

Edgar Filing: USA TRUCK INC - Form 10-Q

USA TRUCK INC  
Form 10-Q  
August 08, 2011

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

For the quarterly period ended June 30, 2011

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 0-19858

USA TRUCK, INC.  
(Exact Name of Registrant as Specified in Its  
Charter)

Delaware  
(State or other jurisdiction of incorporation or  
organization)

71-0556971  
(I.R.S. employer identification no.)

3200 Industrial Park Road  
Van Buren, Arkansas  
(Address of principal executive offices)

72956  
(Zip code)

(479) 471-2500  
(Registrant's telephone number, including area  
code)

Not applicable  
(Former name, former address and  
former fiscal year, if changed since  
last report)

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

Edgar Filing: USA TRUCK INC - Form 10-Q

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer \_\_\_\_\_ Accelerated Filer ☒ Non-Accelerated Filer \_\_\_\_\_ Smaller Reporting Company \_\_\_\_\_

(Do not check if a Smaller Reporting Company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares outstanding of the registrant’s Common Stock, par value \$.01, as of August 3, 2011 is 10,456,381.

USA TRUCK, INC.  
TABLE OF CONTENTS

Item No.	Caption	Page
1.	Financial Statements	
	Consolidated Balance Sheets (unaudited) as of June 30, 2011 and December 31, 2010	3
	Consolidated Statements of Operations (unaudited) – Three Months and Six Months Ended June 30, 2011 and June 30, 2010	4
	Consolidated Statement of Stockholders' Equity (unaudited) – Six Months Ended June 30, 2011	5
	Consolidated Statements of Cash Flows (unaudited) – Six Months Ended June 30, 2011 and June 30, 2010	6
	Notes to Consolidated Financial Statements (unaudited)	7
2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	17
3.	Quantitative and Qualitative Disclosures about Market Risk	33
4.	Controls and Procedures	33
	<b>PART II – OTHER INFORMATION</b>	
1.	Legal Proceedings	34
1A.	Risk Factors	34
2.	Unregistered Sales of Equity Securities and Use of Proceeds	34
3.	Defaults Upon Senior Securities	35
4.	(Removed and Reserved)	35
5.	Other Information	35
6.	Exhibits	36
	Signatures	37

ITEM 1.

PART I – FINANCIAL INFORMATION  
FINANCIAL STATEMENTS  
USA TRUCK, INC.  
CONSOLIDATED BALANCE SHEETS  
(UNAUDITED)

(in thousands, except share amounts)

June 30,  
2011

December 31,  
2010

Assets

Current assets:

Cash	\$ 1,776	\$ 2,726
Accounts receivable:		
Trade, less allowance for doubtful accounts of \$424 in 2011 and \$444 in 2010	64,718	46,630
Other	1,909	1,353
Inventories	2,712	2,080
Prepaid expenses and other current assets	13,870	12,885
Total current assets	84,985	65,674

Property and equipment:

Land and structures	31,339	31,268
Revenue equipment	384,595	376,211
Service, office and other equipment	16,920	15,636
Property and equipment, at cost	432,854	423,115
Accumulated depreciation and amortization	(162,905)	(163,867)
Property and equipment, net	269,949	259,248
Note receivable	2,038	2,048
Other assets	433	415
Total assets	\$ 357,405	\$ 327,385

Liabilities and Stockholders' equity

Current liabilities:

Bank drafts payable	\$ 4,502	\$ 4,233
Trade accounts payable	29,973	16,691
Current portion of insurance and claims accruals	4,519	4,725
Accrued expenses	10,874	8,401
Note payable	338	1,009
Current maturities of long-term debt and capital leases	26,798	18,766
Deferred income taxes	1,296	1,094
Total current liabilities	78,300	54,919

Deferred gain	615	618
Long-term debt and capital leases, less current maturities	88,737	79,750
Deferred income taxes	50,165	50,782
Insurance and claims accruals, less current portion	4,050	3,608

Stockholders' equity:

Edgar Filing: USA TRUCK INC - Form 10-Q

Preferred Stock, \$.01 par value; 1,000,000 shares authorized; none issued	--	--
Common Stock, \$.01 par value; authorized 30,000,000 shares; issued 11,807,467 shares in 2011 and 11,835,075 shares in 2010	118	118
Additional paid-in capital	65,190	65,169
Retained earnings	92,097	94,215
Less treasury stock, at cost (1,351,086 shares in 2011 and 1,339,324 shares in 2010)	(21,867)	(21,783)
Accumulated other comprehensive loss	--	(11)
Total stockholders' equity	135,538	137,708
Total liabilities and stockholders' equity	\$ 357,405	\$ 327,385
See notes to consolidated financial statements.		

USA TRUCK, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

(in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Revenue:				
Trucking revenue	\$ 85,309	\$ 83,620	\$ 168,184	\$ 164,310
Strategic Capacity Solutions revenue	17,871	8,502	29,439	14,713
Intermodal revenue	5,294	2,760	10,503	5,085
Base revenue	108,474	94,882	208,126	184,108
Fuel surcharge revenue	30,553	18,791	54,943	35,198
Total revenue	139,027	113,673	263,069	219,306
Operating expenses and costs:				
Fuel and fuel taxes	36,332	27,217	71,058	55,612
Salaries, wages and employee benefits	34,704	32,082	67,805	65,309
Purchased transportation	31,480	18,995	56,861	34,600
Depreciation and amortization	12,489	12,135	25,102	24,634
Operations and maintenance	10,415	8,304	20,292	15,968
Insurance and claims	5,700	5,525	11,563	11,596
Operating taxes and licenses	1,375	1,411	2,773	2,804
Communications and utilities	1,049	1,019	2,034	1,965
Gain on disposal of revenue equipment, net	(1,341)	(36)	(2,256)	(43)
Other	4,612	3,983	8,807	7,322
Total operating expenses and costs	136,815	110,635	264,039	219,767
Operating income (loss)	2,212	3,038	(970)	(461)
Other expenses (income):				
Interest expense	821	944	1,564	1,713
Other, net	(26)	127	(37)	178
Total other expenses, net	795	1,071	1,527	1,891
Income (loss) before income taxes	1,417	1,967	(2,497)	(2,352)
Income tax expense (benefit)	819	1,067	(379)	(256)
Net income (loss)	\$ 598	\$ 900	\$ (2,118)	\$ (2,096)
Net earnings (loss) per share information:				
Average shares outstanding (Basic)	10,306	10,293	10,302	10,287
Basic earnings (loss) per share	\$ 0.06	\$ 0.09	\$ (0.21)	\$ (0.20)

Edgar Filing: USA TRUCK INC - Form 10-Q

Average shares outstanding (Diluted)	10,317	10,320	10,302	10,287
Diluted earnings (loss) per share	\$ 0.06	\$ 0.09	\$ (0.21)	\$ (0.20)

See notes to consolidated financial statements.

USA TRUCK, INC.  
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY  
(UNAUDITED)

	(in thousands)						
	Common Stock Shares	Par Value	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2010	11,835	\$ 118	\$ 65,169	\$ 94,215	\$ (21,783)	\$ (11)	\$ 137,708
Exercise of stock options	1	--	1	--	--	--	1
Stock-based compensation	--	--	285	--	--	--	285
Restricted stock award grant	9	--	--	--	--	--	--
Forfeited restricted stock	(38)	--	(234)	--	(115)	--	(349)
Change in fair value of interest rate swap, net of income tax of \$1	--	--	--	--	--	1	1
Reclassification of derivative net losses to statement of operations, net of income tax of \$7	--	--	--	--	--	10	10
Return of forfeited restricted stock	--	--	(31)	--	31	--	--
Net loss	--	--	--	(2,118)	--	--	(2,118)
Balance at June 30, 2011	11,807	\$ 118	\$ 65,190	\$ 92,097	\$ (21,867)	\$ --	\$ 135,538

See notes to consolidated financial statements.



USA TRUCK, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

	(in thousands)	
	Six Months Ended June 30,	
	2011	2010
Operating activities		
Net loss	\$ (2,118)	\$ (2,096)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	25,102	24,634
Provision for doubtful accounts	63	115
Deferred income taxes	(372)	(547)
Excess tax benefit from exercise of stock options	--	(8)
Stock-based compensation	(78)	(45)
Gain on disposal of assets, net	(2,256)	(43)
Recognition of deferred gain	(3)	--
Changes in operating assets and liabilities:		
Accounts receivable	(18,707)	619
Inventories and prepaid expenses	(1,617)	(4,446)
Trade accounts payable and accrued expenses	9,295	6,743
Insurance and claims accruals	236	(15)
Net cash provided by operating activities	9,545	24,911
Investing activities		
Purchases of property and equipment	(25,294)	(30,250)
Proceeds from sale of property and equipment	13,596	7,292
Change in other assets	(8)	(9)
Net cash used in investing activities	(11,706)	(22,967)
Financing activities		
Borrowings under long-term debt	49,737	47,783
Principal payments on long-term debt	(39,680)	(38,201)
Principal payments on capitalized lease obligations	(8,459)	(7,752)
Principal payments on note payable	(671)	(674)
Net increase (decrease) in bank drafts payable	269	(1,038)
Proceeds from exercise of stock options	15	154
Excess tax benefit from exercise of stock options	--	8
Net cash provided by financing activities	1,211	280
(Decrease) increase in cash	(950)	2,224
Cash:		
Beginning of period	2,726	797
End of period	\$ 1,776	\$ 3,021

Edgar Filing: USA TRUCK INC - Form 10-Q

Supplemental disclosure of cash flow information:

Cash paid during the period for:

Interest	\$	1,544	\$	1,596
Income taxes		--		--
Supplemental disclosure of non-cash investing activities:				
Liability incurred for leases on revenue equipment		15,421		4,867
Purchases of revenue equipment included in accounts payable		6,428		--

See notes to consolidated financial statements.

USA TRUCK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

June 30, 2011

NOTE 1 – BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three month and six month periods ended June 30, 2011, are not necessarily indicative of the results that may be expected for the year ending December 31, 2011. For further information, refer to the financial statements, and footnotes thereto, included in our Annual Report on Form 10-K for the year ended December 31, 2010.

The balance sheet at December 31, 2010, has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

By agreement with our customers, and consistent with industry practice, we add a graduated fuel surcharge to the rates we charge our customers as diesel fuel prices increase above an agreed-upon baseline price per gallon. Base revenue in the consolidated statements of operations represents revenue excluding this fuel surcharge revenue.

NOTE 2 – REVENUE RECOGNITION

Revenue generated by our Trucking operating segment is recognized in full upon completion of delivery of freight to the receiver's location. For freight in transit at the end of a reporting period, we recognize revenue pro rata based on relative transit time completed as a portion of the estimated total transit time. Expenses are recognized as incurred.

Revenue generated by our Strategic Capacity Solutions ("SCS") and Intermodal operating segments is recognized upon completion of the services provided. Revenue is recorded on a gross basis, without deducting third party purchased transportation costs because we have responsibility for billing and collecting such revenue.

Management believes these policies most accurately reflect revenue as earned and direct expenses, including third party purchased transportation costs, as incurred.

NOTE 3 – STOCK-BASED COMPENSATION

The USA Truck, Inc. 2004 Equity Incentive Plan provides for the granting of incentive or nonqualified options or other equity-based awards covering up to 1,050,000 shares of Common Stock to directors, officers and other key employees. No options were granted under this 2004 Equity Incentive Plan for less than the fair market value of the Common Stock as defined in the 2004 Equity Incentive Plan at the date of the grant. Options granted under the 2004 Equity Incentive Plan generally vest ratably over three to five years. The option price under the 2004 Equity Incentive Plan is the fair market value of our Common Stock at the date the options were granted. The exercise prices of outstanding options granted under the 2004 Equity Incentive Plan range from \$11.19 to \$30.22 as of June 30, 2011. At June 30, 2011, 594,861 shares were available for granting future options or other equity awards under this 2004 Equity Incentive Plan. The Company issues new shares upon the exercise of stock options.

Compensation expense related to incentive and nonqualified stock options granted under the Company's plans is included in salaries, wages and employee benefits in the accompanying consolidated statements of operations. The amount of compensation expense recognized, net of forfeiture recoveries, is reflected in the table below for the periods indicated.

	(in thousands)			
	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2011	2010	2011	2010
Compensation expense (credit)	\$ 31	\$ (22)	\$ 31	\$ 43

The table below sets forth the assumptions used to value stock options granted during the periods indicated:

	2011	2010
Dividend yield	0%	0%
Expected volatility	22.6 – 33.7%	32.8 – 50.2%
Risk-free interest rate	1.6 – 1.7%	0.9 – 2.1%
Expected life (in years)	4.21 – 4.25	4.13 – 4.25

The expected volatility is a measure of the expected fluctuation in our share price based on the historical volatility of our stock. Expected life represents the length of time we anticipate the options to be outstanding before being exercised. The risk-free interest rate is based on an implied yield on United States zero-coupon treasury bonds with a remaining term equal to the expected life of the outstanding options. In addition to the above, we also include a factor for anticipated forfeitures, which represents the number of shares under options expected to be forfeited over the expected life of the options.

Information related to option activity for the six months ended June 30, 2011 is as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (1)
Outstanding - beginning of year	152,600	\$ 16.01		
Granted	24,213	12.37		
Exercised	(8,104)	11.47		\$ 7,424
Cancelled/forfeited	(18,085)	14.55		
Expired	(27,638)	17.59		
Outstanding at June 30, 2011	122,986	\$ 15.46	3.3	\$ 1,588
Exercisable at June 30, 2011	37,230	\$ 18.20	1.5	\$ 536

- (1) The intrinsic value of outstanding and exercisable stock options is determined based on the amount by which the market value of the underlying stock exceeds the exercise price of the option. The per share market value of our Common Stock, as determined by the closing price on June 30, 2011 (the last trading day of the quarter), was \$11.30.

Compensation expense related to restricted stock awarded under the Company's plans is included in salaries, wages and employee benefits in the accompanying consolidated statements of operations. The compensation expense recognized is based on the market value of our Common Stock on the date the restricted stock award is granted and is not adjusted in subsequent periods. The amount to be recognized, net of forfeiture recoveries, is amortized over the vesting period. The amount of compensation expense recognized is reflected in the table below for the periods indicated.

	(in thousands)			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Compensation (credit) expense	\$ (124)	\$ (132)	\$ (110)	\$ (88)

The 2003 Restricted Stock Award Plan terminated August 31, 2009. During the quarter ended June 30, 2010, management determined that the performance criteria for 2010 would not be met and therefore the remaining 2,000 shares outstanding under this Plan were deemed forfeited and recorded as treasury stock. The previously recorded expense in the amount of \$0.05 million relating to the forfeited shares was recovered during the quarter ended June 30, 2010. The shares remained outstanding until their scheduled vest date of March 1, 2011, at which time their forfeiture became effective. Pursuant to the provisions of the Plan, at that time, the shares were returned to Mr. Robert M. Powell, who originally contributed the shares for the awards made under this Plan. Upon the return of these shares to Mr. Powell, no other shares awarded under this Plan remain outstanding.

Information related to the restricted stock awarded under the 2004 Equity Incentive Plan for the six months ended June 30, 2011, is as follows:

	Number of Shares	Weighted Average Grant Price (1)
Nonvested shares – December 31, 2010	198,370	\$ 12.33
Granted	8,832	11.69
Forfeited	(38,265)	12.32
Vested	--	--
Nonvested shares – June 30, 2011	168,937	\$ 12.30

(1) The shares were valued at the closing price of the Company's common stock on the dates of the awards.

On July 16, 2008, the Executive Compensation Committee of the Board of Directors of the Company, pursuant to the 2004 Equity Incentive Plan, granted thereunder awards totaling 200,000 restricted shares of the Company's Common Stock to certain officers of the Company. The grants were made effective as of July 18, 2008 and were valued at \$12.13 per share, which was the closing price of the Company's Common Stock on that date. Each officer's restricted shares of Common Stock will vest in varying amounts over the ten year period beginning April 1, 2011, subject to the Company's attainment of defined retained earnings growth. Management must attain an average five-year trailing retained earnings annual growth rate of 10.0% (before dividends) in order for the shares to qualify for full vesting (pro rata vesting will apply down to 50.0% at a 5.0% annual growth rate). Any shares which fail to vest as a result of the Company's failure to attain a performance goal will forfeit and result in the recovery of the previously recorded expense. These forfeited shares will revert to the 2004 Equity Incentive Plan where they will remain available for grants under the terms of that Plan until that Plan expires in 2014. During the quarter, management determined that the performance criteria will not be met for the shares that were scheduled to vest on April 1, 2012 and April 1, 2013; therefore, these shares were deemed forfeited and recorded as Treasury Stock. The shares will remain outstanding until their scheduled vesting dates, at which time their forfeitures will become effective and the shares will revert to the 2004 Equity Incentive Plan. The table below sets forth the information relating to the forfeitures of these shares.

July 16, 2008 Restricted Stock Award Forfeitures				
Scheduled Vest Date	Date Deemed Forfeited and Recorded as Treasury Stock	Shares Forfeited (in thousands)	Expense Recovered (in thousands)	Date Shares Returned to Plan
April 1, 2011	June 30, 2010	9	\$ 70	April 1, 2011
April 1, 2012	June 30, 2011	8	66	April 1, 2012
April 1, 2013	June 30, 2011	15	101	April 1, 2013

During the quarter ended June 30, 2010, due to the termination of the employment of an officer of the Company, 26,119 restricted shares of the above-mentioned performance based grant were forfeited resulting in recovery of the previously recorded expense in the amount of approximately \$0.08 million. The forfeited shares were returned to the 2004 Equity Incentive Plan. Also, related to this termination of employment, 2,000 restricted shares were forfeited resulting in the recovery of previously recorded expense in the amount of approximately \$0.05 million and, in accordance with the provisions of the Plan under which they were awarded, these shares were returned to Mr. Powell, who originally contributed the shares used for the award.

During the quarter ended March 31, 2011, an executive officer of the Company submitted his notice to retire effective April 30, 2011. Accordingly, during the quarter ended March 31, 2011, the Company recovered an estimate of the expense associated with 27,910 shares of outstanding, unvested restricted stock held by this executive officer in the approximate amount of \$0.08 million. During the quarter ended June 30, 2011, the Company recovered the remaining amount related to this forfeiture in the amount of approximately \$0.04 million. As of June 30, 2011, all expense previously recorded in relation to this forfeiture has been recovered.



Information set forth in the following table is related to stock options and restricted stock as of June 30, 2011.

	(in thousands, except weighted average data)	
	Stock Options	Restricted Stock
Unrecognized compensation expense	\$ 169	\$ 1,202
Weighted average period over which unrecognized compensation expense is to be recognized (in years)	1.6	5.7

#### NOTE 4 – REPURCHASE OF EQUITY SECURITIES

On October 21, 2009, the Board of Directors of the Company approved the repurchase of up to 2,000,000 shares of the Company's Common Stock expiring on October 21, 2012. Subject to applicable timing and other legal requirements, these repurchases may be made on the open market or in privately negotiated transactions on terms approved by the Company's Chairman of the Board or President. Repurchased shares may be retired or held in treasury for future use for appropriate corporate purposes including issuance in connection with awards under the Company's employee benefit plans. During the six months ended June 30, 2011, we did not repurchase any shares of our Common Stock. Our current repurchase authorization has 2,000,000 shares remaining.

#### NOTE 5 – SEGMENT REPORTING

The service offerings we provide relate to the transportation of truckload quantities of freight for customers in a variety of industries. The services generate revenue, and to a great extent incur expenses, primarily on a per mile basis. As the revenue generated by these service offerings is becoming increasingly more significant, management determined that additional disclosures were needed.

	Percent of Total Base Revenue					
	Trucking		SCS		Intermodal	
Three Months Ended:						
June 30, 2011	78.6	%	16.5	%	4.9	%
June 30, 2010	88.1	%	9.0	%	2.9	%
Six Months Ended:						
June 30, 2011	80.8	%	14.1	%	5.1	%
June 30, 2010	89.2	%	8.0	%	2.8	%

Except with respect to the relatively minor components of our operations that do not involve the use of our trucks, key operating statistics for all three segments include, for example, revenue per mile and miles per tractor per week. While the operations of our SCS segment typically do not involve the use of our equipment and drivers, we nevertheless provide truckload freight services to our customers through arrangements with third party carriers who are subject to the same general regulatory environment and cost sensitivities imposed upon our Trucking operations. Our Intermodal segment does involve the use of our equipment as we utilize our trailers and leased containers to provide this service. Accordingly, the operations of this segment are subject to the same general regulatory environment and cost sensitivities imposed upon our Trucking operations.

Assets are not allocated to our SCS segment as the majority of our SCS operations provide truckload freight services to our customers through arrangements with third party carriers who utilize their own equipment. Assets are not allocated to our Intermodal segment as our intermodal containers are utilized under operating leases with BNSF

Railway, which are not capitalized.