

# WERNER ENTERPRISES INC

## FORM 10-Q (Quarterly Report)

Filed 05/12/97 for the Period Ending 03/31/97

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 5/12/1997 For Period Ending 3/31/1997

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  
March 31, 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 37308**

**OMAHA, NEBRASKA 68137 (402)895-6640**

(Address of principal (Zip Code) (Registrant's telephone number)

executive offices)

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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 April 30, 1997, 38,212,571 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 period ended March 31, 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 March 31, 1997 and 1996.....Page 3

Consolidated Condensed Balance Sheets as of  
March 31, 1997 and December 31, 1996.....Page 4

Consolidated Statements of Cash Flows for the  
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Notes to Consolidated Financial Statements as of March 31, 1997.....Page 6

**WERNER ENTERPRISES, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**

(Amounts in thousands, except per share data)	Three Months Ended March 31	
	1997	1996
	(Unaudited)	
Operating revenues	\$172,049	\$147,903
Operating expenses:		
Salaries, wages and benefits	63,273	52,377
Fuel	17,265	13,368
Supplies and maintenance	14,945	12,723
Taxes and licenses	12,719	12,402
Insurance and claims	6,350	5,287
Depreciation	17,248	15,616
Rent and purchased transportation	27,648	22,930
Communications and utilities	2,184	1,876
Other	(1,036)	(911)
Total operating expenses	160,596	135,668
Operating income	11,453	12,235
Other expense (income):		
Interest expense	447	649
Interest income	(415)	(396)
Other	29	36
Total other expense	61	289
Income before income taxes	11,392	11,946
Income taxes	3,943	4,658
Net income	\$ 7,449	\$ 7,288
	=====	=====
Average common shares outstanding	37,990	37,778
	=====	=====
Earnings per share	\$ .20	\$ .19
	=====	=====
Dividends declared per share	\$ .025	\$ .020
	=====	=====

**WERNER ENTERPRISES, INC.**  
**CONSOLIDATED CONDENSED BALANCE SHEETS**

(In thousands) March 31 December 31  
 1997 1996

(Unaudited)

**ASSETS**

Current assets:		
Cash and cash equivalents	\$ 23,591	\$ 22,136
Accounts receivable, net	76,036	67,928
Prepaid taxes, licenses and permits	6,716	7,753
Other current assets	18,800	18,347
	-----	-----
Total current assets	125,143	116,164
	-----	-----
Property and equipment	604,214	579,075
Less - accumulated depreciation	156,137	146,028
	-----	-----
Property and equipment, net	448,077	433,047
	-----	-----
	\$573,220	\$549,211
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 30,514	\$ 19,025
Insurance and claims accruals	21,444	19,758
Accrued payroll	9,393	8,970
Income taxes payable	5,361	3,752
Other current liabilities	9,226	7,560
	-----	-----
Total current liabilities	75,938	59,065
	-----	-----
Long-term debt	30,000	30,000
Insurance and claims accruals	27,000	27,000
Other long-term liabilities	1,273	2,275
Deferred income taxes	84,012	82,500
Stockholders' equity	354,997	348,371
	-----	-----
	\$573,220	\$549,211
	=====	=====

**WERNER ENTERPRISES, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)	Three Months Ended March 31	
	1997	1996
	(Unaudited)	
Cash flows from operating activities:		
Net income	\$ 7,449	\$ 7,288
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	17,248	15,616
Deferred income taxes	1,512	2,090
Gain on disposal of operating equipment	(1,256)	(1,300)
Long-term liabilities	(1,002)	-
Changes in certain working capital items:		
Accounts receivable, net	(8,108)	1,657
Prepaid expenses and other current assets	584	2,243
Accounts payable	11,489	507
Other current liabilities	5,384	2,186
Net cash provided by operating activities	33,300	30,287
Cash flows from investing activities:		
Additions to property and equipment	(38,464)	(19,491)
Retirements of property and equipment	7,442	7,183
Net cash used in investing activities	(31,022)	(12,308)
Cash flows from financing activities:		
Repayments of long-term debt	-	(10,000)
Dividends on common stock	(950)	(755)
Stock options exercised	127	119
Net cash used in financing activities	(823)	(10,636)
Net increase in cash and cash equivalents	1,455	7,343
Cash and cash equivalents, beginning of period	22,136	16,227
Cash and cash equivalents, end of period	\$ 23,591	\$ 23,570
	=====	=====
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 458	\$ 703
Income taxes	776	3,458

**WERNER ENTERPRISES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(1) Commitments

As of March 31, 1997, the Company has commitments for capital expenditures of approximately \$45,000,000 (net cost, after revenue equipment trade-in allowances of approximately \$13,000,000).



## **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 three months ended March 31, 1997, the Company generated cash flow from operations of \$33.3 million. After the Company made net property additions, primarily revenue equipment, of \$31 million and paid common stock dividends of \$0.9 million, cash and cash equivalents increased by \$1.5 million. If the Company continues to grow at a faster rate than in the prior year (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.

### **Results of Operations:**

#### **Three Months Ended March 31, 1997 and 1996**

Operating revenues increased 16% for the three months ended March 31, 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 contributed to a 12% increase in the average number of tractors compared to the same period of the prior year. The Company added 350 tractors to its fleet in first quarter 1997, compared to 250 for all of 1996. Revenue per mile, excluding a temporary fuel surcharge, increased about \$.01 per mile as a result of rate increases and a 5% decrease in the percentage of empty miles. Average miles per tractor in service increased 0.3%. A \$3.4 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 93.3% for the three months ended March 31, 1997, compared to 91.7% for the three months ended March 31, 1996. Salaries, wages and benefits increased from 35.4% to 36.8% of revenues due primarily to the impact of a two cent per mile driver pay increase effective January 1, 1997.

Fuel increased from 9.0% to 10.0% of revenues, due mainly to higher average fuel prices at the beginning of the first quarter of 1997. Fuel prices at the end of first quarter 1997 were slightly lower than at the end of first quarter 1996. 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. In 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 will be collected to offset such increases.

Taxes and licenses decreased from 8.4% to 7.4% of revenues due primarily to refunds and favorable development of state tax issues. Depreciation decreased from 10.6% to 10.0% of revenues due to increased revenues from logistics and other non-trucking transportation services, which require significantly less capital investment than trucking services, and increased tractor utilization. Rent and purchased transportation increased from 15.5% to 16.1% of revenues due primarily to the Company's increase in logistics and other non-trucking transportation services.

The Company's effective income tax rate (income taxes as a percentage of income before income taxes) was 34.6% and 39.0% for the three month periods ended March 31, 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.

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 10 of sequentially numbered pages

(b) Reports on Form 8-K - None

**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:*                    *May 12, 1997*

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

*Date:*                    *May 12, 1997*

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

**ARTICLE 5**

MULTIPLIER: 1,000

PERIOD TYPE	3 MOS
FISCAL YEAR END	DEC 31 1997
PERIOD START	JAN 01 1997
PERIOD END	MAR 31 1997
CASH	23,591
SECURITIES	0
RECEIVABLES	76,036
ALLOWANCES	0
INVENTORY	0
CURRENT ASSETS	125,143
PP&E	604,214
DEPRECIATION	156,137
TOTAL ASSETS	573,220
CURRENT LIABILITIES	75,938
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	387
OTHER SE	354,610
TOTAL LIABILITY AND EQUITY	573,220
SALES	172,049
TOTAL REVENUES	172,049
CGS	0
TOTAL COSTS	160,596
OTHER EXPENSES	(386)
LOSS PROVISION	0
INTEREST EXPENSE	447
INCOME PRETAX	11,392
INCOME TAX	3,943
INCOME CONTINUING	7,449
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	7,449
EPS PRIMARY	.20
EPS DILUTED	.20

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