

KNIGHT TRANSPORTATION INC
Form 10-Q
May 12, 2014

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2014

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

Large accelerated filer
Non-accelerated filer

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 April 30, 2014, was 80,818,638 shares.

KNIGHT TRANSPORTATION, INC.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

KNIGHT TRANSPORTATION, INC. AND SUBSIDIARIES
Condensed Consolidated Unaudited Balance Sheets

(in thousands)

	March 31, 2014	December 31, 2013
ASSETS		
Current Assets:		
Cash and cash equivalents	\$9,601	\$992
Trade receivables, net of allowance for doubtful accounts of \$2,636 and \$2,409 respectively	123,015	116,391
Notes receivable, net of allowance for doubtful notes receivable of \$296 and \$312 respectively	773	774
Related party notes and interest receivable	-	748
Prepaid expenses	17,784	15,026
Assets held for sale	14,055	16,476
Other current assets	9,548	11,066
Current deferred tax assets	3,544	3,359
Total current assets	178,320	164,832
Property and Equipment:		
Revenue equipment	673,457	683,275
Land and land improvements	46,504	45,615
Buildings and improvements	116,342	115,201
Furniture and fixtures	14,239	18,605
Shop and service equipment	9,545	9,564
Leasehold improvements	3,000	3,382
Gross property and equipment	863,087	875,642
Less: accumulated depreciation and amortization	(279,757)	(283,851)
Property and equipment, net	583,330	591,791
Notes receivable, long-term	3,850	4,047
Goodwill	10,252	10,257
Other long-term assets and restricted cash and investments	38,443	36,194
Total assets	\$814,195	\$807,121

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

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

(in thousands, except par values)

	March 31, 2014	December 31, 2013
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 13,204	\$ 14,354
Accrued payroll and purchased transportation	16,511	13,864
Accrued liabilities	31,683	19,062
Claims accrual – current portion	16,516	15,616
Dividend payable – current portion	187	168
Total current liabilities	78,101	63,064
Long-term Liabilities:		
Claims accrual – long-term portion	9,513	8,889
Long-term dividend payable and other liabilities	2,357	2,486
Deferred tax liabilities	134,284	140,149
Long-term debt	12,000	38,000
Total long-term liabilities	158,154	189,524
Total liabilities	236,255	252,588
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; 80,758 and 80,199 shares issued and outstanding at March 31, 2014 and December 31, 2013, respectively	807	802
Additional paid-in capital	159,684	150,858
Accumulated other comprehensive income	5,662	4,582
Retained earnings	410,746	397,346
Total Knight Transportation shareholders' equity	576,899	553,588
Noncontrolling interest	1,041	945
Total shareholders' equity	577,940	554,533
Total liabilities and shareholders' equity	\$814,195	\$807,121

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

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

	Three Months Ended March 31,	
	2014	2013
REVENUE:		
Revenue, before fuel surcharge	\$205,596	\$189,600
Fuel surcharge	43,567	45,800
Total revenue	249,163	235,400
OPERATING EXPENSES:		
Salaries, wages and benefits	60,733	57,654
Fuel	52,009	55,693
Operations and maintenance	17,020	15,910
Insurance and claims	7,422	7,155
Operating taxes and licenses	4,065	3,908
Communications	1,279	1,172
Depreciation and amortization	21,788	21,507
Purchased transportation	51,969	42,792
Miscellaneous operating expenses	1,628	4,065
Total operating expenses	217,913	209,856
Income from operations	31,250	25,544
Interest income	114	109
Interest expense	(117)	(141)
Other income	866	220
Income before income taxes	32,113	25,732
Income taxes	12,780	10,298
Net income	19,333	15,434
Net income attributable to noncontrolling interest	(269)	(251)
Net income attributable to Knight Transportation	\$19,064	\$15,183
Basic Earnings Per Share	\$0.24	\$0.19
Diluted Earnings Per Share	\$0.23	\$0.19
Weighted Average Shares Outstanding – Basic	80,501	79,841
Weighted Average Shares Outstanding – Diluted	81,336	80,124

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

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

	Three Months Ended March 31,	
	2014	2013
Net income attributable to Knight Transportation	\$ 19,064	\$ 15,183
Other comprehensive income, net of tax:		
Unrealized gain from available-for-sale securities	1,080	251
Comprehensive income	\$ 20,144	\$ 15,434

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

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

	Three Months Ended March 31,	
	2014	2013
Cash Flows From Operating Activities:		
Net income	\$19,333	\$15,434
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	21,788	21,507
Gain on sale of equipment	(4,305)	(1,411)
Gain from sale of available-for-sale securities	-	(47)
Gain from investment in Transportation Resource Partners III	(866)	(173)
Provision for doubtful accounts and notes receivable	282	235
Excess tax benefits related to stock-based compensation	(497)	-
Stock-based compensation expense, net	837	646
Deferred income taxes	(6,718)	(2,401)
Changes in operating assets and liabilities:		
Trade receivables	(6,884)	(10,262)
Other current assets	1,518	2,081
Prepaid expenses	(2,758)	2,869
Other long-term assets	454	(1,461)
Accounts payable	(2,196)	6,033
Accrued liabilities and claims accrual	16,499	7,272
Net cash provided by operating activities	36,487	40,322
Cash Flows From Investing Activities:		
Purchases of property and equipment	(29,173)	(11,856)
Proceeds from sale of equipment/assets held for sale	23,447	13,614
Proceeds from notes receivable	347	881
Proceeds from related party notes receivable	748	745
Change in restricted cash and investments	(15)	(15)
Proceeds from sale of available-for-sale securities	-	2,080
Contributions to Transportation Resource Partners	(67)	