

KNIGHT TRANSPORTATION INC
Form 10-Q
August 08, 2016

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, 2016

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: 001-32396

KNIGHT TRANSPORTATION, INC.
(Exact name of registrant as specified in its charter)

Arizona
(State or other jurisdiction of
incorporation or organization)

86-0649974
(I.R.S. Employer
Identification No.)

20002 North 19th Avenue
Phoenix, Arizona
85027
(Address of Principal Executive Offices)
(Zip Code)

Registrant's telephone number, including area code: 602-269-2000

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.

x Yes o No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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).

x Yes o No

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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 the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

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 registrant's common stock, par value \$0.01 per share, as of July 28, 2016, was 80,017,790 shares.

KNIGHT TRANSPORTATION, INC.

TABLE OF CONTENTS

	Page Number
PART I – FINANCIAL INFORMATION	
Item 1.	Financial Statements
	<u>Condensed Consolidated Unaudited Balance Sheets as of June 30, 2016 and December 31, 2015</u> 1
	<u>Condensed Consolidated Unaudited Statements of Income for the three and six months ended June 30, 2016 and 2015</u> 3
	<u>Condensed Consolidated Unaudited Statements of Comprehensive Income for the three and six months ended June 30, 2016 and 2015</u> 4
	<u>Condensed Consolidated Unaudited Statements of Cash Flows for the six months ended June 30, 2016 and 2015</u> 5
	<u>Notes to Condensed Consolidated Unaudited Financial Statements</u> 7
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> 18
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u> 34
Item 4.	<u>Controls and Procedures</u> 34
Part II – OTHER INFORMATION	
Item 1.	<u>Legal Proceedings</u> 34
Item 1A.	<u>Risk Factors</u> 35
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u> 35
Item 3.	<u>Defaults Upon Senior Securities</u> 35
Item 4.	<u>Mine Safety Disclosures</u> 35
Item 5.	<u>Other Information</u> 35
Item 6.	<u>Exhibits</u> 36
	<u>Signatures</u> 37

Table of Contents

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

KNIGHT TRANSPORTATION, INC. AND SUBSIDIARIES
Condensed Consolidated Unaudited Balance Sheets
(in thousands)

	June 30, 2016	December 31, 2015
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 9,564	\$ 8,691
Trade receivables, net of allowance for doubtful accounts of \$2,780 and \$3,106, respectively	134,753	131,945
Notes receivable, net of allowance for doubtful notes receivable of \$265 and \$273, respectively	549	648
Prepaid expenses	11,894	17,320
Assets held for sale	21,091	29,327
Other current assets	9,171	14,215
Income tax receivable	17,923	41,967
Total current assets	204,945	244,113
Property and Equipment:		
Revenue equipment	883,910	866,252
Land and land improvements	53,131	52,951
Buildings and building improvements	142,256	139,102
Furniture and fixtures	19,955	18,363
Shop and service equipment	16,438	16,729
Leasehold improvements	4,475	3,061
Gross property and equipment	1,120,165	1,096,458
Less: accumulated depreciation and amortization	(316,032)	(292,815)
Property and equipment, net	804,133	803,643
Notes receivable, long-term	3,435	3,419
Goodwill	47,040	47,050
Intangible assets, net	2,825	3,075
Other long-term assets, restricted cash and investments	24,416	18,932
Total long-term assets	881,849	876,119
Total assets	\$ 1,086,794	\$ 1,120,232

The accompanying notes are an integral part of these condensed consolidated unaudited financial statements.

Table of Contents

KNIGHT TRANSPORTATION, INC. AND SUBSIDIARIES
Condensed Consolidated Unaudited Balance Sheets (continued)
(in thousands, except par values)

	June 30, 2016	December 31, 2015
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 28,491	\$ 14,818
Accrued payroll and purchased transportation	21,567	23,776
Accrued liabilities	16,504	21,609
Claims accrual – current portion	20,315	19,471
Dividend payable – current portion	314	349
Total current liabilities	87,191	80,023
Long-term Liabilities:		
Claims accrual – long-term portion	12,192	11,508
Long-term dividend payable and other liabilities	1,888	2,164
Deferred tax liabilities	177,200	174,165
Long-term debt	60,000	112,000
Total long-term liabilities	251,280	299,837
Total liabilities	338,471	379,860
Commitments and Contingencies (Note 6)		
Shareholders' Equity:		
Preferred stock, \$0.01 par value; 50,000 shares authorized; none issued and outstanding	-	-
Common stock, \$0.01 par value; 300,000 shares authorized; 79,991 and 80,967 shares issued and outstanding at June 30, 2016 and December 31, 2015, respectively	800	810
Additional paid-in capital	216,022	205,648
Accumulated other comprehensive income	733	2,573
Retained earnings	529,017	529,367
Total Knight Transportation shareholders' equity	746,572	738,398
Noncontrolling interest	1,751	1,974
Total shareholders' equity	748,323	740,372
Total liabilities and shareholders' equity	\$ 1,086,794	\$ 1,120,232

The accompanying notes are an integral part of these condensed consolidated unaudited financial statements.

Table of Contents

KNIGHT TRANSPORTATION, INC. AND SUBSIDIARIES
Condensed Consolidated Unaudited Statements of Income
(in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
REVENUE:				
Revenue, before fuel surcharge	\$ 253,859	\$ 268,623	\$ 507,442	\$ 525,837
Fuel surcharge	22,459	33,199	40,964	66,266
Total revenue	276,318	301,822	548,406	592,103
OPERATING EXPENSES:				
Salaries, wages and benefits	84,440	84,381	168,043	164,407
Fuel	33,429	42,362	60,200	80,451
Operations and maintenance	19,094	21,547	37,104	41,675
Insurance and claims	8,257	7,995	17,080	16,928
Operating taxes and licenses	4,612	4,725	10,099	10,581
Communications	1,043	1,077	2,248	2,217
Depreciation and amortization	28,955	27,364	57,357	54,524
Purchased transportation	53,918	60,619	111,703	120,164
Miscellaneous operating expenses	4,489	10,133	7,764	13,234
Total operating expenses	238,237	260,203	471,598	504,181
Income from operations	38,081	41,619	76,808	87,922
Interest income	82	104	176	236
Interest expense	(258)	(211)	(559)	(493)
Other income	1,927	2,436	3,213	4,899
Income before income taxes	39,832	43,948	79,638	92,564
Income taxes	14,861	15,759	31,645	34,434
Net income	24,971	28,189	47,993	58,130
Net income attributable to noncontrolling interest	(296)	(551)	(748)	(930)
Net income attributable to Knight Transportation	\$ 24,675	\$ 27,638	\$ 47,245	\$ 57,200
Earnings per share:				
Basic	\$ 0.31	\$ 0.34	\$ 0.59	\$ 0.70
Diluted	\$ 0.31	\$ 0.33	\$ 0.58	\$ 0.69
Dividends declared per share	\$ 0.06	\$ 0.06	\$ 0.12	\$ 0.12
Weighted Average Shares Outstanding:				
Basic	80,105	81,894	80,407	81,959
Diluted	80,781	82,852	81,079	83,020

The accompanying notes are an integral part of these condensed consolidated unaudited financial statements.

Table of Contents

KNIGHT TRANSPORTATION, INC. AND SUBSIDIARIES
Condensed Consolidated Unaudited Statements of Comprehensive Income
(in thousands)

Three Months Ended		Six Months Ended
June 30,		June 30,
2016	2015	2016