WERNER ENTERPRISES INC

FORM 10-Q
(Quarterly Report)

Filed 11/15/99 for the Period Ending 09/30/99

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 11/15/1999 For Period Ending 9/30/1999

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
September 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 October 31, 1999, 47,505,836 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 nine-month periods ended September 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 September 30	
	1999	1998
	(Unaudited)	
Operating revenues	$ 270,144	$ 219,715
Operating expenses:		
Salaries, wages and benefits	97,830	83,421
Fuel	21,600	13,766
Supplies and maintenance	23,027	18,436
Taxes and licenses	20,467	17,075
Insurance and claims	7,040	5,523
Depreciation	25,415	20,604
Rent and purchased transportation	45,382	34,278
Communications and utilities	3,394	2,814
Other	(2,852)	(2,701)
Total operating expenses	241,303	193,216
Operating income	28,841	26,499
Other expense (income):		
Interest expense	1,731	1,242
Interest income	(355)	(446)
Other	83	33
Total other expense	1,459	829
Income before income taxes	27,382	25,670
Income taxes	10,405	9,755
Net income	$ 16,977	$ 15,915
Average common shares outstanding	47,464	47,658
Earnings per share	$ .36	$ .33
Diluted shares outstanding	47,741	47,846
Diluted earnings per share	$ .36	$ .33
Dividends declared per share	$ .025	$ .024

WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF INCOME

(In thousands)	Nine Months Ended September 30 1999	1998
	(Unaudited)	
Operating revenues	$ 771,770	$ 631,100
Operating expenses:		
Salaries, wages and benefits	282,397	237,403
Fuel	53,819	42,662
Supplies and maintenance	64,190	53,159
Taxes and licenses	60,071	49,606
Insurance and claims	24,311	18,146
Depreciation	73,606	60,435
Rent and purchased transportation	131,565	100,470
Communications and utilities	9,904	7,922
Other	(7,868)	(8,387)
Total operating expenses	691,995	561,416
Operating income	79,775	69,684
Other expense (income):		
Interest expense	4,574	3,486
Interest income	(1,028)	(1,296)
Other	140	74
Total other expense	3,686	2,264
Income before income taxes	76,089	67,420
Income taxes	28,914	25,620
Net income	$ 47,175	$ 41,800
Average common shares outstanding	47,389	47,786
Earnings per share	$ 1.00	$ .87
Diluted shares outstanding	47,648	48,055
Diluted earnings per share	$ .99	$ .87
Dividends declared per share	$ .075	$ .068

WERNER ENTERPRISES, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS

(In thousands)	September 30 1999	December 31 1998
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 18,367	$ 15,913
Accounts receivable, net	135,056	94,329
Prepaid taxes, licenses and permits	3,605	10,792
Other current assets	28,374	24,231
Total current assets	185,402	145,265
Property and equipment	939,329	829,461
Less - accumulated depreciation	249,085	205,530
Property and equipment, net	690,244	623,931
	$ 875,646	$ 769,196
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 42,274	$ 48,146
Short-term debt (Note 1)	15,000	-
Insurance and claims accruals	30,305	23,250
Accrued payroll	13,474	10,051
Income taxes payable	5,597	471
Other current liabilities	12,985	9,989
Total current liabilities	119,635	91,907
Long-term debt	120,000	100,000
Insurance, claims and other long-term accruals	31,301	30,801
Deferred income taxes	117,694	105,900
Stockholders' equity	487,016	440,588
	$ 875,646	$ 769,196

WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Nine Months Ended September 30	
	1999	1998
	(Unaudited)	
Cash flows from operating activities:		
Net income	$ 47,175	$ 41,800
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	73,606	60,435
Deferred income taxes	11,794	9,427
Gain on disposal of operating equipment	(8,842)	(9,624)
Insurance, claims and other long-term accruals	500	972
Tax benefit from exercise of stock options	659	372
Changes in certain working capital items:		
Accounts receivable, net	(40,727)	5,988
Prepaid expenses and other current assets	3,044	268
Accounts payable	(5,872)	(8,212)
Other current liabilities	18,595	(967)
Net cash provided by operating activities	99,932	100,459
Cash flows from investing activities:		
Additions to property and equipment	(188,157)	(180,325)
Proceeds from sales of property and equipment	57,080	67,592
Net cash used in investing activities	(131,077)	(112,733)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	20,000	20,000
Proceeds from issuance of short-term debt	30,000	-
Repayments of short-term debt	(15,000)	-
Dividends on common stock	(3,552)	(3,063)
Repurchases of common stock	-	(7,161)
Stock options exercised	2,151	1,287
Net cash provided by financing activities	33,599	11,063
Net increase (decrease) in cash and cash equivalents	2,454	(1,211)
Cash and cash equivalents, beginning of period	15,913	22,294
Cash and cash equivalents, end of period	$ 18,367	$ 21,083

Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 5,098	$ 2,627
Income taxes	$ 11,158	$ 20,029

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Committed Credit Facilities

In addition to $50 million of fixed-rate debt described in footnote
(2) of the Company's financial statements for the year ended December 31, 1998, the Company had $70 million of long-term and $45 million of short- term variable-rate committed credit facilities with financial institutions available at September 30, 1999. These credit facilities bear variable interest (5.7% at September 30, 1999) based on the London Interbank Offered Rate (LIBOR) or, at the Company's option, the financial institution's base lending rate. Borrowings of $70 million under long-term variable-rate facilities and $15 million under short-term variable-rate facilities were outstanding at September 30, 1999.

(2) Commitments

As of September 30, 1999, the Company has commitments for capital expenditures of approximately $40 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) and non-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 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	100%	0%
Non-IT systems	100%	0%

Based on information currently available, the Company believes that the Year 2000 issue will not pose significant operational or administrative problems for the Company. However, there can be no assurance that the Year 2000 issue will not have a material adverse effect on the Company's business, operations or financial condition. 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 specific contingency plan at that time. As a general precaution, the Company has documented manual procedures to be implemented if the IT systems of its material vendors or customers fail and has made arrangements for its key employees to be available should the Company experience disruptions.

Financial Condition:

During the nine months ended September 30, 1999, the Company generated cash flow from operations of $99.9 million. The Company received net proceeds from the issuance of long-term and short-term borrowings of $35 million, which, along with the cash flow from operations, enabled the Company to make net property additions, primarily revenue equipment, of $131.1 million and pay common stock dividends of $3.6 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 September 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 September 30, 1999 compared to 18.5% at December 31, 1998.

Results of Operations:

Three Months Ended September 30, 1999 and 1998

Operating revenues increased 23.0% for the three months ended September 30, 1999, compared to the same period of the prior year, primarily due to a 21.4% increase in the average number of tractors in service. Average tractors in service increased from 5,726 in third quarter 1998 to 6,949 in third quarter 1999. Revenue per mile, excluding fuel surcharges, increased 1.3% compared to third 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 $4.3 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 89.3% for the three months ended September 30, 1999, compared to 87.9% for the three months ended September 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 (18.9% in third quarter 1999 compared to 16.8% in third 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 37.9% to 36.2% 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. 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 6.2% to 8.0% of revenues, due mainly to higher average fuel prices during the quarter compared to the same quarter of the prior year. The average cost of fuel, excluding fuel taxes, was 41% higher in third quarter 1999 compared to third quarter 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 7.8% 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. Rent and purchased transportation increased from 15.6% 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.

Nine Months Ended September 30, 1999 and 1998

Operating revenues increased by 22.3% for the nine months ended September 30, 1999, compared to the same period of the previous year, primarily due to a 20.2% 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 $14.3 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 89.7% for the nine months ended September 30, 1999, compared to 89.0% 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 (17.9% 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 37.6% to 36.6% 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. Fuel increased from 6.8% to 7.0% of revenues due mainly to higher fuel prices, on average, during the nine months ended September 30, 1999, compared to the same period of 1998, partly offset by the increases in logistics revenues and owner-operator miles. Insurance and claims increased from 2.9% to 3.2% 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 nine months ended September 30, 1999. Rent and purchased transportation increased from 15.9% to 17.0% 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 (1.3%) 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 $85 million of variable rate debt at September 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 $850,000.

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. As of September 30, 1999, the Company has implemented customer fuel surcharges with a majority of its revenue base to offset a portion of the higher fuel cost per gallon. The Company cannot predict whether high fuel price levels will continue in the future or the extent to which fuel surcharges will be collected to offset such increases. As of September 30, 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 September 30, 1999 Financial Data Schedule Filed herewith

(b) Reports on Form 8-K.

(i) A report on Form 8-K, filed July 21, 1999, regarding a news release on July 16, 1999, announcing the Company's operating revenues and earnings for the second quarter ended June 30, 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: November 12, 1999	*By: /s/ John J. Steele* *John J. Steele* *Vice President, Treasurer and* *Chief Financial Officer*
Date: November 12, 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 September 30		Nine Months Ended September 30	
	1999	1998	1999	1998
Net income	$16,977	$15,915	$47,175	$41,800
Average common shares outstanding	47,464	47,658	47,389	47,786
Common stock equivalents (1)	277	188	259	269
Diluted shares outstanding	47,741	47,846	47,648	48,055
Earnings per share	$ .36	$ .33	$ 1.00	$ .87
Diluted earnings per share	$ .36	$ .33	$ .99	$ .87

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

ARTICLE 5

MULTIPLIER: 1,000

PERIOD TYPE	9 MOS
FISCAL YEAR END	DEC 31 1999
PERIOD START	JAN 01 1999
PERIOD END	SEP 30 1999
CASH	18,367
SECURITIES	0
RECEIVABLES	135,056
ALLOWANCES	0
INVENTORY	0
CURRENT ASSETS	185,402
PP&E	939,329
DEPRECIATION	249,085
TOTAL ASSETS	875,646
CURRENT LIABILITIES	119,635
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	483
OTHER SE	486,533
TOTAL LIABILITY AND EQUITY	875,646
SALES	771,770
TOTAL REVENUES	771,770
CGS	0
TOTAL COSTS	691,995
OTHER EXPENSES	(888)
LOSS PROVISION	0
INTEREST EXPENSE	4,574
INCOME PRETAX	76,089
INCOME TAX	28,914
INCOME CONTINUING	47,175
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	47,175
EPS BASIC	1.00
EPS DILUTED	.99

End of Filing