

KNIGHT TRANSPORTATION INC
Form 10-Q
May 10, 2013

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

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.)

5601 West Buckeye Road
Phoenix, Arizona
85043
(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

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

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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 April 30, 2013 was 79,923,239 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
as of March 31, 2013 and December 31, 2012
(in thousands)

	March 31, 2013	December 31, 2012
ASSETS		
Current Assets:		
Cash and cash equivalents	\$10,196	\$5,684
Trade receivables, net of allowance for doubtful accounts	112,576	102,553
Notes receivable, net of allowance for doubtful accounts	739	791
Related party notes and interest receivable	2,069	2,814
Prepaid expenses	14,165	17,035
Assets held for sale	15,283	18,362
Other current assets	10,368	12,449
Current deferred tax assets	4,028	3,409
Total current assets	169,424	163,097
Property and Equipment:		
Revenue equipment	661,610	681,864
Land and land improvements	39,171	38,979
Buildings and improvements	106,686	100,158
Furniture and fixtures	16,354	15,953
Shop and service equipment	8,555	9,065
Leasehold improvements	3,004	2,989
Gross property and equipment	835,380	849,008
Less: accumulated depreciation and amortization	(272,300)	(264,944)
Property and equipment, net	563,080	584,064
Notes receivable, net of current portion	3,146	3,692
Goodwill	10,271	10,276
Other long-term assets and restricted cash	21,535	21,383
Total assets	\$767,456	\$782,512

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)
as of March 31, 2013 and December 31, 2012
(in thousands, except par values)

	March 31, 2013	December 31, 2012
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 15,383	\$ 11,281
Accrued payroll and purchased transportation	12,718	10,489
Accrued liabilities	21,230	16,020
Claims accrual – current portion	16,366	15,892
Dividend payable – current portion	151	141
Total current liabilities	65,848	53,823
Long-term Liabilities:		
Claims accrual – long-term portion	10,455	10,340
Long-term dividend payable and other liabilities	2,384	2,638
Deferred tax liabilities	143,242	144,871
Long-term debt	43,000	80,000
Total long-term liabilities	199,081	237,849
Total liabilities	264,929	291,672
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; 79,917 and 79,760 shares issued and outstanding at March 31, 2013 and December 31, 2012, respectively	799	798
Additional paid-in capital	144,489	142,837
Accumulated other comprehensive loss	(51)	(302)
Retained earnings	356,591	346,899
Total Knight Transportation shareholders' equity	501,828	490,232
Noncontrolling interest	699	608
Total shareholders' equity	502,527	490,840
Total liabilities and shareholders' equity	\$767,456	\$782,512

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,	
	2013	2012
REVENUE:		
Revenue, before fuel surcharge	\$189,600	\$175,599
Fuel surcharge	45,800	43,933
Total revenue	235,400	219,532
OPERATING EXPENSES:		
Salaries, wages and benefits	57,654	60,956
Fuel	55,693	57,311
Operations and maintenance	15,910	13,737
Insurance and claims	7,155	7,645
Operating taxes and licenses	3,908	4,103
Communications	1,172	1,395
Depreciation and amortization	21,507	20,372
Purchased transportation	42,792	31,860
Miscellaneous operating expenses	4,065	2,319
Total operating expenses	209,856	199,698
Income from operations	25,544	19,834
Interest income	109	112
Interest expense	(141)	(128)
Other income	220	197
Income before income taxes	25,732	20,015
Income taxes	10,298	9,356
Net income	15,434	10,659
Net income attributable to noncontrolling interest	(251)	(113)
Net income attributable to Knight Transportation	\$15,183	\$10,546
Basic Earnings Per Share	\$0.19	\$0.13
Diluted Earnings Per Share	\$0.19	\$0.13
Weighted Average Shares Outstanding - Basic	79,841	79,531
Weighted Average Shares Outstanding - Diluted	80,124	80,046

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,	
	2013	2012
Net income attributable to Knight Transportation	\$ 15,183	\$ 10,546
Other comprehensive income, net of tax:		
Unrealized gain from available-for-sale securities	251	455
Comprehensive income	\$ 15,434	\$ 11,001

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,
2013 2012

Cash Flows From Operating Activities:

Net income	\$15,434	\$10,659
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	21,507	20,372
Gain on sale of equipment	(1,411)	(2,677)
Gain from sale of available for sale securities	(47)	-
(Gain) loss from investment in TRP III	(173)	233
Provision for doubtful accounts and notes receivable	235	234
Excess tax benefits related to stock-based compensation	-	(44)
Stock-based compensation expense	646	4,820
Deferred income taxes	(2,401)	(3,367)
Changes in operating assets and liabilities:		
Trade receivables	(10,262)	(4,509)
Other current assets	2,081	(880)
Prepaid expenses	2,869	(8,268)
Income tax receivable	-	3,821
Other long-term assets	(1,461)	(207)
Accounts payable	6,033	1,116
Accrued liabilities and claims accrual	7,272	8,952
Net cash provided by operating activities	40,322	30,255
Cash Flow From Investing Activities:		
Purchase of property and equipment	(11,856)	(36,951)
Proceeds from sale of equipment/assets held for sale	13,614	12,662
Proceeds from sale of available for sale securities	2,080	-
Proceeds from notes receivable	881	472