

USA TRUCK INC
Form 10-Q
May 05, 2016
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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 **March 31, 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: **0-19858**

USA TRUCK, INC.

(Exact name of registrant as specified in its charter)

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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)

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: 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).

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 the definitions 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
(Do not check if a smaller reporting company) 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 [X]

The number of shares outstanding of the registrant's common stock, as of April 28, 2016, was 9,197,355.

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(in thousands, except share data)

| | March 31, 2016 | December 31, 2015 |
|--|-------------------------------|-------------------------|
| Assets | | |
| Current assets: | | |
| Cash | \$1,403 | \$87 |
| Accounts receivable, net of allowance for doubtful accounts of \$870 and \$608, respectively | 56,260 | 53,324 |
| Other receivables | 3,678 | 5,094 |
| Inventories | 457 | 748 |
| Assets held for sale | 5,229 | 7,979 |
| Income taxes receivable | 8,485 | 6,159 |
| Prepaid expenses and other current assets | 5,745 | 4,876 |
| Total current assets | 81,257 | 78,267 |
| Property and equipment: | | |
| Land and structures | 33,480 | 32,910 |
| Revenue equipment | 286,020 | 289,045 |
| Service, office and other equipment | 22,628 | 22,156 |
| Property and equipment, at cost | 342,128 | 344,111 |
| Accumulated depreciation and amortization | (136,894) | (137,327) |
| Property and equipment, net | 205,234 | 206,784 |
| Other assets | 1,350 | 1,405 |
| Total assets | \$287,841 | \$286,456 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$25,220 | \$24,473 |
| Current portion of insurance and claims accruals | 10,589 | 10,706 |
| Accrued expenses | 13,997 | 8,836 |
| Current maturities of capital leases | 16,375 | 12,190 |
| Total current liabilities | 66,181 | 56,205 |
| Deferred gain | 660 | 701 |
| Long-term debt, less current maturities | 75,900 | 70,400 |
| Capital leases, less current maturities | 13,003 | 18,845 |
| Deferred income taxes | 38,962 | 37,943 |
| Insurance and claims accruals, less current portion | 8,585 | 8,585 |
| Total liabilities | 203,291 | 192,679 |
| Commitments and contingencies | | |

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| | | |
|--|------------------|-----------|
| Stockholders' equity: | | |
| Preferred Stock, \$.01 par value; 1,000,000 shares authorized | — | — |
| Common Stock, \$.01 par value; 30,000,000 shares authorized; issued 12,125,170 shares, and 11,946,253 shares, respectively | 121 | 119 |
| Additional paid-in capital | 67,443 | 67,370 |
| Retained earnings | 64,064 | 65,871 |
| Less treasury stock, at cost (2,727,664 shares, and 2,268,608 shares, respectively) | (47,078) | (39,583) |
| Total stockholders' equity | 84,550 | 93,777 |
| Total liabilities and stockholders' equity | \$287,841 | \$286,456 |

See accompanying notes to condensed consolidated financial statements.

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USA TRUCK, INC.

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(LOSS)**

(UNAUDITED)

(in thousands, except per share data)

| | Three Months Ended March 31, | |
|--|---------------------------------|----------------|
| | 2016 | 2015 |
| Revenue: | | |
| Operating revenue | \$110,618 | \$132,887 |
| Operating expenses: | | |
| Salaries, wages and employee benefits | 32,573 | 37,872 |
| Fuel and fuel taxes | 10,189 | 17,978 |
| Depreciation and amortization | 7,272 | 10,802 |
| Insurance and claims | 4,768 | 6,194 |
| Equipment rents | 1,860 | 783 |
| Operations and maintenance | 9,213 | 10,291 |
| Purchased transportation | 36,403 | 38,770 |
| Operating taxes and licenses | 1,122 | 1,320 |
| Communications and utilities | 880 | 863 |
| Gain on disposal of assets, net | (396) | (503) |
| Restructuring, impairment and other costs | 5,264 | — |
| Other | 3,833 | 3,991 |
| Total operating expenses | 112,981 | 128,361 |
| Operating (loss) income | (2,363) | 4,526 |
| Other expenses (income): | | |
| Interest expense, net | 565 | 630 |
| Loss on extinguishment of debt | — | 750 |
| Other, net | 203 | 202 |
| Total other expenses, net | 768 | 1,582 |
| (Loss) income before income taxes | (3,131) | 2,944 |
| Income tax (benefit) expense | (1,324) | 1,309 |
| Net (loss) income and comprehensive (loss) income | \$(1,807) | \$1,635 |
| Net (loss) income per share: | | |
| Average shares outstanding (basic) | 9,381 | 10,395 |
| Basic (loss) earnings per share | \$(0.19) | \$0.16 |
| Average shares outstanding (diluted) | 9,381 | 10,516 |

Diluted (loss) earnings per share **\$(0.19)** \$0.16

See accompanying notes to condensed consolidated financial statements.

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USA TRUCK, INC.

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(UNAUDITED)

(in thousands)

| | Common Stock | Par Value | Additional Paid-in Capital | Retained Earnings | Treasury Stock | Total |
|--|-----------------|---------------|----------------------------------|----------------------|-------------------|------------------|
| Balance at December 31, 2015 | 11,946 | \$ 119 | \$ 67,370 | \$ 65,871 | \$(39,583) | \$93,777 |
| Exercise of stock options | 1 | — | 2 | — | — | 2 |
| Excess tax benefit from exercise of stock options | — | — | (23) | — | — | (23) |
| Purchase of treasury stock | — | — | — | — | (7,495) | (7,495) |
| Share-based compensation | — | — | 131 | — | — | 131 |
| Restricted stock award grant | 203 | 2 | (1) | — | — | 1 |
| Forfeited restricted stock | (23) | — | — | — | — | — |
| Net share settlement related to restricted stock vesting | (2) | — | (36) | — | — | (36) |
| Net loss | — | — | — | (1,807) | — | (1,807) |
| Balance at March 31, 2016 | 12,125 | \$ 121 | \$ 67,443 | \$ 64,064 | \$(47,078) | \$ 84,550 |

See accompanying notes to condensed consolidated financial statements.

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(in thousands)

| | Three Months Ended March 31, | |
|--|---------------------------------|-----------|
| | 2016 | 2015 |
| Operating activities: | | |
| Net (loss) income | \$(1,807) | \$1,635 |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: | | |
| Depreciation and amortization | 7,272 | 10,802 |
| Provision for doubtful accounts | 319 | 17 |
| Deferred income taxes, net | 1,020 | 510 |
| Share-based compensation | 131 | 226 |
| Gain on disposal of assets, net | (396) | (503) |
| Loss on extinguishment of debt | — | 750 |
| Impairment of property and equipment | 1,070 | — |
| Other | (41) | (2) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (4,164) | 6,739 |
| Inventories and prepaid expenses | (581) | (2,841) |
| Accounts payable and accrued liabilities | 3,927 | 2,167 |
| Insurance and claims accruals | (376) | 550 |
| Other long-term assets and liabilities | 56 | 294 |
| Net cash provided by operating activities | 6,430 | 20,344 |
| Investing activities: | | |
| Capital expenditures | (2,220) | (11,678) |
| Proceeds from sale of property and equipment | 2,913 | 6,196 |
| Net cash provided by (used in) investing activities | 693 | (5,482) |
| Financing activities: | | |
| Borrowings under long-term debt | 12,424 | 108,736 |
| Payments on long-term debt | (6,923) | (112,236) |
| Payments on capitalized lease obligations | (1,657) | (7,507) |
| Net change in bank drafts payable | (2,100) | (2,409) |
| Excess tax (benefit) payments from exercise of stock options | (23) | 433 |
| Principal payments on note payable | — | (335) |
| Purchase of common stock | (7,495) | — |
| Net payments on stock-based awards | (33) | (160) |
| Net cash used in financing activities | (5,807) | (13,478) |

| | | |
|---------------------|----------------|---------|
| Increase in cash | 1,316 | 1,384 |
| Cash: | | |
| Beginning of period | 87 | 205 |
| End of period | \$1,403 | \$1,589 |

Supplemental disclosure of cash flow information:

Cash paid during the period for:

| | | |
|--------------|--------------|-------|
| Interest | \$606 | \$570 |
| Income taxes | 121 | 55 |

Supplemental disclosure of non-cash investing activities:

| | | |
|---|--------------|-----|
| Purchases of revenue equipment included in accounts payable | 5,358 | 238 |
|---|--------------|-----|

See accompanying notes to condensed consolidated financial statements.

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USA TRUCK, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

March 31, 2016

Note 1 – Basis of Presentation

In the opinion of the management of USA Truck, Inc., the accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information. Certain information and footnote disclosures normally included in financial statements required by GAAP have been condensed or omitted. All normal recurring adjustments considered necessary for a fair presentation have been included. Operating results for the three month period ended March 31, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016. These financial statements should be read in conjunction with the financial statements, and footnotes thereto, included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015.

The Company has recast certain prior period amounts to reflect the change in accounting principle for tires as disclosed in its Form 10-Q for the period ending September 30, 2015.

NOTE 2 – NOTE RECEIVABLE

During 2010, the Company sold its terminal facility in Shreveport, Louisiana. In connection with this sale, the purchaser gave the Company cash in the amount of \$0.2 million and a note receivable in the amount of \$2.1 million due November 2015, which was recorded in the line item “Other receivables” in the accompanying condensed consolidated balance sheets. The purchaser-debtor defaulted on the note receivable by not making the principal payment in November 2015, and the Company is undertaking actions to collect. The note receivable is collateralized by a first priority mortgage on the property. The Company believes, based on a recent appraisal, the value of the property exceeds the amount of the note receivable plus collection costs. Accordingly, no valuation allowance has been recorded. The Company had previously deferred \$0.7 million of gain on the sale of the property, with gain recognized into earnings only as payments on the note receivable were received.

In February 2016, the Company, and the purchaser-debtor modified the original asset sale agreement (hereinafter referred to as the “Original Agreement”) for the property as a result of the default by the purchaser-debtor in November 2015. The modifications to the Original Agreement are as follows:

(1) As of January 1, 2016, the purchaser-debtor will no longer make monthly payments to the Company, as required under the Original Agreement.

The purchaser-debtor agrees that in addition to the balloon payment of \$1.9 million, the Company shall also be (2) entitled to receive 25% of the net sale proceeds from any future sale (including any foreclosure sale) of the property in excess of the balloon payment, closing costs, and realtor commissions.

At any time, the Company retains the right to enforce its rights as creditor, mortgagee, and holder of vendor’s (3) privilege and declare the unpaid portion of the purchase price, interest, costs, and attorneys’ fees immediately due and payable. The Company’s rights include instituting foreclosure proceedings and/or other legal action.

NOTE 3 – EQUITY COMPENSATION AND EMPLOYEE BENEFIT PLANS

The Company adopted the 2014 Omnibus Incentive Plan (the “Incentive Plan”) in May 2014. The Incentive Plan replaced the 2004 Equity Incentive Plan (“the “Prior Plan”) and provides for the granting of equity-based awards covering up to 500,000 shares of common stock to directors, officers and other key employees and consultants, in addition to the shares available under the Prior Plan on the effective date of the “Incentive Plan”. As of March 31, 2016, 158,671 shares remain available for the issuance of future equity-based compensation awards.

The components of compensation expense recognized, net of forfeiture recoveries, related to equity-based compensation is reflected in the table below for the years indicated (in thousands):

| | Three Months Ended March 31, | |
|-----------------------------|---------------------------------------|------|
| | 2016 | 2015 |
| Stock options | \$-- | \$5 |
| Restricted stock awards | 131 | 221 |
| Equity compensation expense | 131 | 226 |

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Compensation expense related to all equity-based compensation awards granted under the Incentive Plan is included in salaries, wages and employee benefits in the accompanying consolidated statements of operations and comprehensive income (loss).

Stock options

Stock options are the contingent right of award holders to purchase shares of the Company's common stock at a stated price for a limited time. The fair value of each option award is estimated on the date of grant using the Black-Scholes-Merton option-pricing formula, and is recognized over the vesting period of the award. The vesting period of option awards is generally 3 or 4 years and awards may be exercised over a three or ten year term. While the Company did not grant any new stock options in 2016 or 2015, there was a modification to an existing stock option award in the third quarter of 2015 that resulted in a deemed new award being granted.

The following assumptions were used to value the stock options granted or deemed to have been granted during the years indicated. No stock options were granted during the three-month period ended March 31, 2016.

| | 2016 | 2015 | |
|--------------------------|-------------|-------------|---|
| Dividend yield | N/A | 0 | % |
| Expected volatility | N/A | 62.9 | % |
| Risk-free interest rate | N/A | 0.1 | % |
| Expected life (in years) | N/A | 0.5 | |

The expected volatility is a measure of the expected fluctuation in the Company's share price based on the historical volatility of the Company's stock. Expected life represents the length of time an option contract is anticipated 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, a factor for anticipated forfeitures is also included, which represents the number of shares under options expected to be forfeited over the expected life of the options.

The following table summarizes the stock option activity under the Incentive Plan:

&nb