expense (income):		
Interest expense	1,035	1,124
Interest income	(714)	(767)
Other	65	73
Total other expense	386	430
Income before income taxes	31,116	28,450
Income taxes	11,135	11,139
Net income	\$ 19,981	\$ 17,311
	=====	=====
Average common shares outstanding	38,086	37,787
	=====	=====
Earnings per share	\$.52	\$.46
	=====	=====
Dividends declared per share	\$.050	\$.043
	=====	=====

WERNER ENTERPRISES, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS

(In thousands)	June 30	December 31
	1997	1996
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 18,525	\$ 22,136
Accounts receivable, net	88,117	67,928
Prepaid taxes, licenses and permits	5,118	7,753
Other current assets	19,269	18,347
Total current assets	131,029	116,164
Property and equipment	648,966	579,075
Less - accumulated depreciation	164,737	146,028
Property and equipment, net	484,229	433,047
	\$615,258	\$549,211
	=====	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 33,672	\$ 19,025
Insurance and claims accruals	21,999	19,758
Accrued payroll	10,970	8,970
Income taxes payable	3,863	3,752
Other current liabilities	8,713	7,560
Total current liabilities	79,217	59,065
Long-term debt	50,000	30,000
Insurance and claims accruals	28,000	27,000
Other long-term liabilities	1,270	2,275
Deferred income taxes	86,986	82,500
Stockholders' equity	369,785	348,371
	\$615,258	\$549,211
	=====	

WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Six Months Ended June 30	
	1997	1996
	(Unaudited)	
Cash flows from operating activities:		
Net income	\$19,981	\$17,311
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	35,224	31,465
Deferred income taxes	4,486	4,886
Gain on disposal of operating equipment	(3,700)	(2,518)
Tax benefit from exercise of stock options	1,299	-
Long-term liabilities	(5)	1,048
Changes in certain working capital items:		
Accounts receivable, net	(20,189)	(4,497)
Prepaid expenses and other current assets	1,713	5,029
Accounts payable	14,647	(680)
Other current liabilities	5,498	1,445
	58,954	53,489
Cash flows from investing activities:		
Additions to property and equipment	(103,413)	(51,985)
Retirements of property and equipment	20,707	16,019
	(82,706)	(35,966)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	20,000	-
Repayments of long-term debt	-	(10,000)
Dividends on common stock	(1,900)	(1,511)
Stock options exercised	2,041	415
	20,141	(11,096)
Net increase(decrease) in cash and cash equivalents	(3,611)	6,427
Cash and cash equivalents, beginning of period	22,136	16,227
	\$18,525	\$22,654
	=====	=====
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 971	\$ 1,190
Income taxes	5,167	7,664

WERNER ENTERPRISES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Commitments

As of June 30, 1997, the Company has committed to capital expenditures of approximately \$31,000,000 (net cost, after revenue equipment trade-in allowances of approximately \$8,000,000).

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 six months ended June 30, 1997, the Company generated cash flow from operations of \$59.0 million and made long-term borrowings of \$20.0 million, which enabled the Company to make net property additions, primarily revenue equipment, of \$82.7 million, and pay common stock dividends of \$1.9 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 June 30, 1997 was 13.5%, compared with 8.6% at December 31, 1996.

Results of Operations:

Three Months Ended June 30, 1997 and 1996

Operating revenues increased 21% for the three months ended June 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 17% increase in the average number of tractors compared to the same period of the prior year. Revenue per truck per week increased 2% compared to the same quarter of the previous year due to increases in tractor utilization and increased revenue per mile. A \$6.3 million increase in revenues from logistics and other non-trucking transportation services also contributed to the overall increase in operating revenues.

Operating expenses, expressed as a percentage of operating revenues, were 89.6% for the three months ended June 30, 1997 and 1996. The Company's increase in logistics and other non-trucking 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 35.6% to 36.5% of revenues due primarily to the impact of a two cent per mile driver pay increase effective January 1, 1997. Fuel decreased from 9.4% to 8.6% of revenues, due mainly to lower average fuel prices during the quarter, and increased revenues from logistics and other non-trucking transportation services. Supplies and maintenance decreased from 8.3% to 8.0% of revenues, and taxes and licenses decreased from 8.2% to 7.9% of revenues due primarily to increased revenues from logistics and other non-trucking transportation services. Insurance and claims decreased from 2.9% to 2.5% of revenues due to favorable claims experience during the quarter. Depreciation decreased from 9.9% to 9.3% of revenues due primarily to the increase in the average revenue per truck per week and the increase in logistics and other non-trucking transportation revenues. Rent and purchased transportation increased from 14.6% to 17.0% of revenues due primarily to the Company's increase in logistics and other non-trucking transportation services. Other operating expenses changed from (.6%) to (1.2%) of revenues due to an increase in gains realized on the sale of equipment to third parties.

The Company's effective income tax rate (income taxes as a percentage of income before income taxes) was 36.5% and 39.3% for the three month periods ended June 30, 1997 and 1996, respectively. The decrease was due to favorable settlement of income tax issues. The Company's effective income tax rate is expected to continue at a lower rate for the remainder of 1997 compared to the effective income tax rate in 1996 due to the impact of the favorable settlement.

Six Months Ended June 30, 1997 and 1996

Operating revenues increased by 19% for the six months ended June 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. The Company added 550 tractors to its fleet during the first six months of 1997, compared to 250 for all of 1996. Revenue per truck per week increased 1% compared to the first six months of 1996 due to increases in tractor utilization and increased revenue per mile. A \$9.7 million increase in revenues from logistics and other non-trucking transportation services also contributed to the overall increase in operating revenues.

Operating expenses, expressed as a percentage of operating revenues, increased to 91.4% for the six months ended June 30, 1997, compared to 90.6% for the same period of 1996. Salaries, wages and benefits increased from 35.5% to 36.6% of revenues due primarily to the impact of a two cent per mile driver pay increase effective January 1, 1997. Fuel costs increased from 9.2% to 9.3% of revenues due mainly to higher average fuel prices at the beginning of first quarter 1997. 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 8.3% to 7.6% of revenues due primarily to the increased revenues from logistics and other non-trucking transportation services, and refunds and favorable development of state tax issues. Depreciation decreased from 10.2% to 9.6% of revenues due principally to the increase in the average revenue per truck per week and increased revenues from logistics and other non-trucking transportation services. Rent and purchased transportation increased from 15.1% to 16.6% of revenues due primarily to the Company's increase in logistics and other non-trucking transportation services. Other operating expenses changed from (.6%) to (.9%) of revenues mainly due to an increase in gains realized on the sale of equipment to third parties.

The Company's effective income tax rate was 35.8% and 39.2% for the six month periods ended June 30, 1997 and 1996, respectively. The decrease was due to favorable settlement of income tax issues. The Company's effective income tax rate is expected to continue at a lower rate for the remainder of 1997 compared to the effective income tax rate in 1996 due to the impact of the favorable settlement.

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 4. Submission of Matters to a Vote of Security Holders

The Annual Meeting of Stockholders of Werner Enterprises, Inc. was held on May 13, 1997, for the purpose of electing three directors for three-year terms. Proxies for the meeting were solicited pursuant to Section 14(a) of the Securities Exchange Act of 1934, and there was no solicitation in opposition to management's nominees. Each of management's nominees for director as listed in the Proxy Statement was elected. The voting tabulation was as follows:

	Shares Voted "FOR"	Shares Voted "ABSTAIN"
Clarence L. Werner	33,005,787	220,801
Irving B. Epstein	32,689,952	536,636
Jeffrey G. Doll	33,008,545	218,043

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 April 9, 1997, regarding a news release on April 3, 1997, announcing the promotion of Gregory L. Werner to the position of President.

A report on Form 8-K, filed April 24, 1997, regarding a news release on April 16, 1997, announcing the Company's operating revenues and earnings for the first quarter ended March 31, 1997, and a news release on April 21, 1997, announcing the establishment of a new working relationship with Hub Group, Inc., a non-asset based full service transportation provider.

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: August 14, 1997

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

Date: August 14, 1997

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

ARTICLE 5

MULTIPLIER: 1,000

PERIOD TYPE	6 MOS
FISCAL YEAR END	DEC 31 1997
PERIOD START	JAN 01 1997
PERIOD END	JUN 30 1997
CASH	18,525
SECURITIES	0
RECEIVABLES	88,117
ALLOWANCES	0
INVENTORY	0
CURRENT ASSETS	131,029
PP&E	648,966
DEPRECIATION	164,737
TOTAL ASSETS	615,258
CURRENT LIABILITIES	79,217
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	387
OTHER SE	369,398
TOTAL LIABILITY AND EQUITY	615,258
SALES	365,684
TOTAL REVENUES	365,684
CGS	0
TOTAL COSTS	334,182
OTHER EXPENSES	(649)
LOSS PROVISION	0
INTEREST EXPENSE	1,035
INCOME PRETAX	31,116
INCOME TAX	11,135
INCOME CONTINUING	19,981
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	19,981
EPS PRIMARY	.52
EPS DILUTED	.52

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