WERNER ENTERPRISES INC

FORM 10-Q
(Quarterly Report)

Filed 08/13/99 for the Period Ending 06/30/99

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 8/13/1999 For Period Ending 6/30/1999

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
June 30, 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 July 31, 1999, 47,433,249 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 the six-month periods ended June 30, 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).

WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF INCOME

(In thousands)	Three Months Ended June 30	
	1999	1998
	(Unaudited)	
Operating revenues	$ 260,646	$ 211,678
Operating expenses:		
Salaries, wages and benefits	95,246	79,679
Fuel	18,211	14,198
Supplies and maintenance	21,025	17,214
Taxes and licenses	19,838	16,679
Insurance and claims	7,881	5,978
Depreciation	24,656	20,372
Rent and purchased transportation	43,856	32,815
Communications and utilities	3,411	2,549
Other	(3,169)	(2,848)
Total operating expenses	230,955	186,636
Operating income	29,691	25,042
Other expense (income):		
Interest expense	1,645	1,238
Interest income	(343)	(430)
Other	40	21
Total other expense	1,342	829
Income before income taxes	28,349	24,213
Income taxes	10,773	9,201
Net income	$ 17,576	$ 15,012
Average common shares outstanding	47,374	47,883
Earnings per share	$ .37	$ .31
Diluted shares outstanding	47,627	48,185
Diluted earnings per share	$ .37	$ .31
Dividends declared per share	$ .025	$ .024

WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF INCOME

(In thousands)	Six Months Ended June 30	
	1999	1998
	(Unaudited)	
Operating revenues	$ 501,626	$ 411,385
Operating expenses:		
Salaries, wages and benefits	184,567	153,982
Fuel	32,219	28,896
Supplies and maintenance	41,163	34,723
Taxes and licenses	39,604	32,531
Insurance and claims	17,271	12,623
Depreciation	48,191	39,831
Rent and purchased transportation	86,183	66,192
Communications and utilities	6,510	5,108
Other	(5,016)	(5,686)
Total operating expenses	450,692	368,200
Operating income	50,934	43,185
Other expense (income):		
Interest expense	2,843	2,244
Interest income	(673)	(850)
Other	57	41
Total other expense	2,227	1,435
Income before income taxes	48,707	41,750
Income taxes	18,509	15,865
Net income	$ 30,198	$ 25,885
Average common shares outstanding	47,351	47,852
Earnings per share	$ .64	$ .54
Diluted shares outstanding	47,599	48,156
Diluted earnings per share	$ .63	$ .54
Dividends declared per share	$ .050	$ .044

WERNER ENTERPRISES, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS

(In thousands)	June 30	December 31
	1999	1998
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 10,531	$ 15,913
Accounts receivable, net	120,837	94,329
Prepaid taxes, licenses and permits	6,618	10,792
Other current assets	25,291	24,231
Total current assets	163,277	145,265
Property and equipment	913,186	829,461
Less - accumulated depreciation	234,392	205,530
Property and equipment, net	678,794	623,931
	$842,071	$769,196
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 37,070	$ 48,146
Short-term debt (Note 1)	30,000	-
Insurance and claims accruals	28,405	23,250
Accrued payroll	12,595	10,051
Income taxes payable	6,980	471
Other current liabilities	12,176	9,989
Total current liabilities	127,226	91,907
Long-term debt	100,000	100,000
Insurance, claims and other long-term accruals	31,301	30,801
Deferred income taxes	113,450	105,900
Stockholders' equity	470,094	440,588
	$842,071	$769,196

WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Six Months Ended June 30 1999	1998
	(Unaudited)	
Cash flows from operating activities:		
Net income	$ 30,198	$ 25,885
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	48,191	39,831
Deferred income taxes	7,550	5,833
Gain on disposal of operating equipment	(5,625)	(6,411)
Insurance, claims and other long-term accruals	500	972
Tax benefit from exercise of stock options	399	364
Changes in certain working capital items:		
Accounts receivable, net	(26,508)	4,334
Prepaid expenses and other current assets	3,114	(506)
Accounts payable	(11,076)	(17,902)
Other current liabilities	16,392	4,593
Net cash provided by operating activities	63,135	56,993
Cash flows from investing activities:		
Additions to property and equipment	(133,382)	(122,038)
Proceeds from sales of property and equipment	35,953	43,543
Net cash used in investing activities	(97,429)	(78,495)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	-	20,000
Proceeds from issuance of short-term debt	30,000	-
Dividends on common stock	(2,366)	(1,916)
Stock options exercised	1,278	1,235
Net cash provided by financing activities	28,912	19,319
Net decrease in cash and cash equivalents	(5,382)	(2,183)
Cash and cash equivalents, beginning of period	15,913	22,294
Cash and cash equivalents, end of period	$ 10,531	$ 20,111
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 2,979	$ 2,156
Income taxes	$ 3,947	$ 12,323

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 the maturity date. The Company had borrowings of $30 million outstanding under these credit facilities as of June 30, 1999.

(2) Commitments

As of June 30, 1999, the Company has commitments for capital expenditures of approximately $55 million.

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 its conversion of internally developed software programs to Year 2000 compliance in September 1998. The costs of converting these programs were not material. The Company is continuing to work with vendors to verify compliance of vendor-supplied software programs, and to evaluate 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	90%	10%
Non-IT systems	90%	10%

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. The Company is not currently aware of any material vendors or customers which have represented to the Company that they are unlikely to achieve Year 2000 compliance. If the Company obtains information indicating 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 six months ended June 30, 1999, the Company generated cash flow from operations of $63.1 million. The Company received proceeds from the issuance of short-term borrowings of $30.0 million, which, along with the cash flow from operations, enabled the Company to make net property additions, primarily revenue equipment, of $97.4 million and pay common stock dividends of $2.4 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 June 30, 1999 was 27.7%, 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 21.7% at June 30, 1999 compared to 18.5% at December 31, 1998.

Results of Operations:

Three Months Ended June 30, 1999 and 1998

Operating revenues increased 23.1% for the three months ended June 30, 1999, compared to the same period of the prior year, primarily due to a 20.5% increase in the average number of tractors in service. Average tractors in service increased from 5,559 in second quarter 1998 to 6,701 in second quarter 1999. Revenue per mile, excluding fuel surcharges, increased 1.1% compared to second 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 3%. A $4.8 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 88.6% for the three months ended June 30, 1999, compared to 88.2% for the three months ended June 30, 1998. The Company's increase in logistics and other non-trucking transportation services, and an increase in owner- operator miles as a percentage of total miles (17.9% in second quarter 1999 compared to 16.8% in second quarter 1998), contributed to a shift in costs to the rent and purchased transportation expense category from several other expense categories. Owner-operators are independent contractors who supply their own tractor and driver, and are responsible for their operating expenses including fuel, supplies and maintenance, and fuel taxes.

Salaries, wages and benefits decreased from 37.6% to 36.5% of revenues due primarily to the increase in logistics and other non-trucking revenues, more owner-operator miles as a percentage of total miles and a higher ratio of tractors to non-driver employees. Driver pay per mile decreased slightly due to more entry-level drivers earning a lower pay rate per mile. These decreases were partially offset by an increase in driver pay for drivers in training due to a 65% increase in the number of drivers in the training program, and more extra driver pay for multiple stops and driver assist loading/unloading. 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 increased from 6.7% to 7.0% of revenues, due mainly to slightly higher average fuel prices during the quarter compared to the same quarter of the prior year. Fuel prices began rising in March 1999 and remained at slightly higher levels throughout second quarter 1999 compared to the same period of 1998. See further discussion of fuel prices under the caption "Commodity Price Risk" in Item 3 of this Form 10-Q. Taxes and licenses decreased from 7.9% to 7.6% of revenues due primarily to the increases in logistics and other non-trucking revenues and owner-operator miles as a percentage of total miles. Insurance and claims increased from 2.8% to 3.0% of revenues due to an increased frequency of property damage and other claims during the current quarter. Rent and purchased transportation increased from 15.5% to 16.8% of revenues due primarily to the Company's increases in logistics and other non-trucking transportation services and owner-operator miles as a percentage of total miles.

Six Months Ended June 30, 1999 and 1998

Operating revenues increased by 21.9% for the six months ended June 30, 1999, compared to the same period of the previous year, primarily due to a 19.6% increase in the average number of tractors. Revenue per mile, excluding fuel surcharges, increased 1.3% due primarily to rate increases and changes in the mix of freight resulting in a decrease in the average trip length. A $10.0 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 89.8% for the six months ended June 30, 1999, compared to 89.5% for the same period of the previous year. The increase in logistics and other non-trucking transportation services, and an increase in owner-operator miles as a percentage of total miles (17.4% in 1999 compared to 16.7% in 1998), resulted in a shift in costs to the rent and purchased transportation expense category from several other expense categories.

Salaries, wages and benefits decreased from 37.4% to 36.8% of revenues, primarily due to the increase in logistics and other non-trucking transportation services, more owner-operator miles as a percentage of total miles, and a higher ratio of tractors to non-driver employees. Driver pay per mile decreased slightly due to more entry-level drivers earning a lower pay rate per mile. These factors were partially offset by an increase in driver pay for drivers in training due to an increase in the number of drivers in the training program, and more extra driver pay for multiple stops and driver assist loading/unloading. Fuel decreased from 7.0% to 6.4% of revenues due mainly to lower fuel prices, on average, during the six months ended June 30, 1999, compared to the same period of 1998. Supplies and maintenance decreased from 8.4% to 8.2% of revenues due primarily to the increased logistics and other non-trucking revenues and increased percentage of owner-operator miles. Insurance and claims increased from 3.1% to 3.4% of revenues due to unfavorable claims experience partly due to more severe winter driving conditions during the first quarter of 1999 and an increased frequency of property damage and other claims during the six months ended June 30, 1999. Rent and purchased transportation increased from 16.1% to 17.2% of revenues due to the increase in logistics and other non-trucking transportation services and increase in owner-operator miles as a percentage of total miles. Other operating expenses changed from (1.4%) to (1.0%) of revenues due in part to higher expense for repairs on equipment sales to third parties during 1999, which reduced the amount of gains recognized on these 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 $80 million of variable rate debt at June 30, 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 $800,000.

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 June 30, 1999, the Company had no derivative financial instruments to reduce its exposure to fuel price fluctuations.

PART II

OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

The Annual Meeting of Stockholders of Werner Enterprises, Inc. was held on May 11, 1999 for the purpose of electing three directors for three- year terms. Proxies for the meeting were solicited pursuant to Section 14(a) of the Securities Exchange Act of 1934, and there was no solicitation in opposition to management's nominees. Each of management's nominees for director as listed in the Proxy Statement was elected. Of the 47,333,409 shares entitled to vote, stockholders representing 45,145,738 shares (95.4%) were present in person or by proxy. The voting tabulation was as follows:

	Shares Voted "FOR"	Shares Voted "ABSTAIN"
Gary L. Werner	44,215,513	930,225
Gregory L. Werner	44,600,350	545,388
Martin F. Thompson	44,625,462	520,276

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	June 30, 1999 Financial Data Schedule	Filed herewith

(b) Reports on Form 8-K.

(i) A report on Form 8-K, filed April 16, 1999, regarding a news release on April 15, 1999, announcing the Company's operating revenues and earnings for the first quarter ended March 31, 1999.

(ii) A report on Form 8-K, filed June 16, 1999, regarding a change in the Company's certifying accountants effective June 10, 1999.

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: August 13, 1999	*By: /s/ John J. Steele*
	John J. Steele *Vice President, Treasurer and* *Chief Financial Officer*
Date: August 13, 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 June 30		Six Months Ended June 30	
	1999	1998	1999	1998
Net income	$17,576	$15,012	$30,198	$25,885
Average common shares outstanding	47,374	47,883	47,351	47,852
Common stock equivalents (1)	253	302	248	304
Diluted shares outstanding	47,627	48,185	47,599	48,156
Earnings per share	$ .37	$ .31	$ .64	$ .54
Diluted earnings per share	$ .37	$ .31	$ .63	$ .54

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

ARTICLE 5

MULTIPLIER: 1,000

PERIOD TYPE	6 MOS
FISCAL YEAR END	DEC 31 1999
PERIOD START	JAN 01 1999
PERIOD END	JUN 01 1999
CASH	10,531
SECURITIES	0
RECEIVABLES	120,837
ALLOWANCES	0
INVENTORY	0
CURRENT ASSETS	163,277
PP&E	913,186
DEPRECIATION	234,392
TOTAL ASSETS	842,071
CURRENT LIABILITIES	127,226
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	483
OTHER SE	469,611
TOTAL LIABILITY AND EQUITY	842,071
SALES	501,626
TOTAL REVENUES	501,626
CGS	0
TOTAL COSTS	450,692
OTHER EXPENSES	(616)
LOSS PROVISION	0
INTEREST EXPENSE	2,843
INCOME PRETAX	48,707
INCOME TAX	18,509
INCOME CONTINUING	30,198
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	30,198
EPS BASIC	.64
EPS DILUTED	.63

End of Filing