

USA TRUCK INC  
Form 10-Q  
August 12, 2014

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 June 30, 2014

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 0-19858

USA TRUCK, INC.  
(Exact Name of Registrant as Specified in Its  
Charter)

Delaware 71-0556971  
(State or other jurisdiction of incorporation or (I.R.S. employer identification no.)  
organization)

3200 Industrial Park Road 72956  
Van Buren, Arkansas (Zip code)  
(Address of principal executive offices)

(479) 471-2500  
(Registrant's telephone number, including area code)  
Not applicable  
(Former name, former address and former fiscal year, if  
changed since last report)

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 X No

Edgar Filing: USA TRUCK INC - Form 10-Q

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, 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 definition of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer \_\_\_\_\_ Accelerated Filer \_\_\_\_\_ Non-Accelerated Filer \_\_\_\_\_ Smaller Reporting Company   
(Do not check if a Smaller Reporting Company)

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

The number of shares outstanding of the registrant’s Common Stock, par value \$.01, as of July 25, 2014 is 10,532,028.

---

USA TRUCK, INC.  
TABLE OF CONTENTS

Item No.	Caption	Page
<b>PART I – FINANCIAL INFORMATION</b>		
1.	Financial Statements	
	Condensed Consolidated Balance Sheets (unaudited) as of June 30, 2014 and December 31, 2013 (as revised)	3
	Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) (unaudited) – Three Months and Six Months Ended June 30, 2014 and June 30, 2013	4
	Condensed Consolidated Statement of Stockholders’ Equity (unaudited) – Six Months Ended June 30, 2014	5
	Condensed Consolidated Statements of Cash Flows (unaudited) – Six Months Ended June 30, 2014 and June 30, 2013	6
	Notes to Condensed Consolidated Financial Statements (unaudited)	7
	Management’s Discussion and Analysis of Financial Condition and Results of Operations	16
2.	Quantitative and Qualitative Disclosures about Market Risk	28
3.	Controls and Procedures	28
<b>PART II – OTHER INFORMATION</b>		
1.	Legal Proceedings	28
1A.	Risk Factors	28
2.	Unregistered Sales of Equity Securities and Use of Proceeds	28
3.	Defaults Upon Senior Securities	28
4.	Mine Safety Disclosures	29
5.	Other Information	29
6.	Exhibits	30
	Signatures	31

PART I – FINANCIAL INFORMATION  
 FINANCIAL STATEMENTS  
 USA TRUCK, INC.  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (UNAUDITED)

	(in thousands, except share amounts)	
	June 30, 2014	December 31, 2013
Assets		(as revised – see note 13)
Current assets:		
Cash	\$ 39	\$ 14
Accounts receivable:		
Trade, less allowance for doubtful accounts of \$804 in 2014 and \$610 in 2013	77,548	64,682
Other	3,908	3,463
Inventories	1,625	1,425
Deferred income taxes	3,766	2,787
Prepaid expenses and other current assets	16,959	16,064
Total current assets	103,845	88,435
Property and equipment:		
Land and structures	31,547	31,502
Revenue equipment	353,950	353,587
Service, office and other equipment	15,950	15,613
Property and equipment, at cost	401,447	400,702
Accumulated depreciation and amortization	(181,036)	(176,506)
Property and equipment, net	220,411	224,196
Note receivable	1,939	1,953
Other assets	360	362
Total assets	\$ 326,555	\$ 314,946
Liabilities and Stockholders' Equity		
Current liabilities:		
Bank drafts payable	\$ 2,425	\$ 3,345
Trade accounts payable	30,559	17,674
Current portion of insurance and claims accruals	9,680	9,444
Accrued expenses	12,524	8,732
Note payable	343	1,023
Current maturities of long-term debt and capital leases	21,743	19,025
Total current liabilities	77,274	59,243
Deferred gain	624	627
Long-term debt and capital leases, less current maturities	103,002	108,843
Deferred income taxes	36,305	36,647
Insurance and claims accruals, less current portion	11,194	10,656
Commitments and contingencies	--	--
Stockholders' equity:		
Preferred Stock, \$.01 par value; 1,000,000 shares authorized; none issued	--	--
	--	--

Edgar Filing: USA TRUCK INC - Form 10-Q

Preferred Share Purchase Rights, \$0.01 par value; 150,000 shares authorized; none issued			
Common Stock, \$.01 par value; 30,000,000 shares authorized; issued 11,881,451 shares in 2014 and 11,881,232 shares in 2013	119		119
Additional paid-in capital	65,627		65,527
Retained earnings	54,182		55,049
Less treasury stock, at cost (1,349,423 shares in 2014 and 1,356,400 shares in 2013)	(21,772)		(21,765)
Total stockholders' equity	98,156		98,930
Total liabilities and stockholders' equity	\$ 326,555		\$ 314,946

See notes to condensed consolidated financial statements.

USA TRUCK, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)  
(UNAUDITED)

	(in thousands, except per share data)			
	Three Months Ended		Six Months Ended	
	2014	2013	2014	2013
Revenue:				
Trucking revenue	\$ 83,207	\$ 81,434	\$ 163,414	\$ 161,227
Strategic Capacity Solutions revenue	41,762	30,028	79,166	55,123
Base revenue	124,969	111,462	242,580	216,350
Fuel surcharge revenue	28,329	28,276	56,207	55,416
Total revenue	153,298	139,738	298,787	271,766
Operating expenses and costs:				
Purchased transportation	44,538	35,730	85,788	66,208
Salaries, wages and employee benefits	38,703	34,663	74,542	70,230
Fuel and fuel taxes	30,704	33,017	63,707	68,613
Operations and maintenance	11,629	13,649	24,691	25,157
Depreciation and amortization	11,148	10,852	22,603	21,767
Insurance and claims	5,903	7,024	11,887	12,413
Operating taxes and licenses	1,355	1,696	2,801	2,704
Communications and utilities	1,094	984	2,133	2,069
Gain on disposal of assets, net	(179)	(429)	(522)	(819)
Other	4,146	3,497	7,943	7,195
Total operating expenses and costs	149,041	140,683	295,573	275,537
Operating income (loss)	4,257	(945)	3,214	(3,771)
Other expenses (income):				
Interest expense	744	947	1,455	1,784
Defense costs	2,163	--	2,528	--
Other, net	(16)	(46)	48	(99)
Total other expenses, net	2,891	901	4,031	1,685
Income (loss) before income taxes	1,366	(1,846)	(817)	(5,456)

Edgar Filing: USA TRUCK INC - Form 10-Q

Income tax expense (benefit)	644	(448)	50	(1,584)
Net income (loss) and Comprehensive income (loss)	\$ 722	\$ (1,398)	\$ (867)	\$ (3,872)
Net income (loss) per share information:				
Average shares outstanding (Basic)	10,346	10,293	10,343	10,299
Basic earnings (loss) per share	\$ 0.07	\$ (0.14)	\$ (0.08)	\$ (0.38)
Average shares outstanding (Diluted)	10,478	10,293	10,343	10,299
Diluted earnings (loss) per share	\$ 0.07	\$ (0.14)	\$ (0.08)	\$ (0.38)

See notes to condensed consolidated financial statements.

USA TRUCK, INC.  
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY  
(UNAUDITED)

(in thousands)

	Common Stock Shares	Par Value	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total
Balance at December 31, 2013, as reported	11,881	\$ 119	\$ 65,527	\$ 56,657	\$ (21,765)	\$ 100,538
Prior period revision of net deferred tax liability	--	--	--	(1,608)	--	(1,608)
Balance at December 31, 2013, as revised (see note 13)	11,881	119	65,527	55,049	(21,765)	98,930
Exercise of stock options	2	--	4	--	--	4
Transfer of stock into (out of) Treasury Stock	--	--	7	--	(7)	--
Stock-based compensation	--	--	219	--	--	219
Restricted stock award grant	15	--	--	--	--	--
Forfeited restricted stock	(8)	--	--	--	--	--
Net share settlement related to restricted stock vesting	(9)	--	(130)	--	--	(130)
Net loss	--	--	--	(867)	--	(867)
Balance at June 30, 2014	11,881	\$ 119	\$ 65,627	\$ 54,182	\$ (21,772)	\$ 98,156

See notes to condensed consolidated financial statements.

USA TRUCK, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

	(in thousands)	
	Six Months Ended	
	June 30,	
	2014	2013
Operating activities:		
Net loss	\$ (867)	\$ (3,872)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	22,603	21,767
Provision for doubtful accounts	423	(90)
Deferred income taxes, net	(1,321)	(1,978)
	219	
Stock-based compensation		44
Gain on disposal of assets, net	(522)	(819)
Other	(4)	16
Changes in operating assets and liabilities:		
Accounts receivable	(13,734)	(2,175)
Inventories and prepaid expenses	(1,095)	(387)
Trade accounts payable and accrued expenses	11,037	3,281
Insurance and claims accruals	1,779	3,045
Net cash provided by operating activities	18,518	18,832
Investing activities:		
Purchases of property and equipment	(22,534)	(7,209)
Proceeds from sale of property and equipment	8,881	5,149
Change in other assets, net	15	32
Net cash used in investing activities	(13,638)	(2,028)
Financing activities:		
Borrowings under long-term debt	43,817	126,956
Restricted stock vesting and stock option exercise	(126)	--
Principal payments on long-term debt	(37,239)	(130,147)
Principal payments on capitalized lease obligations	(9,706)	(10,536)
Principal payments on note payable	(681)	(899)
Net increase in bank drafts payable	(920)	(3,053)
Net cash used in financing activities	(4,855)	(17,679)
Increase (Decrease) in cash	25	(875)
Cash:		
Beginning of period	14	1,742
End of period	\$ 39	\$ 867
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	\$ 1,710	\$ 1,905

Edgar Filing: USA TRUCK INC - Form 10-Q

Income taxes	324	48
Supplemental disclosure of non-cash investing activities:		
Liability incurred for leases on revenue equipment	--	21,989
Purchases of revenue equipment included in accounts payable	5,650	1,359
Purchases of fixed assets included in long-term debt	4	295

See notes to condensed consolidated financial statements.

5

---

USA TRUCK, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
June 30, 2014

NOTE 1 – BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three and six month periods ended June 30, 2014, are not necessarily indicative of the results that may be expected for the year ending December 31, 2014. For further information, refer to the financial statements, and footnotes thereto, included in our Annual Report on Form 10-K for the year ended December 31, 2013.

The balance sheet at December 31, 2013 has been derived from the audited condensed consolidated financial statements at that date, revised for the effect of the prior period revision of our deferred tax liability referred to in footnote 13. The December 31, 2013 balance sheet does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

NOTE 2 – REVENUE RECOGNITION

Revenue generated by our Trucking operating segment is recognized in full upon completion of delivery of freight to the receiver's location. For freight in transit at the end of a reporting period, we recognize revenue pro rata based on relative transit time completed as a portion of the estimated total transit time. Expenses are recognized as incurred.

Revenue generated by our Strategic Capacity Solutions and Intermodal operating segments is recognized upon completion of the services provided. Revenue is recorded on a gross basis, without deducting third party purchased transportation costs because we have responsibility for billing and collecting such revenue.

By agreement with our customers, and consistent with industry practice, we add a graduated fuel surcharge to the rates we charge our customers as diesel fuel prices increase above an agreed-upon baseline price per gallon. Base revenue in the condensed consolidated statements of operations and comprehensive income (loss) represents revenue excluding this fuel surcharge revenue.

Management believes these policies most accurately reflect revenue as earned and direct expenses, including third party purchased transportation costs, as incurred.

NOTE 3 – STOCK-BASED COMPENSATION

The USA Truck, Inc. 2004 Equity Incentive Plan, which expired on May 5, 2014, provided for the granting of incentive or nonqualified options or other equity-based awards covering up to 1,125,000 shares of Common Stock to directors, officers and other key employees. The exercise prices of outstanding options granted under the 2004 Equity Incentive Plan range from \$2.88 to \$18.58 as of June 30, 2014. Because the 2004 Equity Incentive Plan expired on May 5, 2014, no shares are available for future options or other equity awards thereunder.

On May 23, 2014, our stockholders approved the USA Truck, Inc. 2014 Omnibus Incentive Plan (the "Incentive Plan"). The Incentive Plan replaces the 2004 Equity Incentive Plan and provides for the granting of incentive or nonqualified options or other equity-based awards covering up to 500,000 shares of common stock to directors,

officers and other key employees and consultants. At June 30, 2014, 486,327 shares were available for future options or other equity awards under the Incentive Plan.

On February 25, 2014, the Executive Compensation Committee approved the USA Truck, Inc. 2014 Management Bonus Plan. Plan participants, consisting of executive and other key management personnel, will be paid a cash percentage and an equity percentage of their base salaries (payable in restricted stock), corresponding with the achievement of certain levels of consolidated 2014 pretax income.

#### NOTE 4 – SEGMENT REPORTING

We have three operating segments: Trucking (which consists of our Truckload and Dedicated Freight service offerings), Strategic Capacity Solutions (which consists entirely of our freight brokerage service offering), and Intermodal (which consists of our rail intermodal service offering). These three operating segments are disclosed as two reportable segments with Strategic Capacity Solutions and Intermodal being aggregated into one reportable segment, which we refer to as “SCS”.

The service offerings we provide relate to the transportation of truckload quantities of freight for customers in a variety of industries. The services generate revenue, and incur expenses, primarily on a per mile basis.

	Percent of Total Base Revenue			
	Trucking		SCS	
Three Months Ended				
June 30, 2014	66.6	%	33.4	%
June 30, 2013	73.1	%	26.9	%
Six Months Ended				
June 30, 2014	67.4	%	32.6	%
June 30, 2013	74.5	%	25.5	%

While the operations of our SCS and Intermodal operating segments typically do not involve the use of our equipment and drivers, we nevertheless provide truckload freight services to our customers through arrangements with third party carriers who are subject to the same general regulatory environment and cost sensitivities imposed upon our Trucking operations. Therefore, we have aggregated the reporting of our Intermodal operations with our reporting for SCS operations. Based on Intermodal's relatively small size, and the interrelationship of SCS and Intermodal operations, we determined that separate reporting was not justified.

Assets are not allocated to our SCS or Intermodal operating segments, as those operations provide truckload freight services to our customers through arrangements with third party carriers who utilize their own equipment. To the extent our Intermodal operations require the use of Company-owned tractors or trailers, they are obtained from our Trucking segment on an as-needed basis. Accordingly, we allocate all of our assets to our Trucking segment. However, depreciation and amortization expense is allocated to our SCS and Intermodal operating segments based on the various assets specifically utilized to generate revenue. All intercompany transactions between segments are consummated at rates similar to those negotiated with independent third parties. All other expenses are allocated to our SCS and Intermodal operating segments based on headcount and specifically identifiable direct costs, as appropriate.

Edgar Filing: USA TRUCK INC - Form 10-Q

A summary of base revenue and fuel surcharge revenue by reportable segments is as follows:

	(in thousands)			
	Revenue			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Base Revenue				
Trucking	\$ 83,353	\$ 81,441	\$ 163,689	\$ 161,244
SCS	43,918	31,434	83,323	58,222
Eliminations	(2,302)	(1,413)	(4,432)	(3,116)
Total base revenue	124,969	111,462	242,580	216,350
Fuel Surcharge Revenue				
Trucking	22,957	23,392	45,535	45,615
SCS	5,978	5,260	11,825	10,638
Eliminations	(606)	(376)	(1,153)	(837)
Total fuel surcharge revenue	28,329	28,276	56,207	55,416
Total revenue	\$ 153,298	\$ 139,738	\$ 298,787	\$ 271,766

A summary of operating income (loss) by reportable segments is as follows:

	(in thousands)			
	Operating Income (Loss)			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Operating Income (Loss)				
Trucking	\$ (1,734)	\$ (3,108)	\$ (7,855)	\$ (7,086)
SCS	5,991	2,163	11,069	3,315
Operating income (loss)	\$ 4,257	\$ (945)	\$ 3,214	\$ (3,771)

A summary of assets by reportable segments is as follows:

	(in thousands)	
	Total Assets	
	June 30, 2014	December 31, 2013
Total Assets		
Trucking	\$ 197,184	\$ 200,168
Corporate and Other	129,371	114,778
Total assets	\$ 326,555	\$ 314,946

A summary of amortization and depreciation by reportable segments is as follows:

	(in thousands)			
	Depreciation and Amortization			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Depreciation and Amortization				

Edgar Filing: USA TRUCK INC - Form 10-Q

Trucking	\$	10,567	\$	10,198	\$	21,432	\$	20,452
SCS		44		62		92		141
Corporate and Other		537		592		1,079		1,174
Total depreciation and amortization	\$	11,148	\$	10,852	\$	22,603	\$	21,767