

USA TRUCK INC  
Form 10-Q  
November 03, 2017

**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 **September 30, 2017**  
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: **1-35740**

**USA TRUCK, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

**71-0556971**

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(State or other jurisdiction of incorporation  
or organization)

(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)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Accelerated filer

Large accelerated filer

Non-accelerated filer  (Do

not check if a smaller

Smaller reporting company

reporting company)

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 the registrant's common stock, as of October 25, 2017, was 8,297,879.

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USA TRUCK, INC.

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Table of Contents**PART I – FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS  
USA TRUCK, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(UNAUDITED)**

(in thousands, except share data)

	<b>September 30, 2017</b>	December 31, 2016
<b>Assets</b>		
Current assets:		
Cash	<b>\$ 193</b>	\$ 122
Accounts receivable, net of allowance for doubtful accounts of \$1,047 and \$608, respectively	<b>58,814</b>	55,127
Other receivables	<b>3,509</b>	6,986
Inventories	<b>427</b>	413
Assets held for sale	<b>622</b>	4,661
Prepaid expenses and other current assets	<b>3,451</b>	6,187
Total current assets	<b>67,016</b>	73,496
Property and equipment:		
Land and structures	<b>32,493</b>	31,500
Revenue equipment	<b>254,462</b>	269,953
Service, office and other equipment	<b>25,256</b>	25,295
Property and equipment, at cost	<b>312,211</b>	326,748
Accumulated depreciation and amortization	<b>(117,206 )</b>	(106,465)
Property and equipment, net	<b>195,005</b>	220,283
Other assets	<b>1,024</b>	1,189
Total assets	<b>\$ 263,045</b>	\$ 294,968
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	<b>\$ 29,399</b>	\$ 18,779
Current portion of insurance and claims accruals	<b>11,736</b>	10,665
Accrued expenses	<b>7,665</b>	7,533
Current maturities of capital leases	<b>15,021</b>	16,742
Insurance premium financing	<b>--</b>	3,943
Total current liabilities	<b>63,821</b>	57,662
Deferred gain	<b>531</b>	652
Long-term debt	<b>77,500</b>	96,600
Capital leases, less current maturities	<b>28,382</b>	35,133
Deferred income taxes	<b>31,890</b>	37,775
Insurance and claims accruals, less current portion	<b>9,424</b>	8,558

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Total liabilities	<b>211,548</b>	236,380
Commitments and contingencies		
Stockholders' equity:		
Preferred Stock, \$.01 par value; 1,000,000 shares authorized; none issued	--	--
Common Stock, \$.01 par value; 30,000,000 shares authorized; issued 12,149,376 shares, and 12,156,376 shares, respectively	<b>121</b>	122
Additional paid-in capital	<b>68,498</b>	68,375
Retained earnings	<b>50,638</b>	57,963
Less treasury stock, at cost (3,853,064 shares, and 3,849,815 shares, respectively)	<b>(67,760 )</b>	(67,872 )
Total stockholders' equity	<b>51,497</b>	58,588
Total liabilities and stockholders' equity	<b>\$263,045</b>	\$294,968

*See accompanying notes to condensed consolidated financial statements.*

Table of Contents**USA TRUCK, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)****(UNAUDITED)**

(in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
<b>Revenue</b>				
Operating revenue	\$114,235	\$105,458	\$323,263	\$325,964
<b>Operating expenses</b>				
Salaries, wages and employee benefits	29,813	29,131	89,674	92,332
Fuel and fuel taxes	11,759	10,932	33,012	32,512
Depreciation and amortization	6,790	7,411	21,313	22,282
Insurance and claims	5,344	5,620	19,236	15,826
Equipment rent	2,703	1,861	7,449	5,582
Operations and maintenance	8,259	8,170	22,780	27,682
Purchased transportation	42,543	37,218	120,951	111,650
Operating taxes and licenses	972	1,003	2,946	3,384
Communications and utilities	679	673	1,943	2,404
Gain on disposal of assets, net	(215 )	(181 )	(551 )	(759 )
Restructuring, impairment and other costs	--	--	--	5,264
Other	3,784	3,578	12,071	10,683
Total operating expenses	112,431	105,416	330,824	328,842
<b>Operating income (loss)</b>	1,804	42	(7,561 )	(2,878 )
<b>Other expenses</b>				
Interest expense, net	970	913	2,922	2,209
Other, net	86	87	311	423
Total other expenses, net	1,056	1,000	3,233	2,632
<b>Income (loss) before income taxes</b>	748	(958 )	(10,794 )	(5,510 )
<b>Income tax expense (benefit)</b>	339	(224 )	(3,469 )	(1,623 )
<b>Consolidated net income (loss) and comprehensive income (loss)</b>	\$409	\$(734 )	\$(7,325 )	\$(3,887 )
<b>Net earnings (loss) per share</b>				
Average shares outstanding (basic)	8,027	8,069	8,029	8,736
Basic income (loss) per share	\$0.05	\$(0.09 )	\$(0.91 )	\$(0.44 )
Average shares outstanding (diluted)	8,039	8,069	8,029	8,736
Diluted loss per share	\$0.05	\$(0.09 )	\$(0.91 )	\$(0.44 )

*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, 2016	12,156	\$ 122	\$ 68,041	\$ 58,172	\$(67,872)	\$ 58,463
<i>Effect of adoption of share-based payment pronouncement ASU 2016-09 (see note 2)</i>	--	--	334	(209 )	--	125
Balance at December 31, 2016, as recast	12,156	\$ 122	\$ 68,375	\$ 57,963	\$(67,872)	\$ 58,588
Issuance of treasury stock	--	--	(170 )	--	112	(58 )
Stock-based compensation	--	--	289	--	--	289
Restricted stock award grant	197	1	(2 )	--	--	(1 )
Forfeited restricted stock	(204 )	(2 )	2	--	--	--
Net share settlement related to restricted stock vesting	--	--	4	--	--	4
Net loss	--	--	--	(7,325 )	--	(7,325 )
Balance at September 30, 2017	<b>12,149</b>	<b>\$ 121</b>	<b>\$ 68,498</b>	<b>\$ 50,638</b>	<b>\$(67,760)</b>	<b>\$ 51,497</b>

*See accompanying notes to condensed consolidated financial statements.*

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(in thousands)

	Nine Months Ended September 30,	
	<b>2017</b>	2016
<b>Operating activities:</b>		
Net loss	\$(7,325 )	\$(3,887 )
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	21,313	22,282
Provision for doubtful accounts	--	458
Deferred income tax (benefit) provision, net	(5,885 )	2,139
Share-based compensation	289	695
Gain on disposal of assets, net	(551 )	(759 )
Impairment of property and equipment	--	1,070
Other	(121 )	(49 )
Changes in operating assets and liabilities:		
Accounts receivable	(1,766 )	(3,257 )
Inventories and prepaid expenses	2,722	1,575
Accounts payable and accrued liabilities	9,471	3,418
Insurance and claims accruals	1,937	1,315
Other long-term assets and liabilities	164	162
Net cash provided by operating activities	20,248	25,162
<b>Investing activities:</b>		
Capital expenditures	(7,645 )	(62,435)
Proceeds from sale of property and equipment	9,306	22,564
Proceeds from operating sale leaseback	10,980	--
Net cash provided by (used in) investing activities	12,641	(39,871)
<b>Financing activities:</b>		
Borrowings under long-term debt	20,755	62,341
Payments on long-term debt	(44,065)	(33,041)
Payments on capitalized lease obligations	(8,205 )	(7,530 )
Net change in bank drafts payable	(1,249 )	1,595
Excess tax benefit from exercise of stock options	--	(75 )
Purchase of common stock	--	(28,372)
Proceeds from capital sale leaseback	--	19,927
Net payments on stock-based awards	4	(81 )
Proceeds from issuance of treasury stock	(58 )	--
Net cash (used in) provided by financing activities	(32,818)	14,764
(Decrease) increase in cash	71	55

Cash:		
Beginning of period	<b>122</b>	87
End of period	<b>\$193</b>	\$142
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid during the period for:		
Interest	<b>\$2,908</b>	\$2,199
Income taxes	<b>138</b>	158

*See accompanying notes to condensed consolidated financial statements.*

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**USA TRUCK, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**September 30, 2017**

**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* and *nine* month periods ended *September 30, 2017* are *not* necessarily indicative of the results that *may* be expected for the year ending *December 31, 2017*. 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, 2016*.

References to the “Company,” “we,” “us,” “our” or similar terms refer to USA Truck, Inc. and its subsidiary.

**NOTE 2 – NEW ACCOUNTING PRONOUNCEMENTS**

In *May 2014*, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) *No. 2014-09*, Revenue from Contracts with Customers (“ASU 2014-09”), which supersedes nearly all existing revenue recognition guidance under GAAP. The core principle of ASU 2014-09 is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a *five*-step process to implement this core principle and, in doing so, more judgment and estimates *may* be required within the revenue recognition process than are required under existing GAAP. The standard provides for using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). In *August 2015*, the FASB issued ASU 2015-14, Revenue From Contracts with Customers – Deferral of the Effective Date, which delayed the effectiveness of ASU 2014-09 to annual periods beginning after *December 15, 2017*, and interim periods therein. The Company believes our transportation revenue recognized under the new standard will change our revenue recognition within our USAT Logistics segment. We expect to transition from recognition of revenue at completion to recognizing USAT Logistics transportation revenue proportionately as the transportation services are performed. The Company does *not* expect this change to materially impact our operations or IT infrastructure. In our Trucking

segment, where revenue is recognized as services are provided, we expect revenue recognition to remain the same. The Company expects to adopt ASU 2014-09 using the full retrospective method.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which requires lessees to recognize a right-to-use asset and a lease obligation for all leases. Lessees are permitted to make an accounting policy election to *not* recognize an asset and liability for leases with a term of *twelve* months or less. Lessor accounting under the new standard is substantially unchanged. Additional qualitative and quantitative disclosures, including significant judgments made by management, will be required. The new standard, which will become effective for the Company beginning with the *first* quarter 2019, requires a modified retrospective transition approach and includes a number of practical expedients. Early adoption of the standard is permitted. The Company is currently evaluating the impacts the adoption of this accounting guidance will have on the condensed consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*, which simplifies several aspects of the accounting for employee share-based payment transactions including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification of related amounts within the statement of cash flows. The Company adopted the provisions of ASU 2016-09 as of *January 1, 2017*. As a result, the Company changed its accounting policy to recognize forfeitures as they occur. Accordingly, the Company recognized a net cumulative adjustment of *\$0.1* million for the adoption of the impact of removing forfeitures, net of income taxes, charged to stockholder's equity at *December 31, 2016*. The requirement to recognize excess tax benefits and deficiencies as income tax expense or benefit in the income statement was applied prospectively, with *no* material impact on the financial statements for the *three* and *nine* months ended *September 30, 2017*.

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**NOTE 3 – NOTE RECEIVABLE**

During 2010, the Company sold its terminal facility in Shreveport, Louisiana. In connection with this sale, the Company received cash in the amount of \$0.2 million and a note receivable in the amount of \$2.1 million which was recorded in the line item “Other Receivables” in the accompanying condensed consolidated balance sheets at *December 31, 2016*. The purchaser-debtor was to make monthly payments to the Company, with interest, until the balance of the note receivable was paid through a lump sum payment due in *November 2015*. The Company had previously deferred \$0.7 million of gain on the sale of the property, with the gain recognized into earnings only as monthly payments on the note receivable were received.

The purchaser-debtor defaulted on the note receivable in *November 2015*, at which time the Company began legal action to collect the remaining balance. The foreclosure sale was held on *April 26, 2017*, and a successful bid was placed by a *third* party for \$1.6 million, which exceeded the \$1.4 million carrying value of the note. During the *second* quarter of 2017, the Company received cash from the foreclosure sale and recognized a \$0.2 million gain.

**NOTE 4 – 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 and provided for the granting of up to 500,000 shares of common stock through equity-based awards to directors, officers and other key employees and consultants. The First Amendment to the Incentive Plan was adopted in *May 2017*, which, among other things, increased the number of shares of common stock available for issuance under the Incentive Plan by an additional 500,000 shares. As of *September 30, 2017*, 590,969 shares remain available under the Incentive Plan for the issuance of future equity-based compensation awards.

**NOTE 5 – SEGMENT REPORTING**

The Company’s *two* reportable segments are Trucking and USAT Logistics.

*Trucking*. Trucking is comprised of *one*-way truckload and dedicated freight motor carrier services. Truckload provides motor carrier services as a medium to long-haul common and contract carrier. USA Truck has provided

truckload motor carrier services since its inception, and continues to derive the largest portion of its gross revenue from these services. Dedicated freight provides truckload motor carrier services to specific customers for movement of freight over particular routes at specified times.

*USAT Logistics.* USAT Logistics' service offerings consist of freight brokerage, logistics, and rail intermodal services. Each of these service offerings match customer shipments with available equipment of authorized *third*-party motor carriers and other service providers and provide services that complement the Company's Trucking operations. The Company provides these services primarily to existing Trucking customers, many of whom prefer to rely on a single service provider, or a small group of service providers, to provide all their transportation solutions.

In determining its reportable segments, the Company's management focuses on financial information, such as operating revenue, operating expense categories, operating ratios and operating income, as well as on key operating statistics, to make operating decisions.

Revenue equipment assets are *not* allocated to USAT Logistics because USAT Logistics brokers freight services for customers through arrangements with *third* party motor carriers who utilize their own equipment. To the extent rail intermodal operations require the use of Company-owned assets, they are obtained from the Company's Trucking segment on an as-needed basis. Depreciation and amortization expense is allocated to USAT Logistics based on the Company-owned assets specifically utilized to generate USAT Logistics revenue. All intercompany transactions between segments reflect rates similar to those that would be negotiated with independent *third* parties. All other expenses for USAT Logistics are specifically identifiable direct costs or are allocated to USAT Logistics based on relevant cost drivers, as determined by management.

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A summary of operating revenue by segment is as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
<b>Operating revenue</b>	<b>2017</b>	2016	<b>2017</b>	2016
Trucking revenue (1)	<b>\$76,811</b>	\$73,644	<b>\$219,013</b>	\$225,430
Trucking intersegment eliminations	<b>(361 )</b>	(277 )	<b>(738 )</b>	(857 )
Trucking operating revenue	<b>76,450</b>	73,367	<b>218,275</b>	224,573
USAT Logistics revenue (2)	<b>41,907</b>	33,476	<b>111,435</b>	106,473
USAT Logistics intersegment eliminations	<b>(4,122 )</b>	(1,385 )	<b>(6,447 )</b>	(5,082 )
USAT Logistics operating revenue	<b>37,785</b>	32,091	<b>104,988</b>	101,391
Total operating revenue	<b>\$114,235</b>	\$105,458	<b>\$323,263</b>	\$325,964

Includes foreign revenue of \$9.6 million and \$27.2 million for the *three* and *nine* months ended *September 30, (1) 2017*, respectively, and \$9.4 million and \$28.7 million for the *three* and *nine* months ended *September 30, 2016*, respectively. All foreign revenue is collected in U.S. dollars.

USAT Logistics de Mexico was established on *March 4, 2017*. Foreign revenue for the *three* and *nine* months (2) ended *September 30, 2017* was \$0.7 million and \$0.9 million, respectively. All foreign revenue is collected in U.S. dollars.

A summary of operating income (loss) by segment is as follows (in thousands):

	Three Months		Nine Months	
	Ended		Ended	
<b>Operating income (loss)</b>	<b>2017</b>	2016	<b>2017</b>	2016
Trucking	<b>\$(1,194)</b>	\$(1,505)	<b>\$(13,165)</b>	\$(8,607)
USAT Logistics	<b>2,998</b>	1,547	<b>5,604</b>	