

USA TRUCK INC  
Form 10-Q  
July 27, 2018

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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 **June 30, 2018**  
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**

(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)

**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 every Interactive Data File required to be submitted 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 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  Smaller 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 [X]

The number of shares outstanding of the registrant's common stock, as of July 20, 2018, was 8,312,658.

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(in thousands, except share data)

	<b>June 30, 2018</b>	December 31, 2017
<b>Assets</b>		
Current assets:		
Cash	<b>\$29</b>	\$71
Accounts receivable, net of allowance for doubtful accounts of \$643 and \$639, respectively	<b>61,150</b>	55,138
Other receivables	<b>9,497</b>	2,787
Inventories	<b>415</b>	458
Assets held for sale	<b>2,451</b>	112
Prepaid expenses and other current assets	<b>5,256</b>	6,025
Total current assets	<b>78,798</b>	64,591
Property and equipment:		
Land and structures	<b>31,847</b>	31,452
Revenue equipment	<b>227,431</b>	252,484
Service, office and other equipment	<b>26,522</b>	26,209
Property and equipment, at cost	<b>285,800</b>	310,145
Accumulated depreciation and amortization	<b>(115,780)</b>	(122,329)
Property and equipment, net	<b>170,020</b>	187,816
Other assets	<b>1,332</b>	1,448
Total assets	<b>\$250,150</b>	\$253,855
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	<b>\$32,240</b>	\$24,332
Current portion of insurance and claims accruals	<b>17,995</b>	13,552
Accrued expenses	<b>11,498</b>	9,108
Current maturities of capital leases	<b>8,014</b>	12,929
Insurance premium financing	<b>1,330</b>	4,115
Total current liabilities	<b>71,077</b>	64,036
Deferred gain	<b>1,488</b>	480
Long-term debt	<b>54,950</b>	61,225
Capital leases, less current maturities	<b>25,994</b>	29,216
Deferred income taxes	<b>18,274</b>	21,136
Insurance and claims accruals, less current portion	<b>8,242</b>	11,274

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Total liabilities	<b>180,025</b>	187,367
Stockholders' equity:		
Preferred Stock, \$0.01 par value; 1,000,000 shares authorized; none issued		--
Common Stock, \$0.01 par value; 30,000,000 shares authorized; issued 12,015,174 shares, and 12,142,391 shares, respectively	<b>120</b>	121
Additional paid-in capital	<b>65,738</b>	68,667
Retained earnings	<b>69,039</b>	65,460
Less treasury stock, at cost (3,702,444 shares, and 3,853,064 shares, respectively)	<b>(64,772 )</b>	(67,760 )
Total stockholders' equity	<b>70,125</b>	66,488
Total liabilities and stockholders' equity	<b>\$250,150</b>	\$253,855

*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 June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
<b>Revenue</b>				
Operating revenue	<b>\$135,381</b>	\$107,358	<b>\$260,394</b>	\$209,028
<b>Operating expenses</b>				
Salaries, wages and employee benefits	<b>31,645</b>	29,221	<b>63,882</b>	59,860
Fuel and fuel taxes	<b>13,984</b>	10,479	<b>27,463</b>	21,253
Depreciation and amortization	<b>7,477</b>	6,879	<b>14,657</b>	14,523
Insurance and claims	<b>5,341</b>	5,561	<b>10,943</b>	13,893
Equipment rent	<b>2,151</b>	2,633	<b>4,869</b>	4,747
Operations and maintenance	<b>8,913</b>	7,950	<b>16,874</b>	14,521
Purchased transportation	<b>55,817</b>	41,005	<b>104,855</b>	78,408
Operating taxes and licenses	<b>1,262</b>	1,024	<b>1,764</b>	1,974
Communications and utilities	<b>677</b>	598	<b>1,390</b>	1,264
Gain on disposal of assets, net	<b>(395 )</b>	(77 )	<b>(564 )</b>	(337 )
Restructuring, impairment and other costs (reversal)	<b>--</b>	--	<b>(639 )</b>	--
Other	<b>4,198</b>	5,051	<b>8,197</b>	8,287
Total operating expenses	<b>131,070</b>	110,324	<b>253,691</b>	218,393
<b>Operating income (loss)</b>	<b>4,311</b>	(2,966 )	<b>6,703</b>	(9,365 )
<b>Other expenses</b>				
Interest expense, net	<b>833</b>	950	<b>1,651</b>	1,953
Other, net	<b>113</b>	128	<b>233</b>	226
Total other expenses, net	<b>946</b>	1,078	<b>1,884</b>	2,179
<b>Income (loss) before income taxes</b>	<b>3,365</b>	(4,044 )	<b>4,819</b>	(11,544 )
<b>Income tax expense (benefit)</b>	<b>821</b>	(1,198 )	<b>1,240</b>	(3,808 )
<b>Consolidated net income (loss) and comprehensive income (loss)</b>	<b>\$2,544</b>	\$(2,846 )	<b>\$3,579</b>	\$(7,736 )
<b>Net earnings (loss) per share</b>				
Average shares outstanding (basic)	<b>8,205</b>	8,028	<b>8,141</b>	8,028
Basic earnings (loss) per share	<b>\$0.31</b>	\$(0.35 )	<b>\$0.44</b>	\$(0.96 )

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Average shares outstanding (diluted)	<b>8,227</b>	8,028	<b>8,167</b>	8,028
Diluted earnings (loss) per share	<b>\$0.31</b>	\$(0.35 )	<b>\$0.44</b>	\$(0.96 )

*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, 2017	12,142	\$ 121	\$ 68,667	\$ 65,460	\$(67,760)	\$66,488
Issuance of treasury stock	--	--	(2,988 )	--	2,988	--
Stock-based compensation	--	--	168	--	--	168
Restricted stock award grant	--	--	--	--	--	--
Forfeited restricted stock	(125 )	(1 )	1	--	--	--
Net share settlement related to restricted stock vesting	(2 )	--	(110 )	--	--	(110 )
Net income	--	--	--	3,579	--	3,579
Balance at June 30, 2018	<b>12,015</b>	<b>\$ 120</b>	<b>\$ 65,738</b>	<b>\$ 69,039</b>	<b>\$(64,772)</b>	<b>\$ 70,125</b>

*See accompanying notes to condensed consolidated financial statements.*

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**USA TRUCK, INC.**  
**CONDENSED**  
**CONSOLIDATED**  
**STATEMENTS**  
**OF CASH FLOWS**  
**(UNAUDITED)**  
(in thousands)

	Six Months Ended June 30,	
	<b>2018</b>	2017
<b>Operating activities:</b>		
Net income (loss)	<b>\$3,579</b>	\$(7,736 )
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	<b>14,657</b>	14,523
Deferred income tax, net	<b>(2,862 )</b>	(6,196 )
Share-based compensation	<b>168</b>	152
Gain on disposal of assets, net	<b>(564 )</b>	(337 )
Reversal of previously recorded restructuring, impairment and other costs	<b>(639 )</b>	--
Other	<b>(324 )</b>	(70 )
Changes in operating assets and liabilities:		
Accounts receivable	<b>(7,398 )</b>	944
Inventories and prepaid expenses	<b>813</b>	1,660
Accounts payable and accrued liabilities	<b>9,472</b>	3,328
Insurance and claims accruals	<b>1,410</b>	3,075
Other long-term assets and liabilities	<b>116</b>	119
Net cash provided by operating activities	<b>18,428</b>	9,462
<b>Investing activities:</b>		
Capital expenditures	<b>(4,288 )</b>	(3,468 )
Proceeds from sale of property and equipment	<b>2,766</b>	9,856
Proceeds from operating sale leaseback	<b>--</b>	10,980
Net cash (used in) provided by investing activities	<b>(1,522 )</b>	17,368
<b>Financing activities:</b>		
Borrowings under long-term debt	<b>17,478</b>	11,855
Payments on long-term debt	<b>(26,538)</b>	(30,996)
Payments on capitalized lease obligations	<b>(8,137 )</b>	(5,467 )
Net change in bank drafts payable	<b>359</b>	(2,136 )
Net payments for tax withholdings for vested stock-based awards	<b>(110 )</b>	15
Issuance of treasury stock	<b>--</b>	(57 )
Net cash used in financing activities	<b>(16,948)</b>	(26,786)
(Decrease) increase in cash	<b>(42 )</b>	44
Cash:		
Beginning of period	<b>71</b>	122

End of period	\$29	\$166
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid during the period for:		
Interest	\$1,681	\$1,936
Income taxes	2,413	124

*See accompanying notes to condensed consolidated financial statements.*

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**USA TRUCK, INC.**

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

**June 30, 2018**

**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 *six* month periods ended *June 30, 2018* are *not* necessarily indicative of the results that *may* be expected for the year ended *December 31, 2018*. 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, 2017*.

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. Transportation revenue within our USAT Logistics segment under the new standard changed from recognition of revenue at completion to recognizing revenue proportionately as the transportation services are performed. This change did *not* materially impact our operations or IT infrastructure. In our Trucking segment, where revenue is recognized as services are provided, revenue recognition remained the same. The Company adopted ASU 2014-09 effective *January 1, 2018* using the modified retrospective method. The effect of adoption was immaterial to retained earnings at *January 1, 2018* and to net income for the *three* and *six* month periods ended *June 30, 2018*.

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 of 2019, requires a modified retrospective transition approach and includes a number of practical expedients. The Company expects the adoption of this standard to have a material impact on our consolidated balance sheets, but *not* our statement of operations. See Note 9 for further discussion of our lease types and positions.

### **NOTE 3 – REVENUE RECOGNITION**

Revenue is measured based upon consideration specified in a contract with a customer. The Company recognizes revenue when contractual performance obligations are satisfied by transferring the benefit of the service to our customer. The benefit is transferred to the customer as the service is being provided and revenue is recognized accordingly via time based metrics. The Company is entitled to receive payment as it satisfies performance obligations with customers. Our business consists of *two* reportable segments, Trucking and USAT Logistics. For more detailed information about our reportable segments, see Note 4.

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The Company's revenue types are line haul, fuel surcharge and accessorial. Line haul revenue represents the majority of our revenue and consists of fees earned for freight transportation, excluding fuel surcharge. Fuel surcharge revenue consists of additional fees earned by the Company in connection with the performance of line haul services to partially or completely offset the cost of fuel. Accessorial revenue consists of ancillary services provided by the Company, including but *not* limited to, stop-off charges, loading and unloading charges, tractor or trailer detention charges, expedited charges, repositioning charges, etc. These accessorial charges are recognized as revenue throughout the service provided. The following tables set forth revenue disaggregated by revenue type (in thousands):

Revenue type	Three Months Ended June 30,					
	2018			2017		
	USAT		Total	USAT		Total
	Trucking	Logistics		Trucking	Logistics	
Freight	\$72,925	\$44,624	\$117,549	\$61,667	\$32,742	\$94,409
Fuel surcharge	12,123	4,151	16,274	8,828	2,492	11,320
Accessorial	521	1,037	1,558	1,050	579	1,629
Total	\$85,569	\$49,812	\$135,381	\$71,545	\$35,813	\$107,358

Revenue type	Six Months Ended June 30,					
	2018			2017		
	USAT		Total	USAT		Total
	Trucking	Logistics		Trucking	Logistics	
Freight	\$139,729	\$85,102	\$224,831	\$121,516	\$60,844	\$182,360
Fuel surcharge	23,298	7,710	31,008	18,015	5,147	23,162
Accessorial	1,275	3,280	4,555	2,294	1,212	3,506
Total	\$164,302	\$96,092				