WERNER ENTERPRISES INC

FORM 10-Q
(Quarterly Report)

Filed 11/13/98 for the Period Ending 09/30/98

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 11/13/1998 For Period Ending 9/30/1998

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
September 30, 1998 0-14690

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

NEBRASKA	47-0648386
(State or other jurisdiction of incorporation or organization)	(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 [X] NO [ ]

As of October 31, 1998, 47,434,351 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 nine-month periods ended September 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).

WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF INCOME

(Amounts in thousands, except per share data)	Three Months Ended September 30	
	1998	1997
	(Unaudited)	
Operating revenues	$219,715	$200,237
Operating expenses:		
Salaries, wages and benefits	83,421	71,326
Fuel	13,766	16,060
Supplies and maintenance	18,436	16,588
Taxes and licenses	17,075	14,511
Insurance and claims	5,523	4,994
Depreciation	20,604	18,338
Rent and purchased transportation	34,278	35,399
Communications and utilities	2,814	2,123
Other	(2,701)	(2,129)
Total operating expenses	193,216	177,210
Operating income	26,499	23,027
Other expense (income):		
Interest expense	1,242	926
Interest income	(446)	(385)
Other	33	24
Total other expense	829	565
Income before income taxes	25,670	22,462
Income taxes	9,755	8,263
Net income	$ 15,915	$ 14,199
Average common shares outstanding (Note 1)	47,658	47,876
Earnings per share (Note 1)	$ .33	$ .30
Diluted shares outstanding (Note 1)	47,846	48,125
Diluted earnings per share (Note 1)	$ .33	$ .30
Dividends declared per share (Note 1)	$ .024	$ .020

WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF INCOME

(Amounts in thousands, except per share data)	Nine Months Ended September 30	
	1998	1997
	(Unaudited)	
Operating revenues	$631,100	$565,921
Operating expenses:		
Salaries, wages and benefits	237,403	205,234
Fuel	42,662	50,044
Supplies and maintenance	53,159	47,081
Taxes and licenses	49,606	42,438
Insurance and claims	18,146	16,245
Depreciation	60,435	53,562
Rent and purchased transportation	100,470	96,051
Communications and utilities	7,922	6,244
Other	(8,387)	(5,507)
Total operating expenses	561,416	511,392
Operating income	69,684	54,529
Other expense (income):		
Interest expense	3,486	1,961
Interest income	(1,296)	(1,099)
Other	74	89
Total other expense	2,264	951
Income before income taxes	67,420	53,578
Income taxes	25,620	19,398
Net income	$ 41,800	$ 34,180
Average common shares outstanding (Note 1)	47,786	47,698
Earnings per share (Note 1)	$ .87	$ .72
Diluted shares outstanding (Note 1)	48,055	47,895
Diluted earnings per share (Note 1)	$ .87	$ .71
Dividends declared per share (Note 1)	$ .068	$ .060

WERNER ENTERPRISES, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS

(In thousands)	September 30 1998	December 31 1997
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 21,083	$ 22,294
Accounts receivable, net	87,473	93,461
Prepaid taxes, licenses and permits	2,945	8,405
Other current assets	26,824	21,632
Total current assets	138,325	145,792
Property and equipment	779,429	698,099
Less - accumulated depreciation	195,661	176,253
Property and equipment, net	583,768	521,846
	$722,093	$667,638
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 35,955	$ 44,167
Insurance and claims accruals	22,600	22,161
Accrued payroll	11,859	9,116
Income taxes payable	2,369	6,983
Other current liabilities	10,011	9,364
Total current liabilities	82,794	91,791
Long-term debt	80,000	60,000
Insurance, claims and other long-term accruals	30,301	29,329
Deferred income taxes	100,827	91,400
Stockholders' equity	428,171	395,118
	$722,093	$667,638

WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Nine Months Ended September 30	
	1998	1997
	(Unaudited)	
Cash flows from operating activities:		
Net income	$ 41,800	$ 34,180
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	60,435	53,562
Deferred income taxes	9,427	7,934
Gain on disposal of operating equipment	(9,624)	(6,006)
Insurance, claims and other long-term accruals	972	58
Tax benefit from exercise of stock options	372	1,540
Changes in certain working capital items:		
Accounts receivable, net	5,988	(24,511)
Prepaid expenses and other current assets	268	1,828
Accounts payable	(8,212)	7,934
Other current liabilities	(967)	9,298
Net cash provided by operating activities	100,459	85,817
Cash flows from investing activities:		
Additions to property and equipment	(180,325)	(151,993)
Proceeds from sales of property and equipment	67,592	35,689
Net cash used in investing activities	(112,733)	(116,304)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	20,000	30,000
Dividends on common stock	(3,063)	(2,856)
Repurchases of common stock	(7,161)	-
Stock options exercised	1,287	2,784
Net cash provided by financing activities	11,063	29,928
Net decrease in cash and cash equivalents	(1,211)	(559)
Cash and cash equivalents, beginning of period	22,294	22,136
Cash and cash equivalents, end of period	$ 21,083	$ 21,577
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 2,627	$ 1,872
Income taxes	20,029	8,043

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) Committed Credit Facilities

In September 1998, the Company established 364-day committed credit facilities with two financial institutions totaling $30 million. Borrowings under these credit facilities bear variable interest based on the London Interbank Offered Rate (LIBOR) or, at the Company's option, the financial institution's base lending rate. No borrowings were outstanding under these credit facilities as of September 30, 1998. The Company borrowed $10 million under one of these facilities on November 5, 1998.

(3) Commitments

As of September 30, 1998, the Company has commitments for capital expenditures of approximately $52,000,000.

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.

Year 2000 Issue:

In January 1997, the Company began conducting a comprehensive review of its Year 2000 issues and has since completed its review of information technology (IT) systems. Most of the Company's critical software programs have been developed internally, with the remainder having been purchased from and maintained by software vendors. The Company completed substantially all of its conversion of internally developed software programs to Year 2000 compliance in September 1998. The costs of converting these programs was not material. The Company is now working with vendors to verify compliance of vendor-supplied software programs, and has also begun evaluating compliance of non-IT systems. The following is an estimate of the status of the Company's IT systems and non-IT systems:

	Year 2000 Compliant	Modifications being performed
Internally-developed IT systems	95%	5%
Vendor-supplied IT systems	70%	30%
Non-IT systems	30%	70%

Based on information currently available, the Company believes that with the appropriate modifications to vendor-supplied software programs, the Year 2000 issue will not pose significant operational or administrative problems for the Company. The cost of such modifications is not expected to be material. The Company will continue to evaluate the Year 2000 readiness of third parties (primarily vendors and customers) with whom the Company has material relationships. The Company can not presently estimate the effect on its results of operations, liquidity, and financial condition should material vendors and customers fail to become Year 2000 compliant. If the Company believes it is likely that a material vendor or customer will not achieve Year 2000 compliance, the Company will develop a contingency plan at that time.

Financial Condition:

During the nine months ended September 30, 1998, the Company generated cash flow from operations of $100.5 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 $112.7 million, repurchase common stock of $7.2 million and pay common stock dividends of $3.1 million. The Company also established $30 million of committed credit facilities during the third quarter of 1998. See Note 2 of the Notes to Consolidated Financial Statements. 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 September 30, 1998 was 18.7%, compared with 15.2% at December 31, 1997.

Results of Operations:

Three Months Ended September 30, 1998 and 1997

Operating revenues increased 10% for the three months ended September 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 1% compared to third quarter of 1997 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, were 87.9% for the three months ended September 30, 1998, compared to 88.5% for the three months ended September 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 35.6% to 37.9% of revenues due primarily to a decrease in logistics revenues, higher employee health care costs in 1998 and favorable workers' compensation claims experience in the third quarter of 1997. 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 8.0% to 6.2% of revenues, due mainly to significantly lower average fuel prices during the quarter compared to the same quarter of the prior year. Taxes and licenses increased from 7.2% to 7.8% of revenues due to refunds and state sales tax incentives in the prior year period, and lower logistics revenues in the current year. Depreciation increased from 9.2% to 9.4% of revenues due primarily to the decrease in logistics revenues. Rent and purchased transportation decreased from 17.7% to 15.6% 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 36.8% for the three month periods ended September 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.

Nine Months Ended September 30, 1998 and 1997

Operating revenues increased by 12% for the nine months ended September 30, 1998, compared to the same period of the previous year, primarily due to an 11% increase in the average number of tractors. Revenue per mile, excluding fuel surcharges, increased 1% compared to the first nine months of 1997 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 89.0% for the nine months ended September 30, 1998, compared to 90.4% for the same period of 1997. Salaries, wages and benefits increased from 36.3% to 37.6% of revenues due primarily to a decrease in logistics revenues and higher employee health care costs in 1998. Fuel costs decreased from 8.8% to 6.8% of revenues due mainly to lower average fuel prices during the first nine months of 1998. Taxes and licenses increased from 7.5% 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 17.0% to 15.9% of revenues due primarily to the Company's decrease in logistics transportation services. Other operating expenses changed from (1.0%) to (1.3%) 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 36.2% for the nine month periods ended September 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 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 September 30, 1998 Financial Data Schedule Filed herewith

(b) Reports on Form 8-K.

A report on Form 8-K, filed July 22, 1998, regarding a news release on July 16, 1998, announcing the Company's operating revenues and earnings for the second quarter ended June 30, 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:	*November 13, 1998*	*By: /s/John J. Steele* *John J. Steele* *Vice President, Treasurer and* *Chief Financial Officer*
Date:	*November 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 September 30		Nine Months Ended September 30	
	1998	1997	1998	1997
Net income	$15,915	$14,199	$41,800	$34,180
Average common shares outstanding	47,658	47,876	47,786	47,698
Common stock equivalents (1)	188	249	269	197
Diluted shares outstanding	47,846	48,125	48,055	47,895
Earnings per share	$ .33	$ .30	$ .87	$ .72
Diluted earnings per share	$ .33	$ .30	$ .87	$ .71

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

ARTICLE 5

PERIOD TYPE	9 MOS
FISCAL YEAR END	DEC 31 1998
PERIOD START	JAN 01 1998
PERIOD END	SEP 30 1998
CASH	21,083
SECURITIES	0
RECEIVABLES	87,473
ALLOWANCES	0
INVENTORY	0
CURRENT ASSETS	138,325
PP&E	779,429
DEPRECIATION	195,661
TOTAL ASSETS	722,093
CURRENT LIABILITIES	82,794
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	483
OTHER SE	427,688
TOTAL LIABILITY AND EQUITY	722,093
SALES	631,100
TOTAL REVENUES	631,100
CGS	0
TOTAL COSTS	561,416
OTHER EXPENSES	(1,222)
LOSS PROVISION	0
INTEREST EXPENSE	3,486
INCOME PRETAX	67,420
INCOME TAX	25,620
INCOME CONTINUING	41,800
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	41,800
EPS PRIMARY	.87
EPS DILUTED	.87

End of Filing