WERNER ENTERPRISES INC

FORM 10-Q
(Quarterly Report)

Filed 05/07/99 for the Period Ending 03/31/99

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 5/7/1999 For Period Ending 3/31/1999

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, 1999 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 April 30, 1999, 47,347,492 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, 1999, are not necessarily indicative of the results that may be expected for the year ending December 31, 1999. 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, 1998).

Consolidated Statements of Income for the Three Months Ended March 31, 1999 and 1998 Page 3

Consolidated Condensed Balance Sheets as of March 31, 1999 and December 31, 1998 Page 4

Consolidated Statements of Cash Flows for the Three Months Ended March 31, 1999 and 1998 Page 5

Notes to Consolidated Financial Statements as of March 31, 1999 Page 6

WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF INCOME

(In thousands)	Three Months Ended March 31 1999	Three Months Ended March 31 1998
	(Unaudited)	
Operating revenues	$ 240,980	$ 199,707
Operating expenses:		
Salaries, wages and benefits	89,321	74,303
Fuel	14,008	14,698
Supplies and maintenance	20,138	17,509
Taxes and licenses	19,766	15,852
Insurance and claims	9,390	6,645
Depreciation	23,535	19,459
Rent and purchased transportation	42,327	33,377
Communications and utilities	3,099	2,559
Other	(1,847)	(2,838)
Total operating expenses	219,737	181,564
Operating income	21,243	18,143
Other expense (income):		
Interest expense	1,198	1,006
Interest income	(330)	(420)
Other	17	20
Total other expense	885	606
Income before income taxes	20,358	17,537
Income taxes	7,736	6,664
Net income	$ 12,622	$ 10,873
Average common shares outstanding	47,327	47,820
Earnings per share	$ .27	$ .23
Diluted shares outstanding	47,570	48,164
Diluted earnings per share	$ .27	$ .23
Dividends declared per share	$ .025	$ .020

WERNER ENTERPRISES, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS

(In thousands)	March 31 1999	December 31 1998
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 14,367	$ 15,913
Accounts receivable, net	107,258	94,329
Prepaid taxes, licenses and permits	9,143	10,792
Other current assets	23,887	24,231
Total current assets	154,655	145,265
Property and equipment	882,541	829,461
Less - accumulated depreciation	219,772	205,530
Property and equipment, net	662,769	623,931
	$ 817,424	$ 769,196
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 52,210	$ 48,146
Short-term debt (Note 1)	20,000	-
Insurance and claims accruals	26,487	23,250
Accrued payroll	10,574	10,051
Income taxes payable	4,223	471
Other current liabilities	11,697	9,989
Total current liabilities	125,191	91,907
Long-term debt	100,000	100,000
Insurance, claims and other long-term accruals	30,801	30,801
Deferred income taxes	109,055	105,900
Stockholders' equity	452,377	440,588
	$ 817,424	$ 769,196

WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Three Months Ended March 31 1999	1998
	(Unaudited)	
Cash flows from operating activities:		
Net income	$ 12,622	$ 10,873
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	23,535	19,459
Deferred income taxes	3,155	2,446
Gain on disposal of operating equipment	(2,191)	(3,142)
Insurance, claims and other long-term accruals	-	(28)
Tax benefit from exercise of stock options	77	247
Changes in certain working capital items:		
Accounts receivable, net	(12,929)	8,071
Prepaid expenses and other current assets	1,993	130
Accounts payable	4,064	(15,306)
Other current liabilities	9,220	5,538
Net cash provided by operating activities	39,546	28,288
Cash flows from investing activities:		
Additions to property and equipment	(75,943)	(56,260)
Proceeds from sales of property and equipment	15,761	20,686
Net cash used in investing activities	(60,182)	(35,574)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	-	10,000
Proceeds from issuance of short-term debt	20,000	-
Dividends on common stock	(1,183)	(958)
Stock options exercised	273	874
Net cash provided by financing activities	19,090	9,916
Net increase (decrease) in cash and cash equivalents	(1,546)	2,630
Cash and cash equivalents, beginning of period	15,913	22,294
Cash and cash equivalents, end of period	$ 14,367	$ 24,924
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 1,589	$ 821
Income taxes	$ 752	$ 3,424

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Committed Credit Facilities

The Company has 364-day committed credit facilities with two financial institutions totaling $30 million. Borrowings under these credit facilities, which mature in September 1999, bear variable interest based on the London Interbank Offered Rate (LIBOR) or, at the Company's option, the financial institutions' base lending rates. The Company expects to extend these credit facilities for another 364-day period or refinance this debt prior to September 1999. The Company had borrowings of $20 million outstanding under these credit facilities as of March 31, 1999.

(2) Commitments

As of March 31, 1999, the Company has commitments for capital expenditures of approximately $82,400,000.

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, 1998.

Year 2000 Readiness Disclosure:

In January 1997, the Company began conducting a comprehensive review of its Year 2000 issue 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 licensed 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	100%	0%
Vendor-supplied IT systems	80%	20%
Non-IT systems	70%	30%

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 remaining 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 cannot 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 three months ended March 31, 1999, the Company generated cash flow from operations of $39.5 million. The Company received proceeds from the issuance of short-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 $60.2 million and pay common stock dividends of $1.2 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 debt to equity ratio at March 31, 1999 was 26.5%, compared with 22.7% at December 31, 1998. The Company's debt to total capitalization ratio (total capitalization equals total debt plus total stockholders' equity) was 21.0% at March 31, 1999 compared to 18.5% at December 31, 1998.

Results of Operations:

Three Months Ended March 31, 1999 and 1998

Operating revenues increased 20.7% for the three months ended March 31, 1999, compared to the same period of the prior year, primarily due to a 18.5% increase in the average number of tractors in service. Average tractors in service increased from 5,360 in first quarter 1998 to 6,354 in first quarter 1999. Revenue per mile, excluding fuel surcharges, increased 1.5% compared to first quarter of 1998 due to rate increases and a shift in the mix of freight between fleets in the truckload division which decreased the average trip length by 5%. A $5.2 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 91.2% for the three months ended March 31, 1999, compared to 90.9% for the three months ended March 31, 1998. The Company's increase in logistics and other non-trucking transportation services contributed to a shift in costs to the rent and purchased transportation expense category from several other expense categories, as described below.

Salaries, wages and benefits decreased from 37.2% to 37.1% of revenues due primarily to the increase in logistics and other non-trucking revenues, partially offset by an increase in driver pay for drivers in training due to an 80% increase in the number of drivers in the training program. 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 was 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 7.4% to 5.8% of revenues, due mainly to significantly lower average fuel prices during the quarter compared to the same quarter of the prior year. In mid-March 1999, fuel prices increased and prices as of the end of March 1999 were comparable, or slightly higher, than prices as of the end of March 1998. Supplies and maintenance decreased from 8.8% to 8.3% of revenues primarily due to a change in classification of repairs and sales expenses for equipment sales from supplies and maintenance to the other operating expense category to offset gains on revenue equipment sales, partially offset by the increase in logistics and other non-trucking revenues. Taxes and licenses increased from 7.9% to 8.2% of revenues due to the impact of favorable development of state tax issues on the prior year period, partially offset by the increase in logistics and other non-trucking revenues. Insurance and claims increased from 3.3% to 3.9% of revenues due to unfavorable claims experience contributed to by more severe winter weather conditions during the current quarter. Rent and purchased transportation increased from 16.7% to 17.6% of revenues due primarily to the Company's increase in logistics and other non-trucking transportation services. Other operating expenses changed from (1.4%) to (0.8%) of revenues due to the change in classification of repairs on equipment sales from supplies and maintenance to other operating expenses to offset gains on revenue equipment sales.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to market risk from changes in interest rates and commodity prices.

Interest Rate Risk

The Company had $70 million of variable rate debt at March 31, 1999. The interest rates on the variable rate debt are based on the London Interbank Offered Rate (LIBOR). Assuming this level of borrowings, a hypothetical one percentage point increase in the LIBOR interest rate would increase the Company's annual interest expense by $700,000.

Commodity Price Risk

The price and availability of diesel fuel are subject to fluctuations due to changes in the level of global oil production, seasonality, weather, and other market factors. Historically, the Company has been able to recover a portion of short-term fuel price increases from customers in the form of fuel surcharges. The Company cannot predict whether high fuel price levels will occur in the future or the extent to which fuel surcharges could be collected to offset such increases. As of March 31, 1999, the Company had no derivative financial instruments to reduce its exposure to fuel price fluctuations.

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	March 31, 1999 Financial Data Schedule	Filed herewith

(b) Reports on Form 8-K.

A report on Form 8-K, filed January 21, 1999, regarding a news release on January 21, 1999, announcing the Company's operating revenues and earnings for the fourth quarter and year ended December 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: May 7, 1999	*By: /s/ John J. Steele*
	John J. Steele *Vice President, Treasurer and* *Chief Financial Officer*
Date: May 7, 1999	*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 March 31	
	1999	1998
Net income	$12,622	$10,873
Average common shares outstanding	47,327	47,820
Common stock equivalents (1)	243	344
Diluted shares outstanding	47,570	48,164
Earnings per share	$ .27	$ .23
Diluted earnings per share	$ .27	$ .23

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

ARTICLE 5

PERIOD TYPE	3 MOS
FISCAL YEAR END	DEC 31 1999
PERIOD START	JAN 01 1999
PERIOD END	MAR 31 1999
CASH	14,367
SECURITIES	0
RECEIVABLES	107,258
ALLOWANCES	0
INVENTORY	0
CURRENT ASSETS	154,655
PP&E	882,541
DEPRECIATION	219,772
TOTAL ASSETS	817,424
CURRENT LIABILITIES	125,191
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	483
OTHER SE	451,894
TOTAL LIABILITY AND EQUITY	817,424
SALES	240,980
TOTAL REVENUES	240,980
CGS	0
TOTAL COSTS	219,737
OTHER EXPENSES	(313)
LOSS PROVISION	0
INTEREST EXPENSE	1,198
INCOME PRETAX	20,358
INCOME TAX	7,736
INCOME CONTINUING	12,622
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	12,622
EPS PRIMARY	.27
EPS DILUTED	.27

End of Filing