WERNER ENTERPRISES INC

FORM 10-Q
(Quarterly Report)

Filed 05/15/00 for the Period Ending 03/31/00

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 5/15/2000 For Period Ending 3/31/2000

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

UNITED STATES
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, 2000 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, 2000, 47,057,862 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, 2000, are not necessarily indicative of the results that may be expected for the year ending December 31, 2000. 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 Annual Report on Form 10-K for the year ended December 31, 1999.

WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)	Three Months Ended March 31	
	2000	1999
	(Unaudited)	
Operating revenues	$ 291,379	$ 240,980
Operating expenses:		
Salaries, wages and benefits	103,312	89,321
Fuel	31,209	14,008
Supplies and maintenance	25,312	20,138
Taxes and licenses	21,462	19,766
Insurance and claims	6,980	9,390
Depreciation	26,321	23,535
Rent and purchased transportation	57,027	42,327
Communications and utilities	3,686	3,099
Other	(2,465)	(1,847)
Total operating expenses	272,844	219,737
Operating income	18,535	21,243
Other expense (income):		
Interest expense	2,235	1,198
Interest income	(447)	(330)
Other	105	17
Total other expense	1,893	885
Income before income taxes	16,642	20,358
Income taxes	6,324	7,736
Net income	$ 10,318	$ 12,622
Average common shares outstanding	47,092	47,327
Basic earnings per share	$ .22	$ .27
Diluted shares outstanding	47,251	47,570
Diluted earnings per share	$ .22	$ .27
Dividends declared per share	$ .025	$ .025

WERNER ENTERPRISES, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS

(In thousands)	March 31 2000 (Unaudited)	December 31 1999
ASSETS		
Current assets:		
Cash and cash equivalents	$ 16,409	$ 15,368
Accounts receivable, net	130,733	127,211
Other receivables	14,852	11,217
Prepaid taxes, licenses and permits	10,283	12,423
Other current assets	23,861	22,608
Total current assets	196,138	188,827
Property and equipment	957,087	970,609
Less - accumulated depreciation	266,735	262,557
Property and equipment, net	690,352	708,052
Notes receivable	1,423	-
	$ 887,913	$ 896,879
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 30,901	$ 35,686
Short-term debt	5,000	25,000
Insurance and claims accruals	33,197	32,993
Accrued payroll	13,925	11,846
Other current liabilities	19,609	15,681
Total current liabilities	102,632	121,206
Long-term debt	120,000	120,000
Insurance, claims and other long-term accruals	30,301	30,301
Deferred income taxes	133,180	130,600
Stockholders' equity	501,800	494,772
	$ 887,913	$ 896,879

WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Three Months Ended March 31	
	2000	1999
	(Unaudited)	
Cash flows from operating activities:		
Net income	$ 10,318	$ 12,622
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	26,321	23,535
Deferred income taxes	2,580	3,155
Gain on disposal of operating equipment	(2,787)	(2,191)
Tax benefit from exercise of stock options	3	77
Changes in certain working capital items:		
Accounts receivable, net	(3,522)	(12,929)
Prepaid expenses and other current assets	(2,748)	1,993
Accounts payable	(4,785)	4,064
Other current liabilities	6,208	9,220
Net cash provided by operating activities	31,588	39,546
Cash flows from investing activities:		
Additions to property and equipment	(32,563)	(75,943)
Proceeds from sales of property and equipment	25,306	15,761
Net cash used in investing activities	(7,257)	(60,182)
Cash flows from financing activities:		
Proceeds from issuance of short-term debt	-	20,000
Repayments of short-term debt	(20,000)	-
Dividends on common stock	(1,180)	(1,183)
Repurchases of common stock	(2,113)	-
Stock options exercised	3	273
Net cash provided by (used in) financing activities	(23,290)	19,090
Net increase (decrease) in cash and cash equivalents	1,041	(1,546)
Cash and cash equivalents, beginning of period	15,368	15,913
Cash and cash equivalents, end of period	$ 16,409	$ 14,367
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 1,844	$ 1,589
Income taxes	$ 1,323	$ 752
Supplemental schedule of non-cash investing activities:		
Notes receivable issued upon sale of revenue equipment	$ 1,423	$ -

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Long-Term Debt

Long-term debt consists of the following (in thousands):

<TABLE

[CAPTION]

	March 31 2000	December 31 1999
[S]	[C]	[C]
Notes payable to banks under committed credit facilities	$ 75,000	$ 95,000
6.55% Series A Senior Notes, due November 2002	20,000	20,000
6.02% Series B Senior Notes, due November 2002	10,000	10,000
5.52% Series C Senior Notes, due December 2003	20,000	20,000
	125,000	145,000
Less short-term debt	(5,000)	(25,000)
Long-term debt	$ 120,000	$ 120,000

[/TABLE]

The notes payable to banks under committed credit facilities bear variable interest (6.4% at March 31, 2000) based on the London Interbank Offered Rate (LIBOR) and mature at various dates from June 2000 to September 2001. The Company has an additional $40 million of short-term and $5 million of long-term credit facilities with banks which bear variable interest based on LIBOR, on which no borrowings were outstanding at March 31, 2000. The Company is completing new agreements with three lending institutions to extend or expand its existing committed credit facilities. These arrangements are expected to be finalized during the second quarter of 2000.

(2) Commitments

As of March 31, 2000, the Company has commitments for capital expenditures of approximately $122 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, 1999.

Financial Condition:

During the three months ended March 31, 2000, the Company generated cash flow from operations of $31.6 million. The cash flow from operations enabled the Company to make net property additions, primarily revenue equipment, of $7.3 million, repay $20.0 million of debt, repurchase common stock of $2.1 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, 2000 was 24.9%, compared with 29.3% at December 31, 1999. The Company's debt to total capitalization ratio (total capitalization equals total debt plus total stockholders' equity) was 19.9% at March 31, 2000 compared to 22.7% at December 31, 1999.

Results of Operations:

Three Months Ended March 31, 2000 and 1999

Operating revenues increased 21% for the three months ended March 31, 2000, compared to the same period of the prior year, due in part to a 12% increase in the average number of tractors in service. Average tractors in service increased from 6,354 in first quarter 1999 to 7,127 in first quarter 2000. Over the past two quarters, the Company has focused its efforts more on obtaining rate increases and improving fuel surcharge reimbursements than on growth. As a result, revenue per mile, excluding fuel surcharges, increased 2.4% and revenue per mile, including fuel surcharges, increased 6.1% compared to first quarter of 1999. A shift in the mix of freight between fleets in the truckload division, which decreased the average trip length by 1.7%, also contributed to the increased revenue per mile. Revenue per mile tends to increase as length of haul decreases. A $3.5 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 93.6% for the three months ended March 31, 2000, compared to 91.2% for the three months ended March 31, 1999. 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 (19.6% in first quarter 2000 compared to 16.8% in first quarter 1999), contributed to a shift in costs to the rent and purchased transportation expense category from several other expense categories, as described on the following page. 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.

On March 14, 2000, the Company announced that it had signed a letter of intent to join five other large transportation companies and merge their logistics business units into a commonly owned, Internet-based transportation logistics company, Transplace.com. Transplace.com will offer a Web-enabled transportation platform to bring together shippers and carriers to collaborate on their transportation logistics planning and execution in the most efficient and effective manner. Transplace.com is developing programs for the cooperative purchasing of products, supplies and services with the goal of lowering the costs of member carriers. It is expected that Werner Enterprises will transfer its existing logistics business to Transplace.com during third quarter 2000. The transfer will result in a decrease in logistics and other non-trucking revenue and corresponding purchased transportation expense. This transfer is not expected to materially impact the earnings of Werner Enterprises during the year 2000.

Salaries, wages and benefits decreased from 37.1% to 35.5% of revenues due primarily to the increase in logistics and other non-trucking revenues and more owner-operator miles. 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 5.8% to 10.7% of revenues due mainly to significantly 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 118% higher in first quarter 2000 compared to first quarter 1999. The increase was partially offset by increases in non-trucking revenues and owner-operator miles. The Company's customer fuel surcharge reimbursement programs recovered approximately 60% of the increased fuel cost during first quarter 2000. A portion of the fuel expense increase was not recovered during first quarter 2000 due to several factors, including:
the fuel price levels which determine when fuel surcharges are collected, unreimbursed empty miles between freight shipments, unreimbursed out-of- route miles caused in part by driver home time needs, and the unreimbursed costs of truck idling. Management has focused its efforts on improving the amount and percentage of fuel surcharge reimbursement. The Company cannot predict whether higher fuel price levels will continue or the extent to which fuel surcharges could be collected from customers to offset such increases. If fuel prices remain at elevated levels, the Company's operating results for 2000 and beyond will be adversely impacted to the extent the higher costs are not recovered from customers.

Supplies and maintenance increased from 8.4% to 8.7% of revenues primarily due to higher tractor and trailer maintenance costs, partially offset by the increase in logistics and other non-trucking revenues and more owner-operator miles. Taxes and licenses decreased from 8.2% to 7.4% of revenues due in part to the increase in logistics and other non-trucking revenues and more owner-operator miles. Insurance and claims decreased from 3.9% to 2.4% of revenues due to favorable claims experience and from milder winter weather conditions during the first quarter of 2000 compared to the same quarter last year.

Depreciation decreased from 9.8% to 9.0% of revenues due to increases in non-trucking revenues and owner-operator tractors as a percentage of total tractors and leased tractors. Rent and purchased transportation increased from 17.6% to 19.6% of revenues due primarily to the Company's increase in logistics and other non-trucking transportation services, owner- operator miles as a percentage of total miles, and rent expense associated with tractors under operating leases. Interest expense increased from .5% to .8% of revenues due to higher average debt outstanding and slightly higher interest rates on the Company's variable rate debt.

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 $75 million of variable rate debt at March 31, 2000. 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 $750,000.

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 March 31, 2000, 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 can be collected to offset such increases. As of March 31, 2000, 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, 2000 Financial Data Schedule	Filed herewith

(b) Reports on Form 8-K.

A report on Form 8-K, filed January 25, 2000, regarding a news release on January 20, 2000, announcing the Company's operating revenues and earnings for the fourth quarter and year ended December 31, 1999.

A report on Form 8-K, filed March 14, 2000, regarding a news release on March 14, 2000, announcing that six of the nation's largest transportation companies-Covenant Transport, Inc.; J. B. Hunt Transport Services, Inc.; M. S. Carriers, Inc.; Swift Transportation Co., Inc.; U.S. Xpress Enterprises, Inc.; and Werner Enterprises, Inc.-are merging their logistics businesses in a new Internet venture, Transplace.com.

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 15, 2000*	*By:*	*/s/ John J. Steele*
			John J. Steele *Vice President, Treasurer and* *Chief Financial Officer*
Date:	*May 15, 2000*	*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	
	2000	1999
Net income	$ 10,318	$ 12,622
Average common shares outstanding	47,092	47,327
Common stock equivalents (1)	159	243
Diluted shares outstanding	47,251	47,570
Basic earnings per share	$ .22	$ .27
Diluted earnings per share	$ .22	$ .27

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

ARTICLE 5

MULTIPLIER: 1000

PERIOD TYPE	3 MOS
FISCAL YEAR END	DEC 31 2000
PERIOD START	JAN 01 2000
PERIOD END	MAR 31 2000
CASH	16409
SECURITIES	0
RECEIVABLES	130733
ALLOWANCES	0
INVENTORY	0
CURRENT ASSETS	196138
PP&E	957087
DEPRECIATION	266735
TOTAL ASSETS	887913
CURRENT LIABILITIES	102632
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	483
OTHER SE	501317
TOTAL LIABILITY AND EQUITY	887913
SALES	291379
TOTAL REVENUES	291379
CGS	0
TOTAL COSTS	272844
OTHER EXPENSES	(342)
LOSS PROVISION	0
INTEREST EXPENSE	2235
INCOME PRETAX	16642
INCOME TAX	6324
INCOME CONTINUING	10318
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	10318
EPS BASIC	.22
EPS DILUTED	.22

End of Filing