

WERNER ENTERPRISES INC

FORM 10-Q (Quarterly Report)

Filed 08/05/03 for the Period Ending 06/30/03

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 8/5/2003 For Period Ending 6/30/2003

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 quarterly period ended June 30, 2003

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

Commission file number 0-14690

WERNER ENTERPRISES, INC.

(Exact name of registrant as specified in its charter)

NEBRASKA

(State or other jurisdiction of
incorporation or organization)

47-0648386

(I.R.S. Employer Identification No.)

**14507 FRONTIER ROAD
POST OFFICE BOX 45308
OMAHA, NEBRASKA 68145-0308 (402) 895-6640**

(Address of principal
executive offices)

(Zip Code) (Registrant's telephone number,
including area code)

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 ☒ NO ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes X No

As of July 31, 2003, 63,924,274 shares of the registrant's common stock, par value \$.01 per share, were outstanding.

PART I - FINANCIAL INFORMATION

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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, results of operations, and cash flows for the periods presented. The interim consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements.

Operating results for the three-month and six-month periods ended June 30, 2003, are not necessarily indicative of the results that may be expected for the year ending December 31, 2003. 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, 2002.

WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)	Three Months Ended June 30	
	2003	2002
	(Unaudited)	
Operating revenues	\$362,290	\$340,405
Operating expenses:		
Salaries, wages and benefits	127,821	122,417
Fuel	37,188	30,401
Supplies and maintenance	29,709	31,112
Taxes and licenses	25,836	24,723
Insurance and claims	17,881	12,793
Depreciation	32,981	29,521
Rent and purchased transportation	54,961	57,852
Communications and utilities	3,980	3,644
Other	357	804
Total operating expenses	330,714	313,267
Operating income	31,576	27,138
Other expense (income):		
Interest expense	283	801
Interest income	(508)	(602)
Other	28	419
Total other expense (income)	(197)	618
Income before income taxes	31,773	26,520
Income taxes	11,914	9,945
Net income	\$ 19,859	\$ 16,575
Average common shares outstanding	63,865	63,801
Basic earnings per share	\$.31	\$.26
Diluted shares outstanding	65,344	65,192
Diluted earnings per share	\$.30	\$.25
Dividends declared per share	\$.03	\$.02

WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)	Six Months Ended June 30	
	2003	2002
	(Unaudited)	
Operating revenues	\$709,498	\$652,980
Operating expenses:		
Salaries, wages and benefits	250,948	237,919
Fuel	82,133	55,462
Supplies and maintenance	58,468	61,168
Taxes and licenses	51,556	48,605
Insurance and claims	37,022	24,399
Depreciation	65,702	58,723
Rent and purchased transportation	105,043	113,267
Communications and utilities	7,975	7,361
Other	92	1,653
Total operating expenses	658,939	608,557
Operating income	50,559	44,423
Other expense (income):		
Interest expense	588	1,559
Interest income	(782)	(1,276)
Other	37	631
Total other expense (income)	(157)	914
Income before income taxes	50,716	43,509
Income taxes	19,018	16,316
Net income	\$ 31,698	\$ 27,193
Average common shares outstanding	63,813	63,802
Basic earnings per share	\$.50	\$.43
Diluted shares outstanding	65,249	65,250
Diluted earnings per share	\$.49	\$.42
Dividends declared per share	\$.05	\$.04

WERNER ENTERPRISES, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS

(In thousands, except share amounts)	June 30	December 31
	2003	2002
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 101,814	\$ 29,885
Accounts receivable, trade, less allowance of \$5,585 and \$4,459, respectively	143,836	131,889
Other receivables	13,858	10,335
Inventories and supplies	9,184	9,777
Prepaid taxes, licenses and permits	7,387	13,535
Income taxes receivable	-	9,811
Other current assets	14,641	14,317
Total current assets	290,720	219,549
Property and equipment	1,208,569	1,212,488
Less - accumulated depreciation	415,416	380,221
Property and equipment, net	793,153	832,267
Other non-current assets	10,698	11,062
	\$1,094,571	\$1,062,878
	=====	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 39,265	\$ 50,546
Current portion of long-term debt	20,000	20,000
Insurance and claims accruals	56,987	47,358
Accrued payroll	20,487	18,374
Current deferred income taxes	17,710	17,710
Other current liabilities	13,563	11,885
Total current liabilities	168,012	165,873
Insurance and claims accruals, net of current portion	56,301	47,801
Deferred income taxes	193,924	201,561
Stockholders' equity:		
Common stock, \$.01 par value, 200,000,000 shares authorized; 64,427,173 shares issued; 63,862,875 and 63,781,288 shares outstanding, respectively	644	644
Paid-in capital	108,892	107,527
Retained earnings	575,973	547,467
Accumulated other comprehensive loss	(164)	(216)
Treasury stock, at cost; 564,298 and 645,885 shares, respectively	(9,011)	(7,779)
Total stockholders' equity	676,334	647,643
	\$1,094,571	\$1,062,878
	=====	

WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Six Months Ended June 30	
	2003	2002
	(Unaudited)	
Cash flows from operating activities:		
Net income	\$ 31,698	\$ 27,193
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	65,702	58,723
Deferred income taxes	(7,637)	6,962
(Gain) loss on disposal of property and equipment	(2,641)	61
Equity in loss of unconsolidated affiliate	-	637
Tax benefit from exercise of stock options	1,232	995
Other long-term assets	61	(83)
Insurance claims accruals, net of current portion	8,500	3,500
Changes in certain working capital items:		
Accounts receivable, net	(11,947)	(6,449)
Other current assets	12,705	(213)
Accounts payable	(11,281)	1,718
Other current liabilities	12,779	7,207
Net cash provided by operating activities	99,171	100,251
Cash flows from investing activities:		
Additions to property and equipment	(48,194)	(117,359)
Retirements of property and equipment	23,754	32,646
Decrease (increase) in notes receivable	796	(3,040)
Net cash used in investing activities	(23,644)	(87,753)
Cash flows from financing activities:		
Dividends on common stock	(2,551)	(2,470)
Payment of stock split fractional shares	-	(12)
Repurchases of common stock	(3,997)	(1,556)
Stock options exercised	2,898	2,388
Net cash used in financing activities	(3,650)	(1,650)
Effect of exchange rate fluctuations on cash	52	-
Net increase in cash and cash equivalents	71,929	10,848
Cash and cash equivalents, beginning of period	29,885	74,366
Cash and cash equivalents, end of period	\$101,814	\$85,214
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 588	\$ 1,559
Income taxes	\$ 15,408	\$ 9,881
Supplemental schedule of non-cash investing activities:		
Notes receivable issued upon sale of revenue equipment	\$ 493	\$ 49

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Comprehensive Income

Other than its net income, the Company's only other source of comprehensive income (loss) is foreign currency translation adjustments. Other comprehensive income (loss) from foreign currency translation adjustments was \$139 and (\$35) (in thousands) for the three-month periods and \$52 and (\$38) (in thousands) for the six-month periods ended June 30, 2003 and 2002, respectively.

(2) Long-Term Debt

As of June 30, 2003, the Company has two credit facilities with banks totaling \$75 million which expire May 16, 2005 and October 22, 2005 and bear variable interest based on the London Interbank Offered Rate (LIBOR), on which no borrowings were outstanding. As of June 30, 2003, the credit available pursuant to these bank credit facilities is reduced by \$15.8 million in letters of credit the Company maintains. In addition, \$8.6 million of letters of credit issued by a third bank will be transferred to these credit facilities in the near future, further reducing the available credit. Each of the debt agreements require, among other things, that the Company maintain a minimum consolidated tangible net worth and not exceed a maximum ratio of total funded debt to EBITDAR. The Company was in compliance with these covenants at June 30, 2003.

As referred to above, on April 22, 2003, the Company established a new bank credit facility totaling \$25 million which will expire on October 22, 2005. This credit facility is in addition to the credit facilities that existed at March 31, 2003. As referred to above, on May 16, 2003, the Company renewed a bank credit facility and increased the credit facility to \$50 million. This facility will expire on May 16, 2005. This credit facility replaces the \$25 million credit facility available at March 31, 2003 that was scheduled to expire on August 31, 2004. The Company also had a \$20 million credit facility with another bank that expired on May 18, 2003.

(3) Commitments

As of June 30, 2003, the Company has commitments for net capital expenditures of approximately \$56 million.

(4) Earnings Per Share

A reconciliation of the numerator and denominator of basic and diluted earnings per share is shown below. Common stock equivalents represent the dilutive effect of outstanding stock options for all periods presented.

	(in thousands, except per share amounts)			
	Three Months Ended June 30		Six Months Ended June 30	
	2003	2002	2003	2002
Net income	\$ 19,859	\$ 16,575	\$ 31,698	\$ 27,193
Average common shares outstanding	63,865	63,801	63,813	63,802
Common stock equivalents	1,479	1,391	1,436	1,448
Diluted shares outstanding	65,344	65,192	65,249	65,250
Basic earnings per share	\$.31	\$.26	\$.50	\$.43
Diluted earnings per share	\$.30	\$.25	\$.49	\$.42

There were no options to purchase shares of common stock which were outstanding during the periods indicated above, but excluded from the computation of diluted earnings per share because the option purchase price was greater than the average market price of the common shares.

(5) Stock Based Compensation

At June 30, 2003, the Company has a nonqualified stock option plan. The Company did not grant any stock options during the three-month or six-month periods ended June 30, 2003 and 2002. The Company applies the intrinsic value based method of Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations in accounting for its stock option plan. No stock-based employee compensation cost is reflected in net income, as all options granted under the plan had an exercise price equal to the market value of the underlying common stock on the date of grant. The Company's pro forma net income and earnings per share would have been as indicated below had the fair value of all option grants been charged to salaries, wages, and benefits in accordance with SFAS No. 123, Accounting for Stock-Based Compensation:

	(in thousands, except per share amounts)			
	Three Months Ended June 30		Six Months Ended June 30	
	2003	2002	2003	2002
Net income, as reported	\$ 19,859	\$ 16,575	\$ 31,698	\$ 27,193
Less: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	629	865	1,258	1,727
Net income, pro forma	\$ 19,230	\$ 15,710	\$ 30,440	\$ 25,466
Earnings per share:				
Basic - as reported	\$.31	\$.26	\$.50	\$.43
Basic - pro forma	\$.30	\$.25	\$.48	\$.40
Diluted - as reported	\$.30	\$.25	\$.49	\$.42
Diluted - pro forma	\$.29	\$.24	\$.47	\$.39

(6) Segment Information

The Company has one reportable segment - Truckload Transportation Services. This segment consists of five operating fleets that have been aggregated since they have similar economic characteristics and meet the other aggregation criteria of SFAS No. 131. The Medium- to Long-Haul Van fleet transports a variety of consumer, non-durable products and other commodities in truckload quantities over irregular routes using dry van trailers. The Regional Short-Haul fleet provides comparable truckload van service within five geographic areas. The Flatbed and Temperature- Controlled fleets provide truckload services for products with specialized trailers. The Dedicated Services fleet provides truckload services required by a specific company, plant, or distribution center.

The Company generates non-trucking revenues related to freight brokerage, freight transportation management, third-party equipment maintenance, and other business activities. None of these operations meet the quantitative threshold reporting requirements of SFAS No. 131. As a result, these operations are grouped in "Other" in the table below. The Company does not prepare separate balance sheets by segments and, as a result, assets are not separately identifiable by segment. The Company has no significant intersegment sales or expense transactions that would result in adjustments necessary to eliminate amounts between the Company's segments.

The following tables summarize the Company's segment information (in thousands of dollars):

	Revenues			
	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2003	2002	2003	2002
Truckload Transportation Services	\$336,352	\$316,432	\$661,433	\$607,464
Other	25,938	23,973	48,065	45,516
Total	\$362,290	\$340,405	\$709,498	\$652,980
=====				
	Operating Income			
	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2003	2002	2003	2002
Truckload Transportation Services	\$31,473	\$26,887	\$50,036	\$43,599
Other	103	251	523	824
Total	\$31,576	\$27,138	\$50,559	\$44,423
=====				

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, 2002. The Company assumes no obligation to update any forward-looking statement to the extent it becomes aware that it will not be achieved for any reason.

Financial Condition:

During the six months ended June 30, 2003, the Company generated cash flow from operations of \$99.2 million, a 1.1% decrease (\$1.1 million) in cash flow compared to the same six-month period a year ago. The cash flow from operations enabled the Company to make net property additions, primarily revenue equipment, of \$24.4 million, repurchase common stock of \$4.0 million, and pay common stock dividends of \$2.6 million. Based on the Company's strong financial position, management foresees no significant barriers to obtaining sufficient financing, if necessary.

Effective October 1, 2002 all newly manufactured truck engines must comply with the engine emission standards mandated by the Environmental Protection Agency (EPA). All truck engines manufactured prior to October 1, 2002 are not subject to these standards. To delay the business risk of buying these new truck engines with inadequate testing time prior to the October 1, 2002 effective date, the Company significantly increased the purchase of trucks with pre-October engines. During second quarter, the Company continued to bring new trucks with pre-October engines into service to replace trucks that were reaching the Company's normal three-year trade/sale age. The average age of the Company's truck fleet at June 30, 2003 is 1.4 years. The Company will take delivery of approximately 325 model year 2004 trucks with the new engines in third quarter 2003 and plans to purchase more tractors with the new engines in fourth quarter 2003. The Company intends to fund the new truck purchases through existing cash on hand and cash flow from operations.

The Company's debt to equity ratio at June 30, 2003 was 3.0%, compared with 3.1% at December 31, 2002. The Company's only debt of \$20.0 million matures in December 2003 and is expected to be paid in full at that time. The Company's debt to total capitalization ratio (total capitalization equals total debt plus total stockholders' equity) was 2.9% at June 30, 2003 compared with 3.0% at December 31, 2002. As of June 30, 2003, the Company has no equipment operating leases, and, therefore has no off- balance sheet equipment debt. The Company maintains \$24.4 million in letters of credit as of June 30, 2003. These letters of credit are primarily required for insurance policies. As of June 30, 2003, the Company has \$75 million of credit pursuant to credit facilities, on which no borrowings were outstanding. The credit available under these facilities is reduced by \$15.8 million of the total \$24.4 million in letters of credit.

Results of Operations:

The following table sets forth the percentage relationship of income and expense items to operating revenues for the periods indicated.

	Three Months Ended June 30		Six Months Ended June 30	
	2003	2002	2003	2002
Operating revenues	100.0%	100.0%	100.0%	100.0%
Operating expenses:				
Salaries, wages and benefits	35.3	36.0	35.4	36.4
Fuel	10.3	8.9	11.6	8.5
Supplies and maintenance	8.2	9.1	8.2	9.4
Taxes and licenses	7.1	7.3	7.3	7.4
Insurance and claims	4.9	3.7	5.2	3.7
Depreciation	9.1	8.7	9.3	9.0
Rent and purchased transportation	15.2	17.0	14.8	17.4
Communications and utilities	1.1	1.1	1.1	1.1
Other	0.1	0.2	0.0	0.3
Total operating expenses	91.3	92.0	92.9	93.2
Operating income	8.7	8.0	7.1	6.8
Net interest expense and other	(0.1)	0.2	(0.1)	0.1
Income before income taxes	8.8	7.8	7.2	6.7
Income taxes	3.3	2.9	2.7	2.5
Net income	5.5%	4.9%	4.5%	4.2%

The following table sets forth certain data regarding the freight revenues and operations of the Company.

	Three Months Ended June 30			Six Months Ended June 30		
	2003	2002	% Change	2003	2002	% Change
Trucking revenue, net of fuel surcharge	\$321,418	\$309,848	3.7%	\$627,933	\$598,754	4.9%
Trucking fuel surcharge revenue	14,934	6,584	126.8%	33,500	8,710	284.6%
Other non-trucking revenue	25,938	23,973	8.2%	48,065	45,516	5.6%
Operating revenue	\$362,290	\$340,405	6.4%	\$709,498	\$652,980	8.7%
Average monthly miles per tractor	10,249	10,550	(2.9%)	10,078	10,320	(2.3%)
Average revenues per total mile (1)	\$1.271	\$1.228	3.5%	\$1.259	\$1.220	3.2%
Average revenues per loaded mile (1)	\$1.420	\$1.354	4.9%	\$1.408	\$1.350	4.3%
Average percentage of empty miles	10.52%	9.31%	13.0%	10.55%	9.64%	9.4%
Average tractors in service	8,228	7,973	3.2%	8,248	7,928	4.0%
Average revenues per truck per week (1)	\$3,005	\$2,989	0.5%	\$2,929	\$2,905	0.8%
Total tractors (at quarter end)						
Company	7,225	6,800		7,225	6,800	
Owner-operator	925	1,150		925	1,150	
Total tractors	8,150	7,950		8,150	7,950	
Total trailers (at quarter end)	21,355	19,855		21,355	19,855	

(1) Net of fuel surcharge revenues.

Three Months Ended June 30, 2003 Compared to Three Months Ended June 30, 2002

Operating revenues increased 6.4% for the three months ended June 30, 2003, compared to the same period of the prior year, due in part to a 3.2% increase in the average number of tractors in service. Revenue per total mile, excluding fuel surcharges, increased 3.5%, and revenue per total mile, including fuel surcharges, increased 6.0% compared to second quarter 2002. Revenue per total mile, excluding fuel surcharges, increased due to customer rate increases, an improvement in freight selection, and a shorter average length of haul due to growth in the Company's regional and dedicated fleets. Fuel surcharges, which represent collections from customers for the higher cost of fuel, increased from \$6.6 million in second quarter 2002 to \$14.9 million in second quarter 2003 due to higher average fuel prices (see fuel explanation below). Excluding fuel surcharge revenues, trucking revenues increased 3.7% for the three months ended June 30, 2003, compared to the same period of the prior year. These increases were offset by a 2.9% decrease in miles per truck compared to second quarter 2002.

Freight demand in the beginning of April was slightly higher than the same period a year ago but returned to about the same level as a year ago for the latter part of April and the month of May. The Company experienced some modest improvement in June that has continued into July. The Company's empty mile percentage increased from 9.31% in second quarter 2002 to 10.52% in second quarter 2003 due primarily to a shorter average length of haul caused by a greater percentage of dedicated and regional shipments, less than stellar freight demand, and the impact of pricing increases on overall freight volume.

Non-trucking revenues increased by 8.2% for the three months ended June 30, 2003, compared to the same period of the prior year, due to increased volumes with existing customers and new customer projects in the Company's Value Added Services division which provides logistics services to customers.

Operating expenses, expressed as a percentage of operating revenues, were 91.3% for the three months ended June 30, 2003, compared to 92.0% for the three months ended June 30, 2002. Higher fuel prices increased the Company's operating ratio in second quarter 2003 due to the effect of significantly higher fuel expense and higher fuel surcharge revenues. Other expense items, when expressed as a percentage of total revenue, appear lower in second quarter 2003 versus second quarter 2002 because of the additional fuel surcharge revenue per mile as well as the higher revenue per mile. Owner-operator miles as a percentage of total miles were 12.9% in second quarter 2003 compared to 16.2% in second quarter 2002. 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. Over the past year, it has been more difficult to attract and retain owner-operator drivers due to the challenging operating conditions.

Salaries, wages and benefits decreased from 36.0% to 35.3% of revenues due primarily to the effect of the increase in revenue per mile, including fuel surcharge, offset by the growth in the percentage of company-owned trucks to total trucks from 85% in second quarter 2002 to 89% in second quarter 2003. On a cost per mile basis, salaries, wages and benefits increased slightly from 48.6 cents a mile to 50.6 cents a mile. The market for attracting company drivers tightened during second quarter, and company driver turnover increased. It appears as though the driver market is becoming more challenging, and 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.

Effective July 2003, the Company changed its monthly mileage bonus pay program for Van solo drivers, affecting approximately 34% of total drivers. The goal is to increase driver miles per truck by rewarding higher

production from Van solo drivers with higher pay. The annual cost of this bonus pay increase, if mile production remains the same as current levels, is approximately \$1.5 million per year.

Fuel increased from 8.9% to 10.3% of revenues due to higher fuel prices. Diesel prices, excluding fuel taxes, averaged 14 cents per gallon, or 19% higher, in second quarter 2003 compared to second quarter 2002. To lessen the effect of fluctuating fuel prices on the Company's margins, the Company collects fuel surcharge revenues from its customers. These surcharge programs, which automatically adjust weekly through fuel surcharge price brackets, continued to be in effect during second quarter 2003. Average fuel prices declined from the twenty-year high levels of first quarter 2003 by 19 cents per gallon. In this period of declining prices, the Company realized a temporary short-term benefit for the lag effect of collecting surcharge revenues while fuel costs were declining. After considering the amounts collected from customers through fuel surcharge programs, net of reimbursement to owner-operators, there was a \$.02 per share positive impact on second quarter 2003 earnings per share compared to second quarter 2002 earnings per share due to this temporary lag effect. Shortages of fuel, increases in fuel prices, or rationing of petroleum products can have a materially adverse effect on the operations and profitability of the Company. The Company is unable to predict whether fuel price levels will increase or decrease in the future or the extent to which fuel surcharges will be collected from customers. As of June 30, 2003, the Company had no derivative financial instruments to reduce its exposure to fuel price fluctuations.

Supplies and maintenance decreased from 9.1% to 8.2% of revenues due primarily to the decrease in the cost of maintenance on tractors that were sold or traded as fewer units were sold/traded during second quarter 2003, improved management of maintenance expenses, and a newer company truck fleet.

Insurance and claims increased from 3.7% to 4.9% of revenues due primarily to the frequency and severity of claims (particularly a few large claims that occurred in the last half of June) and negative loss development on existing claims. The Company is continuing to make progress refining its safety program and has instituted several enhancements developed by its Risk Management Loss Prevention team. The Company has substantial experience for over 10 years managing a majority of its claims as a self-insured carrier.

The Company's premium rate for liability coverage up to \$3.0 million per claim is fixed through August 1, 2004, while coverage levels above \$3.0 million per claim were renewed effective August 1, 2003 for a one-year period. For the policy year beginning August 2003, the Company's total premiums for liability insurance increased by approximately \$1.3 million. This increase includes premiums for terrorism coverage. For the policy year beginning August 2003, the Company is self-insured for claims in excess of \$3.0 million and less than \$5.0 million, subject to an annual maximum aggregate of \$6.0 million if several claims were to occur in this layer. For claims in excess of \$5.0 million and less than \$10.0 million, the Company is responsible for the first \$5.0 million of claims in this layer. Liability claims in excess of \$10.0 million per claim, if they occur, are covered under premium-based policies with reputable insurance companies.

Rent and purchased transportation decreased from 17.0% to 15.2% of revenues due primarily to the reduction in owner-operator miles as a percentage of total miles and the Company purchasing tractors that were formerly financed through operating leases, offset partially by an increase in brokered freight expense related to the Company's increase in non-trucking revenues. On a per-mile basis, payments to owner-operators increased due to higher reimbursements for fuel to owner-operators resulting from higher fuel prices. The Company and other competitors in the truckload industry have experienced difficulty recruiting and retaining owner-operators because of high fuel prices, increased cost and reduced coverage for truck insurance, and other factors. This has resulted in a reduction of the number of owner-operator tractors from 1,150 as of June 30, 2002, to 925 as of June 30, 2003.

Other operating expenses decreased from 0.2% to 0.1% of revenues due to a higher average sales price, and gain, per truck sold in second quarter 2003. In second quarter 2003, the Company realized gains of \$1.3 million on sales of used equipment, primarily trucks, to third parties through its Fleet Truck Sales retail network compared to gains of \$0.1 million in second quarter 2002. The reduction of other operating expenses due to the gains on sales of equipment was offset partially by an increase in the Company's provision for uncollectible accounts receivable.

Net interest expense and other decreased from 0.2% to (0.1)% of revenues. Interest expense decreased from \$0.8 million in second quarter 2002 to \$0.3 million in second quarter 2003 due to a reduction in the Company's borrowings. Average debt outstanding in second quarter 2003 was \$20.0 million versus \$50.0 million in second quarter 2002. During second quarter 2002, the Company recorded its approximate 15% ownership investment in Transplace using the equity method of accounting and accrued its percentage share of Transplace's cumulative losses as other non-operating expense. In second quarter 2002, the Company recorded losses of approximately \$0.4 million as its percentage share of estimated Transplace losses. On December 31, 2002, the Company sold a portion of its ownership interest in Transplace, reducing the Company's ownership stake in Transplace from 15% to 5%. Beginning January 1, 2003, the Company began accounting for its investment on the cost method and no longer accrues its percentage share of TPC's earnings or losses.

The Company's effective income tax rate (income taxes as a percentage of income before income taxes) was 37.5% for the three-month periods ended June 30, 2003 and 2002.

Six Months Ended June 30, 2003 Compared to Six Months Ended June 30, 2002

Operating revenues increased by 8.7% for the six months ended June 30, 2003, compared to the same period of the previous year, primarily due to a 4.0% increase in the average number of tractors in service. Revenue per total mile, excluding fuel surcharges, increased 3.2%, and fuel surcharge revenues increased by \$24.8 million. These increases were offset by a 2.3% decrease in miles per truck.

Operating expenses, expressed as a percentage of operating revenues, were 92.9% for the six months ended June 30, 2003, compared to 93.2% for the same period of the previous year. Higher fuel prices increased the Company's operating ratio in the first six months of 2003 due to the effect of significantly higher fuel expense and higher fuel surcharge revenues. Other expense items, when expressed as a percentage of total revenue, appear lower in the first six months of 2003 versus the first six months of 2002 because of the additional fuel surcharge revenue per mile as well as the higher revenue per mile.

Salaries, wages and benefits decreased from 36.4% to 35.4% of revenues due primarily to the effect of the increase in revenue per mile including fuel surcharge. Fuel increased from 8.5% to 11.6% of revenues due to higher fuel prices. Supplies and maintenance decreased from 9.4% to 8.2% of revenues due to improved management of maintenance expenses for repairs performed at over-the-road facilities, decreased maintenance costs on tractors sold or traded, and a newer company truck fleet. Insurance and claims increased from 3.7% to 5.2% of revenues primarily due to the increased frequency of claims and a higher cost per claim. Rent and purchased transportation decreased from 17.4% to 14.8% due primarily to a reduction in owner-operator miles as a percentage of total miles and the Company purchasing tractors that were formerly financed through operating leases, offset partially by higher fuel reimbursements to owner-operators and increased brokered freight expenses. Other operating expenses decreased from 0.3% to 0.0% of revenues as the Company realized gains of \$2.6 million on sales of used trucks to third parties for the six months ended June 30, 2003 compared to losses of \$0.1 million in the same 2002 period.

Regulations:

The Federal Motor Carrier Safety Administration (FMCSA) of the U.S. Department of Transportation issued a final rule on April 24, 2003 that made several changes to the regulations which govern truck drivers' hours of service. For all non-local trucking companies, this is the most significant change to the hours-of-service rules in over 60 years. Previously, drivers were allowed to drive 10 hours after 8 hours off-duty. The new rules will allow drivers to drive 11 hours after 10 hours off-duty. In addition to this, drivers may not drive after 14 consecutive hours on-duty, following 10 hours off-duty as opposed to 15 hours on-duty, following 8 hours off-duty. There have been no changes in the rules that limit a driver to a maximum of 70 hours in eight consecutive days. A new rule will allow a driver who takes at least 34 consecutive hours off-duty to restart his or her on-duty cycle for the 70 hour rule. A driver's 15 hour daily work cycle in the current system is considered cumulative, not consecutive, and does not take into account off-duty time during the 15 hour period. Under the new rules, a driver's 14 hour daily work cycle is considered consecutive, and off-duty time will count against the 14 hour period. Therefore, loading/unloading delays and shipments that require multiple stop deliveries may be affected by the new rules as this may limit drivers' available hours. The new rules become effective on January 4, 2004. The Company is continuing to evaluate the new rules to determine the effect they may have on the Company's operations.

Accounting Standards:

In April 2003, the Financial Accounting Standards Board (FASB) issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities. This statement amends and clarifies financial accounting and reporting for derivative instruments and for hedging activities under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. The provisions of this statement are effective for contracts entered into or modified after June 30, 2003. As of June 30, 2003, management believes that SFAS No. 149 will have no significant effect on the financial position, results of operations, and cash flows of the Company.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. This statement requires that an issuer classify a financial instrument that is within its scope as a liability. The provisions of this statement are effective for financial instruments entered into or modified after May 31, 2003. As of June 30, 2003, management believes that SFAS No. 150 will have no significant effect on the financial position, results of operations, and cash flows of the Company.

In January 2003, the FASB issued FASB Interpretation No. 46, Consolidation of Variable Interest Entities. FIN No. 46 addresses consolidation by business enterprises of certain variable interest entities. The provisions of FIN No. 46 are effective immediately for variable interest entities created after January 31, 2003 and for variable interest entities in which an enterprise obtains an interest after that date. The provisions are effective in the first fiscal year or interim period beginning after June 15, 2003, for variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. The Company is currently evaluating FIN No. 46 to determine if there will be any effect on the financial position, results of operations, and cash flows of the Company.

In May 2003, the Emerging Issues Task Force (EITF) issued EITF Issue No. 00-21, Revenue Arrangements with Multiple Deliverables. Issue No. 00-21 addresses certain aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue-generating activities. The provisions are effective for revenue arrangements entered into in reporting periods beginning after June 15, 2003. As of June 30, 2003, management believes that Issue No. 00-21 will have no significant effect on the financial position, results of operations, and cash flows of the Company.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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

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 majority of fuel price increases from customers in the form of fuel surcharges. The Company has implemented customer fuel surcharges programs with most of its revenue base to offset most of the higher fuel cost per gallon. The Company cannot predict the extent to which higher fuel price levels will continue in the future or the extent to which fuel surcharges could be collected to offset such increases. As of June 30, 2003, the Company had no derivative financial instruments to reduce its exposure to fuel price fluctuations.

The Company conducts business in Mexico and Canada. Foreign currency transaction gains and losses were not material to the Company's results of operations for second quarter 2003 and prior periods. To date, the Company receives payment for freight services performed in Mexico and Canada primarily in U.S. dollars to reduce foreign currency risk. Accordingly, the Company is not currently subject to material foreign currency exchange rate risks from the effects that exchange rate movements of foreign currencies would have on the Company's future costs or on future cash flows.

Item 4. Controls and Procedures.

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures, as defined in Exchange Act Rule 15d-15(e). Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in enabling the Company to record, process, summarize and report information required to be included in the Company's periodic SEC filings within the required time period. There have been no changes in the Company's internal controls over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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 13, 2003 for the purpose of electing three directors for three- year terms and considering a stockholder proposal regarding diversity on the Board of Directors. 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 63,764,800 shares entitled to vote, stockholders representing 60,893,640 shares (95.5%) were present in person or by proxy. The voting tabulation was as follows:

	Shares Voted "FOR"	Shares Voted "ABSTAIN"
	-----	-----
Clarence L. Werner	50,867,946	10,025,694
Jeffrey G. Doll	59,688,171	1,205,469
Patrick J. Jung	60,355,599	538,041

The stockholders voted against the stockholder proposal regarding diversity on the Board of Directors. The voting tabulation was as follows:

	Shares Voted "FOR"	Shares Voted "AGAINST"	Shares Voted "ABSTAIN"
	-----	-----	-----
Diversity on the Board of Directors	15,436,937	40,465,149	1,302,902

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

Exhibit 3(i)(A) Revised and Amended Articles of Incorporation (Incorporated by reference to Exhibit 3 to Registration Statement on Form S-1, Registration No. 33-5245) Exhibit 3(i)(B) Articles of Amendment to Articles of Incorporation (Incorporated by reference to Exhibit 3(i) to the Company's report on Form 10-Q for the quarter ended May 31, 1994) Exhibit 3(i)(C) Articles of Amendment to Articles of Incorporation (Incorporated by reference to Exhibit 3(i) to the Company's report on Form 10-K for the year ended December 31, 1998) Exhibit 3(ii) Revised and Amended By-Laws (Incorporated by reference to Exhibit 3(ii) to the Company's report on Form 10-K for the year ended December 31, 1994)

Exhibit 31.1 Rule 13a-14(a)/15d-14(a) Certification Exhibit 31.2 Rule 13a-14(a)/15d-14(a) Certification Exhibit 32.1 Section 1350 Certification Exhibit 32.2 Section 1350 Certification

(b) Reports on Form 8-K.

(i) A report on Form 8-K, filed April 18, 2003, regarding a news release on April 15, 2003, announcing the Company's operating revenues and earnings for the first quarter ended March 31, 2003.

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 5, 2003

By: /s/ John J. Steele

John J. Steele
Vice President, Treasurer and
Chief Financial Officer

Date: August 5, 2003

By: /s/ James L. Johnson

James L. Johnson
Vice President, Controller and
Corporate Secretary

RULE 13a-14(a)/15d-14(a) CERTIFICATION

I, Clarence L. Werner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Werner Enterprises, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2003

/s/ Clarence L. Werner

Clarence L. Werner
Chairman and Chief Executive Officer

RULE 13a-14(a)/15d-14(a) CERTIFICATION

I, John J. Steele, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Werner Enterprises, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2003

/s/ John J. Steele

John J. Steele

Vice President, Treasurer and Chief Financial Officer

Exhibit 32.1

**CERTIFICATION BY CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)**

In connection with the Quarterly Report of Werner Enterprises, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2003, (the "Report") filed with the Securities and Exchange Commission, I, Clarence L. Werner, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 5, 2003

/s/ Clarence L. Werner

Clarence L. Werner

Chairman and Chief Executive Officer

**CERTIFICATION BY CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)**

In connection with the Quarterly Report of Werner Enterprises, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2003, (the "Report") filed with the Securities and Exchange Commission, I, John J. Steele, Vice President, Treasurer and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 5, 2003

/s/ John J. Steele

*John J. Steele
Vice President, Treasurer and
Chief Financial Officer*

End of Filing

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