

MARTEN TRANSPORT LTD

Form 10-Q

August 09, 2013

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

Quarterly Report Under Section 13 or 15(d)

of the Securities Exchange Act of 1934

For the Quarter ended June 30, 2013

Commission File Number 0-15010

MARTEN TRANSPORT, LTD.

(Exact name of registrant as specified in its charter)

Delaware

39-1140809

(State of incorporation) (I.R.S. employer identification no.)

129 Marten Street, Mondovi, Wisconsin 54755

(Address of principal executive offices)

715-926-4216

(Registrant's telephone number)

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 (Section 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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. Large accelerated filer Accelerated filer Smaller reporting company
Non-accelerated filer (Do not check if a smaller reporting company)

Indicate by check mark whether the Registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes No

The number of shares outstanding of the Registrant's Common Stock, par value \$.01 per share, was 33,223,469 as of August 1, 2013.

PART I. FINANCIAL INFORMATION**Item 1. Financial Statements.****MARTEN TRANSPORT, LTD.****CONSOLIDATED CONDENSED BALANCE SHEETS****(Unaudited)**

| (In thousands, except share information) | June 30, 2013 | December 31, 2012 |
|---|------------------|-------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$635 | \$3,473 |
| Receivables: | | |
| Trade, net | 68,588 | 66,239 |
| Other | 2,863 | 7,177 |
| Prepaid expenses and other | 13,836 | 15,490 |
| Deferred income taxes | 3,364 | 3,155 |
| Total current assets | 89,286 | 95,534 |
| Property and equipment: | | |
| Revenue equipment, buildings and land, office equipment and other | 588,038 | 551,136 |
| Accumulated depreciation | (160,153) | (156,660) |
| Net property and equipment | 427,885 | 394,476 |
| Other assets | 3,359 | 613 |
| TOTAL ASSETS | \$520,530 | \$490,623 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$42,606 | \$33,062 |
| Insurance and claims accruals | 14,029 | 13,838 |
| Total current liabilities | 56,635 | 46,900 |
| Long-term debt, less current maturities | 7,387 | 2,726 |
| Deferred income taxes | 112,413 | 109,074 |
| Total liabilities | 176,435 | 158,700 |
| Stockholders' equity: | | |
| Marten Transport, Ltd. stockholders' equity: | - | - |

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| | | |
|---|------------------|------------------|
| Preferred stock, \$.01 par value per share; 2,000,000 shares authorized; no shares issued and outstanding | | |
| Common stock, \$.01 par value per share; 48,000,000 shares authorized; 33,220,969 shares at June 30, 2013, and 33,164,428 shares at December 31, 2012, issued and outstanding | 332 | 332 |
| Additional paid-in capital | 83,652 | 82,679 |
| Retained earnings | 260,111 | 246,349 |
| Total Marten Transport, Ltd. stockholders' equity | 344,095 | 329,360 |
| Noncontrolling interest | - | 2,563 |
| Total stockholders' equity | 344,095 | 331,923 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$520,530 | \$490,623 |

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

MARTEN TRANSPORT, LTD.**CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS****(Unaudited)**

| (In thousands, except per share information) | Three Months | | Six Months | |
|--|------------------------|-----------|------------------------|-----------|
| | Ended June 30, 2013 | 2012 | Ended June 30, 2013 | 2012 |
| OPERATING REVENUE | \$161,413 | \$156,964 | \$325,887 | \$308,438 |
| OPERATING EXPENSES (INCOME): | | | | |
| Salaries, wages and benefits | 42,345 | 39,398 | 84,470 | 77,669 |
| Purchased transportation | 28,129 | 29,734 | 62,313 | 59,593 |
| Fuel and fuel taxes | 40,596 | 39,515 | 80,919 | 78,639 |
| Supplies and maintenance | 9,998 | 9,841 | 19,531 | 19,377 |
| Depreciation | 16,219 | 15,042 | 31,907 | 29,577 |
| Operating taxes and licenses | 1,825 | 1,617 | 3,595 | 3,199 |
| Insurance and claims | 5,808 | 5,185 | 11,619 | 11,007 |
| Communications and utilities | 1,262 | 1,161 | 2,545 | 2,372 |
| Gain on disposition of revenue equipment | (1,237) | (1,179) | (3,652) | (2,704) |
| Other | 3,347 | 3,367 | 6,981 | 6,907 |
| Total operating expenses | 148,292 | 143,681 | 300,228 | 285,636 |
| OPERATING INCOME | 13,121 | 13,283 | 25,659 | 22,802 |
| OTHER | (153) | (13) | (168) | (34) |
| INCOME BEFORE INCOME TAXES | 13,274 | 13,296 | 25,827 | 22,836 |
| Less: Income before income taxes attributable to noncontrolling interest | - | 245 | 84 | 406 |
| INCOME BEFORE INCOME TAXES ATTRIBUTABLE TO MARTEN TRANSPORT, LTD. | 13,274 | 13,051 | 25,743 | 22,430 |
| PROVISION FOR INCOME TAXES | 5,607 | 5,467 | 10,874 | 9,400 |
| NET INCOME | \$7,667 | \$7,584 | \$14,869 | \$13,030 |
| BASIC EARNINGS PER COMMON SHARE | \$0.23 | \$0.23 | \$0.45 | \$0.39 |
| DILUTED EARNINGS PER COMMON SHARE | \$0.23 | \$0.23 | \$0.45 | \$0.39 |

| | | | | |
|---------------------------------|---------|---------|---------|--------|
| DIVIDENDS PAID PER COMMON SHARE | \$0.017 | \$0.017 | \$0.033 | \$0.03 |
|---------------------------------|---------|---------|---------|--------|

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

MARTEN TRANSPORT, LTD.**CONSOLIDATED CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY****(Unaudited)**

| (In thousands) | Marten Transport, Ltd. Stockholders | | | | | Total |
|--|-------------------------------------|--------|--------------------|------------|-------------------------|--------------------|
| | Common Stock | | Additional | Retained | Non- | Stock- |
| | Shares | Amount | Paid-In Capital | Earnings | controlling Interest | holders' Equity |
| Balance at December 31, 2011 | 32,977 | \$ 330 | \$ 80,078 | \$ 237,762 | \$ 2,189 | \$ 320,359 |
| Net income | - | - | - | 13,030 | - | 13,030 |
| Issuance of common stock from share-based payment arrangement exercises and vesting of performance unit awards | 130 | 1 | 615 | - | - | 616 |
| Tax benefits from share-based payment arrangement exercises | - | - | 350 | - | - | 350 |
| Share-based payment arrangement compensation expense | - | - | 791 | - | - | 791 |
| Dividends on common stock | - | - | - | (993) | - | (993) |
| Income before income taxes attributable to noncontrolling interest | - | - | - | - | 406 | 406 |
| Noncontrolling interest distributions | - | - | - | - | (185) | (185) |
| Balance at June 30, 2012 | 33,107 | 331 | 81,834 | 249,799 | 2,410 | 334,374 |
| Net income | - | - | - | 14,237 | - | 14,237 |
| Issuance of common stock from share-based payment arrangement exercises and vesting of performance unit awards | 57 | 1 | 352 | (1) | - | 352 |
| Tax benefits from share-based payment arrangement exercises | - | - | 59 | - | - | 59 |
| Share-based payment arrangement compensation expense | - | - | 434 | - | - | 434 |
| Dividends on common stock | - | - | - | (17,686) | - | (17,686) |
| Income before income taxes attributable to noncontrolling interest | - | - | - | - | 91 | 91 |
| Noncontrolling interest distributions and other | - | - | - | - | 62 | 62 |
| Balance at December 31, 2012 | 33,164 | 332 | 82,679 | 246,349 | 2,563 | 331,923 |
| Net income | - | - | - | 14,869 | - | 14,869 |
| Issuance of common stock from share-based payment arrangement exercises and vesting of performance unit awards | 57 | - | 179 | - | - | 179 |
| | - | - | 143 | - | - | 143 |

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| | | | | | | |
|--|--------|--------|-----------|------------|----------|------------|
| Tax benefits from share-based payment arrangement exercises | | | | | | |
| Share-based payment arrangement compensation expense | - | - | 651 | - | - | 651 |
| Dividends on common stock | - | - | - | (1,107) | - | (1,107) |
| Income before income taxes attributable to noncontrolling interest | - | - | - | - | 84 | 84 |
| Noncontrolling interest distributions | - | - | - | - | (84) | (84) |
| Change to equity method of accounting | - | - | - | - | (2,563) | (2,563) |
| Balance at June 30, 2013 | 33,221 | \$ 332 | \$ 83,652 | \$ 260,111 | \$ - | \$ 344,095 |

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

MARTEN TRANSPORT, LTD.**CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS****(Unaudited)**

| | Six Months | | |
|--|-----------------|-----------------|------|
| (In thousands) | Ended June 30, | 2013 | 2012 |
| CASH FLOWS PROVIDED BY OPERATING ACTIVITIES: | | | |
| Operations: | | | |
| Net income | \$ 14,869 | \$ 13,030 | |
| Adjustments to reconcile net income to net cash flows from operating activities: | | | |
| Depreciation | 31,907 | 29,577 | |
| Gain on disposition of revenue equipment | (3,652) | (2,704) | |
| Deferred income taxes | 3,130 | 2,611 | |
| Tax benefits from share-based payment arrangement exercises | 143 | 350 | |
| Excess tax benefits from share-based payment arrangement exercises | (119) | (282) | |
| Share-based payment arrangement compensation expense | 651 | 791 | |
| Income before income taxes attributable to noncontrolling interest | 84 | 406 | |
| Equity in earnings from affiliate | (44) | - | |
| Changes in other current operating items: | | | |
| Receivables | (3,274) | (6,698) | |
| Prepaid expenses and other | 1,413 | 1,393 | |
| Accounts payable and accrued liabilities | 2,511 | 2,166 | |
| Insurance and claims accruals | 191 | (628) | |
| Net cash provided by operating activities | 47,810 | 40,012 | |
| CASH FLOWS USED FOR INVESTING ACTIVITIES: | | | |
| Revenue equipment additions | (68,461) | (79,381) | |
| Proceeds from revenue equipment dispositions | 25,631 | 31,106 | |
| Buildings and land, office equipment and other additions | (9,646) | (7,011) | |
| Proceeds from buildings and land, office equipment and other dispositions | 2 | - | |
| Decrease in cash and cash equivalents resulting from change to equity method of accounting | (1,924) | - | |
| Other | (18) | (18) | |
| Net cash used for investing activities | (54,416) | (55,304) | |
| CASH FLOWS PROVIDED BY (USED FOR) FINANCING ACTIVITIES: | | | |
| Borrowings under credit facility and long-term debt | 36,946 | 4,665 | |
| Repayment of borrowings under credit facility and long-term debt | (32,285) | (4,665) | |
| Dividends on common stock | (1,107) | (993) | |
| Issuance of common stock from share-based payment arrangement exercises | 179 | 616 | |
| Excess tax benefits from share-based payment arrangement exercises | 119 | 282 | |
| Noncontrolling interest distributions | (84) | (185) | |
| Net cash provided by (used for) financing activities | 3,768 | (280) | |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (2,838) | (15,572) | |

CASH AND CASH EQUIVALENTS:

| | | |
|---------------------|-------|---------|
| Beginning of period | 3,473 | 20,821 |
| End of period | \$635 | \$5,249 |

SUPPLEMENTAL NON-CASH DISCLOSURE:

| | | |
|---|---------|---------|
| Change in property and equipment not yet paid for | \$9,560 | \$5,954 |
|---|---------|---------|

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid for:

| | | |
|--------------|---------|---------|
| Interest | \$30 | \$- |
| Income taxes | \$7,754 | \$4,267 |

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

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**SIX MONTHS ENDED JUNE 30, 2013****(Unaudited)****(1) Basis of Presentation**

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial statements, and therefore do not include all information and disclosures required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, such statements reflect all adjustments (consisting of normal recurring adjustments) considered necessary to fairly present our consolidated financial condition, results of operations and cash flows for the interim periods presented. The results of operations for any interim period do not necessarily indicate the results for the full year. The unaudited interim consolidated financial statements should be read with reference to the consolidated financial statements and notes to consolidated financial statements in our 2012 Annual Report on Form 10-K.

The accompanying unaudited consolidated condensed financial statements include the accounts of Marten Transport, Ltd., its subsidiaries and, through March 27, 2013, its 45% owned affiliate, MW Logistics, LLC (MWL). As of March 28, 2013, Marten Transport deconsolidated MWL as we are no longer the primary beneficiary of MWL (See Note 8).

(2) Earnings per Common Share

Basic and diluted earnings per common share were computed as follows:

| (In thousands, except per share amounts) | Three Months | | Six Months | |
|---|------------------------|---------|------------------------|----------|
| | Ended June 30, 2013 | 2012 | Ended June 30, 2013 | 2012 |
| Numerator: | | | | |
| Net income | \$7,667 | \$7,584 | \$14,869 | \$13,030 |
| Denominator: | | | | |
| Basic earnings per common share - weighted-average shares | 33,210 | 33,099 | 33,196 | 33,075 |
| Effect of dilutive stock options | 168 | 151 | 148 | 156 |
| Diluted earnings per common share - weighted-average shares and | 33,378 | 33,250 | 33,344 | 33,231 |

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assumed conversions

| | | | | |
|-----------------------------------|--------|--------|--------|--------|
| Basic earnings per common share | \$0.23 | \$0.23 | \$0.45 | \$0.39 |
| Diluted earnings per common share | \$0.23 | \$0.23 | \$ | |