

SAIA INC
Form 10-Q
May 03, 2013
Table of Contents

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, 2013

OR

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

Commission file number: 0-49983

Saia, Inc.

(Exact name of registrant as specified in its charter)

Edgar Filing: SAIA INC - Form 10-Q

Delaware
(State
of incorporation)

48-1229851
(I.R.S. Employer
Identification No.)

11465 Johns Creek Parkway, Suite 400

Johns Creek, GA
(Address of principal executive offices)

30097
(Zip Code)

(770) 232-5067
(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 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 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock	Outstanding Shares at April 29, 2013
Common Stock, par value \$.001 per share	16,186,591

Table of Contents

SAIA, INC. AND SUBSIDIARIES

INDEX

	PAGE
PART I. FINANCIAL INFORMATION	
<u>ITEM 1: Financial Statements</u>	
<u>Condensed Consolidated Balance Sheets March 31, 2013 and December 31, 2012</u>	3
<u>Condensed Consolidated Statements of Operations Quarters ended March 31, 2013 and 2012</u>	4
<u>Condensed Consolidated Statements of Cash Flows Quarters ended March 31, 2013 and 2012</u>	5
<u>Notes to Condensed Consolidated Financial Statements</u>	6-7
<u>ITEM 2: Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	8-15
<u>ITEM 3: Quantitative and Qualitative Disclosures About Market Risk</u>	16
<u>ITEM 4: Controls and Procedures</u>	17
PART II. OTHER INFORMATION	
<u>ITEM 1: Legal Proceedings</u>	18
<u>ITEM 1A: Risk Factors</u>	18
<u>ITEM 2: Unregistered Sales of Equity Securities and Use of Proceeds</u>	18
<u>ITEM 3: Defaults Upon Senior Securities</u>	18
<u>ITEM 4: Mine Safety Disclosures</u>	18
<u>ITEM 5: Other Information</u>	18
<u>ITEM 6: Exhibits</u>	19
<u>Signature</u>	20
<u>Exhibit Index</u>	E-1

Table of Contents**Item 1. Financial Statements****Saia, Inc. and Subsidiaries****Condensed Consolidated Balance Sheets****(unaudited)**

	March 31, 2013	December 31, 2012
	(in thousands, except share and per share data)	
Assets		
Current Assets:		
Cash and cash equivalents	\$ 437	\$ 321
Accounts receivable, net	126,597	106,814
Prepaid expenses and other	32,585	37,028
Total current assets	159,619	144,163
Property and Equipment, at cost	722,265	718,527
Less-accumulated depreciation	361,364	356,823
Net property and equipment	360,901	361,704
Goodwill and Identifiable Intangibles, net	9,250	9,404
Other Noncurrent Assets	5,284	4,417
Total assets	\$ 535,054	\$ 519,688
Liabilities and Stockholders Equity		
Current Liabilities:		
Accounts payable	\$ 53,476	\$ 43,706
Wages, vacation and employees benefits	26,848	30,842
Other current liabilities	44,721	44,609
Current portion of long-term debt	22,143	22,143
Total current liabilities	147,188	141,300
Other Liabilities:		
Long-term debt, less current portion	36,613	38,562
Deferred income taxes	55,611	55,611
Claims, insurance and other	31,639	29,696
Total other liabilities	123,863	123,869
Commitments and Contingencies		
Stockholders Equity:		
Preferred stock, \$0.001 par value, 50,000 shares authorized, none issued and outstanding		
Common stock, \$0.001 par value, 50,000,000 shares authorized, 16,186,591 and 16,058,944 shares issued and outstanding at March 31, 2013 and December 31, 2012, respectively	16	16
Additional paid-in-capital	207,258	206,977
Deferred compensation trust, 133,024 and 138,503 shares of common stock at cost at March 31, 2013 and December 31, 2012, respectively	(2,165)	(2,213)
Retained earnings	58,894	49,739
Total stockholders equity	264,003	254,519

Edgar Filing: SAIA INC - Form 10-Q

Total liabilities and stockholders equity	\$ 535,054	\$ 519,688
---	------------	------------

See accompanying notes to condensed consolidated financial statements.

Table of Contents

Saia, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
For the quarters ended March 31, 2013 and 2012
(unaudited)

	First Quarter	
	2013	2012
	(in thousands, except per share data)	
Operating Revenue	\$ 273,795	\$ 268,690
Operating Expenses:		
Salaries, wages and employees' benefits	136,854	131,700
Purchased transportation	16,771	19,309
Fuel, operating expenses and supplies	79,002	79,397
Operating taxes and licenses	9,579	9,866
Claims and insurance	5,595	6,174
Depreciation and amortization	11,634	11,415
Operating gains, net	(172)	(219)
Total operating expenses	259,263	257,642
Operating Income	14,532	11,048
Nonoperating Expenses:		
Interest expense	1,528	1,964
Other, net	(66)	(95)
Nonoperating expenses, net	1,462	1,869
Income Before Income Taxes	13,070	9,179
Income Tax Provision	3,915	3,644
Net Income	\$ 9,155	\$ 5,535
Weighted average common shares outstanding - basic	15,990	15,833
Weighted average common shares outstanding - diluted	16,632	16,358
Basic Earnings Per Share	\$ 0.57	\$ 0.35
Diluted Earnings Per Share	\$ 0.55	\$ 0.34

See accompanying notes to condensed consolidated financial statements.

Table of Contents

Saia, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
For the quarters ended March 31, 2013 and 2012
(unaudited)

	First Quarter	
	2013	2012
	(in thousands)	
Operating Activities:		
Net income	\$ 9,155	\$ 5,535
Noncash items included in net income:		
Depreciation and amortization	11,634	11,415
Other, net	1,431	(1,249)
Changes in operating assets and liabilities, net	(15,202)	8,348
Net cash provided by operating activities	7,018	24,049
Investing Activities:		
Acquisition of property and equipment	(6,725)	(40,595)
Proceeds from disposal of property and equipment	710	1,358
Net cash used in investing activities	(6,015)	(39,237)
Financing Activities:		
Repayment of revolving credit agreement	(58,496)	(62,927)
Borrowing of revolving credit agreement	56,551	76,522
Proceeds from stock option exercises	1,058	336
Net cash (used in) provided by financing activities	(887)	13,931
Net Increase (Decrease) in Cash and Cash Equivalents	116	(1,257)
Cash and cash equivalents, beginning of period	321	1,317
Cash and cash equivalents, end of period	\$ 437	\$ 60

See accompanying notes to condensed consolidated financial statements.

Table of Contents

Saia, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(unaudited)

(1) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of Saia, Inc. and its wholly-owned subsidiaries (together, the Company or Saia). All significant intercompany accounts and transactions have been eliminated in the condensed consolidated financial statements. The condensed consolidated financial statements include the financial position and results of operations of Robart Transportation, Inc. and its subsidiary, The RL Service Group, LLC (the Robart Companies) since its acquisition date of July 2, 2012 (See Note 5 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012).

The condensed consolidated financial statements have been prepared by the Company without audit by the independent registered public accounting firm. In the opinion of management, all normal recurring adjustments necessary for a fair presentation of the condensed consolidated statements of financial position, results of operations and cash flows for the interim periods included herein have been made. These interim condensed consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information, the instructions to Quarterly Report on Form 10-Q and Rule 10-01 of Regulation S-X. Certain information and note disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted from these statements. The accompanying condensed consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2012. Operating results for the quarter ended March 31, 2013 are not necessarily indicative of the results of operations that may be expected for the year ended December 31, 2013.

Business

The Company offers customers a wide range of less-than-truckload, non-asset truckload, expedited and logistics services across the United States through its wholly-owned subsidiaries. Effective October 1, 2012, the Company's subsidiaries were as follows: Saia Motor Freight Line, LLC, doing business as Saia LTL Freight; Saia TL Plus, Inc., formerly Robart Transportation, Inc., and Saia Logistics Services, LLC, formerly The RL Services Group, LLC.

New Accounting Pronouncements

There are no new accounting pronouncements pending adoption as of March 31, 2013 that the Company believes would have a significant impact on its condensed consolidated financial statements.

Table of Contents**(2) Computation of Earnings Per Share**

The calculation of basic earnings per common share and diluted earnings per common share was as follows (in thousands, except per share amounts):

	First Quarter	
	2013	2012
Numerator:		
Net income	\$ 9,155	\$ 5,535
Denominator:		
Denominator for basic earnings per share weighted average common shares	15,990	15,833
Effect of dilutive stock options	202	72
Effect of other common stock equivalents	440	453
Denominator for diluted earnings per share adjusted weighted average common shares	16,632	16,358
Basic Earnings Per Share	\$ 0.57	\$ 0.35
Diluted Earnings Per Share	\$ 0.55	\$ 0.34

For the quarter ended March 31, 2013 and 2012, respectively, options to purchase zero and 394,759 shares of common stock of the Company were excluded from the calculation of diluted earnings per share because their effect was anti-dilutive.

(3) Commitments and Contingencies

The Company is subject to legal proceedings that arise in the ordinary course of its business. The Company believes that adequate provisions for the resolution of all contingencies, claims and pending litigation have been made for probable losses and that the ultimate outcome of these actions will not have a material adverse effect on our consolidated financial position but could have a material adverse effect on the results of operations in a quarter or annual period.

(4) Fair Value of Financial Instruments

The carrying amounts of financial instruments including cash and cash equivalents, accounts receivable, accounts payable and short-term debt approximated fair value as of March 31, 2013 and December 31, 2012 because of the relatively short maturity of these instruments. Based on the borrowing rates currently available to the Company for debt with similar items and remaining maturities the estimated fair value of total debt at March 31, 2013 and December 31, 2012 was \$61.6 million and \$63.5 million, respectively, based upon level two in the fair value hierarchy. The carrying value of the debt was \$58.7 million and \$60.7 million at March 31, 2013 and December 31, 2012.

Table of Contents

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Management's Discussion and Analysis should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and our 2012 audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012. Those consolidated financial statements include additional information about our significant accounting policies, practices and the transactions that underlie our financial results.

Forward-Looking Statements

The Securities and Exchange Commission (the SEC) encourages companies to disclose forward-looking information so that investors can better understand the future prospects of a company and make informed investment decisions. This Quarterly Report on Form 10-Q, including Management's Discussion and Analysis of Financial Condition and Results of Operations, contains these types of statements, which are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as anticipate, estimate, expect, project, intend, may, plan, predict, believe, should and similar words or expressions are intended to identify forward-looking statements. Investors should not place undue reliance on forward-looking statements, and the Company undertakes no obligation to publicly update or revise any forward-looking statements. All forward-looking statements reflect the present expectation of future events of our management as of the date of this Quarterly Report on Form 10-Q and are subject to a number of important factors, risks, uncertainties and assumptions that could cause actual results to differ materially from those described in any forward-looking statements. These factors, risks, assumptions and uncertainties include, but are not limited to, general economic conditions including downturns in the business cycle; the creditworthiness of our customers and their ability to pay for services; competitive initiatives and pricing pressures, including in connection with fuel surcharge; the Company's need for capital and uncertainty of the credit markets; the possibility of defaults under the Company's debt agreements (including violation of financial covenants); possible issuance of equity which would dilute stock ownership; integration risks; indemnification obligations associated with the 2006 sale of Jevic Transportation, Inc.; the effect of litigation including class action lawsuits; cost and availability of qualified drivers, fuel, purchased transportation, real property, revenue equipment and other assets; governmental regulations, including but not limited to Hours of Service, engine emissions, the Compliance, Safety, Accountability (CSA) initiative, compliance with legislation requiring companies to evaluate their internal control over financial reporting, changes in interpretation of accounting principles and Homeland Security; dependence on key employees; inclement weather; labor relations, including the adverse impact should a portion of the Company's workforce become unionized; effectiveness of Company-specific performance improvement initiatives; terrorism risks; self-insurance claims and other expense volatility; increased costs as a result of healthcare reform legislation and other financial, operational and legal risks and uncertainties detailed from time to time in the Company's SEC filings. These factors and risks are described in Part II, Item 1A. Risk Factors of the Company's Annual Report on Form 10-K for the year ended December 31, 2012, as updated by Part II, Item 1A. of this Quarterly Report on Form 10-Q.

As a result of these and other factors, no assurance can be given as to our future results and achievements. Accordingly, a forward-looking statement is neither a prediction nor a guarantee of future events or circumstances and those future events or circumstances may not occur. You should not place undue reliance on the forward-looking statements, which speak only as of the date of this Form 10-Q. We are under no obligation, and we expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.

Executive Overview

The Company's business is highly correlated to non-service sectors of the general economy. The Company's strategy is to improve profitability by increasing yield while also increasing volumes to build density in existing geography. The Company's business is labor intensive, capital intensive and