

WERNER ENTERPRISES INC

FORM 10-Q (Quarterly Report)

Filed 08/14/98 for the Period Ending 06/30/98

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 8/14/1998 For Period Ending 6/30/1998

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, 1998 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 July 31, 1998, 47,796,584 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, 1998 are not necessarily indicative of the results that may be expected for the year ending December 31, 1998. 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, 1997).

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WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF INCOME

(Amounts in thousands, except per share data)	Three Months Ended June 30	
	1998	1997
	(Unaudited)	
Operating revenues	\$211,678	\$193,635
Operating expenses:		
Salaries, wages and benefits	79,679	70,635
Fuel	14,198	16,719
Supplies and maintenance	17,214	15,548
Taxes and licenses	16,679	15,208
Insurance and claims	5,978	4,901
Depreciation	20,372	17,976
Rent and purchased transportation	32,815	33,004
Communications and utilities	2,549	1,937
Other	(2,848)	(2,342)
Total operating expenses	186,636	173,586
Operating income	25,042	20,049
Other expense (income):		
Interest expense	1,238	588
Interest income	(430)	(299)
Other	21	36
Total other expense	829	325
Income before income taxes	24,213	19,724
Income taxes	9,201	7,192
Net income	\$ 15,012	\$ 12,532
Average common shares outstanding (Note 1)	47,883	47,728
Earnings per share (Note 1)	\$.31	\$.26
Diluted shares outstanding (Note 1)	48,185	47,928
Diluted earnings per share (Note 1)	\$.31	\$.26
Dividends declared per share (Note 1)	\$.024	\$.020

WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF INCOME

(Amounts in thousands, except per share data)	Six Months Ended June 30	
	1998	1997
	(Unaudited)	
Operating revenues	\$411,385	\$365,684
Operating expenses:		
Salaries, wages and benefits	153,982	133,908
Fuel	28,896	33,984
Supplies and maintenance	34,723	30,493
Taxes and licenses	32,531	27,927
Insurance and claims	12,623	11,251
Depreciation	39,831	35,224
Rent and purchased transportation	66,192	60,652
Communications and utilities	5,108	4,121
Other	(5,686)	(3,378)
Total operating expenses	368,200	334,182
Operating income	43,185	31,502
Other expense (income):		
Interest expense	2,244	1,035
Interest income	(850)	(714)
Other	41	65
Total other expense	1,435	386
Income before income taxes	41,750	31,116
Income taxes	15,865	11,135
Net income	\$ 25,885	\$ 19,981
Average common shares outstanding (Note 1)	47,852	47,608
Earnings per share (Note 1)	\$.54	\$.42
Diluted shares outstanding (Note 1)	48,156	47,792
Diluted earnings per share (Note 1)	\$.54	\$.42
Dividends declared per share (Note 1)	\$.044	\$.040

WERNER ENTERPRISES, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS

(In thousands)	June 30	December 31
	1998	1997
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 20,111	\$ 22,294
Accounts receivable, net	89,127	93,461
Prepaid taxes, licenses and permits	5,468	8,405
Other current assets	25,075	21,632
Total current assets	139,781	145,792
Property and equipment	755,851	698,099
Less - accumulated depreciation	188,930	176,253
Property and equipment, net	566,921	521,846
	\$706,702	\$667,638
	=====	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 26,265	\$ 44,167
Insurance and claims accruals	21,988	22,161
Accrued payroll	14,142	9,116
Income taxes payable	3,930	6,983
Other current liabilities	12,350	9,364
Total current liabilities	78,675	91,791
Long-term debt	80,000	60,000
Insurance, claims and other long-term accruals	30,301	29,329
Deferred income taxes	97,233	91,400
Stockholders' equity	420,493	395,118
	\$706,702	\$667,638
	=====	

WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Six Months Ended June 30	
	1998	1997
	(Unaudited)	
Cash flows from operating activities:		
Net income	\$ 25,885	\$ 19,981
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	39,831	35,224
Deferred income taxes	5,833	4,486
Gain on disposal of operating equipment	(6,411)	(3,700)
Insurance, claims and other long-term accruals	972	(5)
Tax benefit from exercise of stock options	364	1,299
Changes in certain working capital items:		
Accounts receivable, net	4,334	(20,189)
Prepaid expenses and other current assets	(506)	1,713
Accounts payable	(17,902)	14,647
Other current liabilities	4,593	5,498
Net cash provided by operating activities	56,993	58,954
Cash flows from investing activities:		
Additions to property and equipment	(122,038)	(103,413)
Proceeds from sales of property and equipment	43,543	20,707
Net cash used in investing activities	(78,495)	(82,706)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	20,000	20,000
Dividends on common stock	(1,916)	(1,900)
Stock options exercised	1,235	2,041
Net cash provided by financing activities	19,319	20,141
Net decrease in cash and cash equivalents	(2,183)	(3,611)
Cash and cash equivalents, beginning of period	22,294	22,136
Cash and cash equivalents, end of period	\$ 20,111	\$ 18,525
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 2,156	\$ 971
Income taxes	12,323	5,167

WERNER ENTERPRISES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Common Stock Split

On May 13, 1998, the Company issued shares for a five-for-four common stock split effected in the form of a twenty-five percent (25%) stock dividend to stockholders of record at the close of business on April 27, 1998. All references in the consolidated financial statements with regard to the number of shares of common stock and the per share amounts have been adjusted to reflect the effect of the stock split.

(2) Commitments

As of June 30, 1998, the Company has commitments for capital expenditures of approximately \$58,000,000.

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, 1997.

Financial Condition:

During the six months ended June 30, 1998, the Company generated cash flow from operations of \$57.0 million. Cash flow from operations decreased compared to the same period of the previous year due to a reduction in accounts payable resulting from the timing of payments for tractors and trailers. At December 31, 1997, most of the accounts payable of \$44.2 million was for tractors and trailers received not yet paid. Accounts payable was \$26.3 million at June 30, 1998. Accounts receivable collections improved during the six months ended June 30, 1998 as accounts receivable declined from \$93.5 million to \$89.1 million. The Company made long-term borrowings of \$20.0 million, which, along with the cash flow from operations, enabled the Company to make net property additions, primarily revenue equipment, of \$78.5 million, and pay common stock dividends of \$1.9 million. If the Company continues to grow at its current rate (as described below), additional financing activities 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, 1998 was 19.0%, compared with 15.2% at December 31, 1997.

Results of Operations:

Three Months Ended June 30, 1998 and 1997

Operating revenues increased 9% for the three months ended June 30, 1998, compared to the same period of the prior year, primarily due to a 10% increase in the average number of tractors in service. Revenue per mile, excluding fuel surcharges, increased 2% compared to second quarter of 1997 due partially to rate increases. These increases were partially offset by lower revenues from logistics transportation services.

Operating expenses, expressed as a percentage of operating revenues, were 88.2% for the three months ended June 30, 1998, compared to 89.6% for the three months ended June 30, 1997. The Company's decrease in logistics transportation services contributed to a shift in costs from the rent and purchased transportation expense category to several other expense categories, as described below.

Salaries, wages and benefits increased from 36.5% to 37.6% of revenues due to more experienced drivers and a decrease in logistics revenues. 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 8.6% to 6.7% of revenues, due mainly to significantly lower average fuel prices during the quarter compared to the same quarter of the prior year. Depreciation increased from 9.3% to 9.6% of revenues due primarily to the decrease in logistics revenues and an increase in the trailer to tractor ratio. The increase in the trailer to tractor ratio is the result of providing additional trailers to improve customer service and tractor productivity. A decrease in the average length of haul also contributed to the increased trailer to tractor ratio. Rent and purchased transportation decreased from 17.0% to 15.5% of revenues due primarily to the Company's decrease in logistics transportation services.

The Company's effective income tax rate (income taxes as a percentage of income before income taxes) was 38% and 36.5% for the three month periods ended June 30, 1998 and 1997, respectively. The effective income tax rate for the 1997 period was lower than normal due to favorable settlement of income tax issues.

Six Months Ended June 30, 1998 and 1997

Operating revenues increased by 12% for the six months ended June 30, 1998, compared to the same period of the previous year, primarily due to a 12% increase in the average number of tractors. Revenue per mile, excluding fuel surcharges, increased 1% compared to the first six months of 1997 partially due to rate increases. These increases were partially offset by lower revenues from logistics transportation services.

Operating expenses, expressed as a percentage of operating revenues, decreased to 89.5% for the six months ended June 30, 1998, compared to 91.4% for the same period of 1997. Salaries, wages and benefits increased from 36.6% to 37.4% of revenues due primarily to more experienced drivers and a decrease in logistics revenues. Fuel costs decreased from 9.3% to 7.0% of revenues due mainly to lower average fuel prices during the first six months of 1998. Taxes and licenses increased from 7.6% to 7.9% of revenues due primarily to the decreased revenues from logistics services and refunds and favorable development of state tax issues during the prior period. Rent and purchased transportation decreased from 16.6% to 16.1% of revenues due primarily to the Company's decrease in logistics transportation services. Other operating expenses changed from (.9%) to (1.4%) of revenues mainly due to an increase in gains on sales of revenue equipment to third parties resulting primarily from an increase in the number of units sold.

The Company's effective income tax rate was 38.0% and 35.8% for the six month periods ended June 30, 1998 and 1997, respectively. The effective income tax rate for the 1997 period was lower than normal due to favorable settlement of income tax issues.

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 12, 1998 for the purpose of electing three directors for three-year terms and voting on the proposal described below. 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"
	-----	-----
Curtis G. Werner	35,087,456	1,238,704
Gerald H. Timmerman	35,090,248	1,235,912
Donald W. Rogert	35,112,800	1,213,360

The Company's proposal to amend the Articles of Incorporation and increase the number of authorized shares of common stock, par value of \$.01, from 60,000,000 to 200,000,000 shares, as set forth in the Proxy Statement for Annual Meeting of Stockholders, May 12, 1998, was approved by the following vote:

Shares Voted "FOR"	Shares Voted "AGAINST"	Shares Voted "ABSTAIN"
-----	-----	-----
24,956,801	11,351,731	17,628

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

(a) Exhibits

Exhibit Number	Description	Incorporated by Reference to
-----	-----	-----
11	Statement Re: Computation of Per Share Earnings	Filed herewith
27	June 30, 1998 Financial Data Schedule	Filed herewith
27.1	Restated 1997 Financial Data Schedule for Interim Periods	Filed herewith
27.2	Restated September 30, 1996 Financial Data Schedule	Filed herewith

(b) Reports on Form 8-K.

A report on Form 8-K, filed April 17, 1998, regarding a news release on April 15, 1998, announcing the Company's operating revenues and earnings for the first quarter ended March 31, 1998.

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 13, 1998

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

Date: August 13, 1998

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

EXHIBIT 11**STATEMENT RE: COMPUTATION OF PER SHARE EARNINGS**
(in thousands, except per share amounts)

	Three Months Ended June 30		Six Months Ended June 30	
	1998	1997	1998	1997
Net income	15,012	12,532	25,885	19,981
Average common shares outstanding	47,883	47,728	47,852	47,608
Common stock equivalents (1)	302	200	304	184
Diluted shares outstanding	48,185	47,928	48,156	47,792
Earnings per share	\$.31	\$.26	\$.54	\$.42
Diluted earnings per share	\$.31	\$.26	\$.54	\$.42

(1) Common stock equivalents represent the dilutive effect of outstanding stock options for all periods presented.

ARTICLE 5

MULTIPLIER: 1,000

PERIOD TYPE	6 MOS
FISCAL YEAR END	DEC 31 1998
PERIOD START	JAN 01 1998
PERIOD END	JUN 30 1998
CASH	20,111
SECURITIES	0
RECEIVABLES	89,127
ALLOWANCES	0
INVENTORY	0
CURRENT ASSETS	139,781
PP&E	755,851
DEPRECIATION	188,930
TOTAL ASSETS	706,702
CURRENT LIABILITIES	78,675
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	483
OTHER SE	420,010
TOTAL LIABILITY AND EQUITY	706,702
SALES	411,385
TOTAL REVENUES	411,385
CGS	0
TOTAL COSTS	368,200
OTHER EXPENSES	(809)
LOSS PROVISION	0
INTEREST EXPENSE	2,244
INCOME PRETAX	41,750
INCOME TAX	15,865
INCOME CONTINUING	25,885
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	25,885
EPS PRIMARY	.54
EPS DILUTED	.54

STOCK SPLIT On May 13, 1998, the Company issued shares for a five-for-four common stock split effected in the form of a twenty-five percent (25%) stock dividend to stockholders of record at the close of business on April 27, 1998. Prior Financial Data Schedules have not been restated for this stock split.

ARTICLE 5

RESTATED:

MULTIPLIER: 1,000

PERIOD TYPE	3 MOS	6 MOS	9 MOS
FISCAL YEAR END	DEC 31 1997	DEC 31 1997	DEC 31 1997
PERIOD START	JAN 01 1997	JAN 01 1997	JAN 01 1997
PERIOD END	MAR 31 1997	JUN 30 1997	SEP 30 1997
CASH	23,591	18,525	21,577
SECURITIES	0	0	0
RECEIVABLES	76,036	88,117	92,439
ALLOWANCES	0	0	0
INVENTORY	0	0	0
CURRENT ASSETS	125,143	131,029	138,288
PP&E	604,214	648,966	673,688
DEPRECIATION	156,137	164,737	171,893
TOTAL ASSETS	573,220	615,258	640,083
CURRENT LIABILITIES	75,938	79,217	76,306
BONDS	0	0	0
PREFERRED MANDATORY	0	0	0
PREFERRED	0	0	0
COMMON	387	387	387
OTHER SE	354,610	369,398	383,623
TOTAL LIABILITY AND EQUITY	573,220	615,258	640,083
SALES	172,049	365,684	565,921
TOTAL REVENUES	172,049	365,684	565,921
CGS	0	0	0
TOTAL COSTS	160,596	334,182	511,392
OTHER EXPENSES	(386)	(649)	(1,010)
LOSS PROVISION	0	0	0
INTEREST EXPENSE	447	1,035	1,961
INCOME PRETAX	11,392	31,116	53,578
INCOME TAX	3,943	11,135	19,398
INCOME CONTINUING	7,449	19,981	34,180
DISCONTINUED	0	0	0
EXTRAORDINARY	0	0	0
CHANGES	0	0	0
NET INCOME	7,449	19,981	34,180
EPS PRIMARY	.20	.52	.90
EPS DILUTED	.19	.52	.89

This Financial Data Schedule reflects restated amounts for the EPS-DILUTED caption due to the Company's adoption of Statement of Financial Accounting Standards No. 128 "Earnings per Share".

ARTICLE 5

RESTATED:

MULTIPLIER: 1,000

PERIOD TYPE	9 MOS
FISCAL YEAR END	DEC 31 1996
PERIOD START	JAN 01 1996
PERIOD END	SEP 30 1996
CASH	30,164
SECURITIES	0
RECEIVABLES	70,950
ALLOWANCES	0
INVENTORY	0
CURRENT ASSETS	122,823
PP&E	564,649
DEPRECIATION	137,401
TOTAL ASSETS	550,071
CURRENT LIABILITIES	68,610
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	387
OTHER SE	337,343
TOTAL LIABILITY AND EQUITY	550,071
SALES	474,698
TOTAL REVENUES	474,698
CGS	0
TOTAL COSTS	426,580
OTHER EXPENSES	(1,104)
LOSS PROVISION	0
INTEREST EXPENSE	1,610
INCOME PRETAX	47,612
INCOME TAX	18,569
INCOME CONTINUING	29,043
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	29,043
EPS PRIMARY	.77
EPS DILUTED	.76

STOCK SPLIT On August 9, 1996, the Company issued shares for a three-for-two common stock split effected in the form of a fifty percent (50%) stock dividend to stockholders of record at the close of business on July 26, 1996. Prior Financial Data Schedules have not been restated for this stock split.

This Financial Data Schedule reflects restated amounts for the EPS-DILUTED caption due to the Company's adoption of Statements of Financial Accounting Standards No. 128 "Earnings per Share".

End of Filing

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