

WERNER ENTERPRISES INC

Form 10-Q

November 01, 2016

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

[Mark one]

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2016

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 0-14690

WERNER ENTERPRISES, INC.
(Exact name of registrant as specified in its charter)

NEBRASKA 47-0648386
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of October 28, 2016, 72,061,210 shares of the registrant's common stock, par value \$0.01 per share, were outstanding.

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PART I

FINANCIAL INFORMATION

Cautionary Note Regarding Forward-Looking Statements:

This Quarterly Report on Form 10-Q contains historical information and forward-looking statements based on information currently available to our management. The forward-looking statements in this report, including those made in Item 2 (Management’s Discussion and Analysis of Financial Condition and Results of Operations) of Part I, are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, as amended. These safe harbor provisions encourage reporting companies to provide prospective information to investors. Forward-looking statements can be identified by the use of certain words, such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “plan,” “project” and other similar terms and language. We believe the forward-looking statements are reasonable based on currently available information. However, forward-looking statements involve risks, uncertainties and assumptions, whether known or unknown, that could cause our actual results, business, financial condition and cash flows to differ materially from those anticipated in the forward-looking statements. A discussion of important factors relating to forward-looking statements is included in Item 1A (Risk Factors) of Part I of our Annual Report on Form 10-K for the year ended December 31, 2015 (“2015 Form 10-K”). Readers should not unduly rely on the forward-looking statements included in this Form 10-Q because such statements speak only to the date they were made. Unless otherwise required by applicable securities laws, we undertake no obligation or duty to update or revise any forward-looking statements contained herein to reflect subsequent events or circumstances or the occurrence of unanticipated events.

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, results of operations and cash flows for the periods presented. The interim consolidated financial statements have been prepared in accordance with the U.S. Securities and Exchange Commission (“SEC”) instructions to Form 10-Q and were also prepared without audit. The interim consolidated financial statements do not include all information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements; although in management’s opinion, the disclosures are adequate so that the information presented is not misleading. Operating results for the three-month and nine-month periods ended September 30, 2016, are not necessarily indicative of the results that may be expected for the year ending December 31, 2016. 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 and notes thereto should be read in conjunction with the consolidated financial statements and accompanying notes contained in our 2015 Form 10-K.

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CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)	Three Months Ended		Nine Months Ended	
	September 30, 2016	2015	September 30, 2016	2015
	(Unaudited)			
Operating revenues	\$508,676	\$534,448	\$1,490,159	\$1,564,746
Operating expenses:				
Salaries, wages and benefits	162,862	167,301	479,298	479,142
Fuel	40,638	50,855	112,034	160,996
Supplies and maintenance	41,027	50,283	130,559	144,328
Taxes and licenses	21,540	22,616	64,353	66,459
Insurance and claims	19,106	17,372	59,384	60,034
Depreciation	51,781	49,081	152,849	143,065
Rent and purchased transportation	133,876	122,006	379,155	360,706
Communications and utilities	4,206	3,786	12,110	11,301
Other	4,566	(1,652)	9,303	(4,480)
Total operating expenses	479,602	481,648	1,399,045	1,421,551
Operating income	29,074	52,800	91,114	143,195
Other expense (income):				
Interest expense	749	511	1,839	1,569
Interest income	(1,055)	(760)	(3,154)	(2,088)
Other	46	32	148	257
Total other income	(260)	(217)	(1,167)	(262)
Income before income taxes	29,334	53,017	92,281	143,457
Income taxes	10,414	20,941	34,963	56,391
Net income	\$18,920	\$32,076	\$57,318	\$87,066
Earnings per share:				
Basic	\$0.26	\$0.45	\$0.80	\$1.21
Diluted	\$0.26	\$0.44	\$0.79	\$1.20
Dividends declared per share	\$0.060	\$0.060	\$0.180	\$0.160
Weighted-average common shares outstanding:				
Basic	72,058	71,890	72,043	71,967
Diluted	72,406	72,478	72,364	72,546

See Notes to Consolidated Financial Statements (Unaudited).

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WERNER ENTERPRISES, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)	Three Months		Nine Months	
	Ended		Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
	(Unaudited)			
Net income	\$18,920	\$32,076	\$57,318	\$87,066
Other comprehensive loss:				
Foreign currency translation adjustments	(1,023)	(2,044)	(3,009)	(3,578)
Change in fair value of interest rate swap	388	(605)	(517)	(368)
Other comprehensive loss	(635)	(2,649)	(3,526)	(3,946)
Comprehensive income	\$18,285	\$29,427	\$53,792	\$83,120
See Notes to Consolidated Financial Statements (Unaudited).				

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CONSOLIDATED CONDENSED BALANCE SHEETS

(In thousands, except share amounts)	September 30, 2016 (Unaudited)	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 13,736	\$ 31,833
Accounts receivable, trade, less allowance of \$9,080 and \$10,298, respectively	252,512	251,023
Other receivables	13,536	17,241
Inventories and supplies	14,446	16,415
Prepaid taxes, licenses and permits	6,949	15,657
Income taxes receivable	13,110	20,052
Other current assets	63,568	27,281
Total current assets	377,857	379,502
Property and equipment	2,011,888	1,908,600
Less – accumulated depreciation	728,503	754,130
Property and equipment, net	1,283,385	1,154,470
Other non-current assets	65,137	51,675
Total assets	\$ 1,726,379	\$ 1,585,647
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Checks issued in excess of cash balances	\$ 2,665	\$ —
Accounts payable	72,735	70,643
Insurance and claims accruals	71,056	64,106
Accrued payroll	29,608	25,233
Other current liabilities	18,249	23,720
Total current liabilities	194,313	183,702
Long-term debt, net of current portion	150,000	75,000
Other long-term liabilities	18,275	19,832
Insurance and claims accruals, net of current portion	114,125	125,195
Deferred income taxes	271,206	246,264
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.01 par value, 200,000,000 shares authorized; 80,533,536 shares issued; 72,061,210 and 71,998,750 shares outstanding, respectively	805	805
Paid-in capital	103,648	102,734
Retained earnings	1,067,315	1,022,966
Accumulated other comprehensive loss	(16,589)	(13,063)
Treasury stock, at cost; 8,472,326 and 8,534,786 shares, respectively	(176,719)	(177,788)
Total stockholders' equity	978,460	935,654
Total liabilities and stockholders' equity	\$ 1,726,379	\$ 1,585,647
See Notes to Consolidated Financial Statements (Unaudited).		

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CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Nine Months Ended September 30, 2016 2015 (Unaudited)	
Cash flows from operating activities:		
Net income	\$57,318	\$87,066
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	152,849	143,065
Deferred income taxes	23,773	(3,417)
Gain on disposal of property and equipment	(13,250)	(18,880)
Non-cash equity compensation	2,325	3,607
Insurance and claims accruals, net of current portion	(11,070)	6,450
Other	(8,500)	5,288
Changes in certain working capital items:		
Accounts receivable, net	(1,489)	15,849
Other current assets	(11,647)	29,546
Accounts payable	1,898	10,163
Other current liabilities	8,968	4,035
Net cash provided by operating activities	201,175	282,772
Cash flows from investing activities:		
Additions to property and equipment	(388,386)	(337,475)
Proceeds from sales of property and equipment	94,372	86,366
Decrease in notes receivable	14,007	11,956
Net cash used in investing activities	(280,007)	(239,153)
Cash flows from financing activities:		
Repayments of short-term debt	(20,000)	—
Proceeds from issuance of short-term debt	20,000	—
Repayments of long-term debt	(40,000)	—
Proceeds from issuance of long-term debt	115,000	—
Change in net checks issued in excess of cash balances	2,665	—
Dividends on common stock	(12,966)	(10,801)
Repurchases of common stock	—	(6,438)
Tax withholding related to net share settlements of restricted stock awards	(623)	(461)
Stock options exercised	298	846
Excess tax benefits from equity compensation	(17)	219
Payment of notes payable	(3,117)	(3,117)
Net cash provided by (used in) financing activities	61,240	(19,752)
Effect of exchange rate fluctuations on cash	(505)	(550)
Net increase (decrease) in cash and cash equivalents	(18,097)	23,317
Cash and cash equivalents, beginning of period	31,833	22,604
Cash and cash equivalents, end of period	\$13,736	\$45,921
Supplemental disclosures of cash flow information:		
Interest paid	\$1,838	\$1,578
Income taxes paid	4,257	34,201
Supplemental schedule of non-cash investing activities:		
Notes receivable issued upon sale of property and equipment	\$22,952	\$21,792

Change in fair value of interest rate swap