

SAIA INC
Form 10-Q
August 01, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2014

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)

<p>Delaware (State of incorporation)</p> <p>11465 Johns Creek Parkway, Suite 400</p> <p>Johns Creek, GA (Address of principal executive offices)</p> <p>(770) 232-5067</p> <p>(Registrant's telephone number, including area code)</p>	<p>48-1229851 (I.R.S. Employer Identification No.)</p> <p>30097 (Zip Code)</p>
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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.

<p>Common Stock Common Stock, par value \$.001 per share</p>	<p>Outstanding Shares at July 31, 2014</p> <p>24,691,680</p>
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SAIA, INC. AND SUBSIDIARIES

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Table of Contents**Item 1. Financial Statements**

Saia, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(unaudited)

	June 30, 2014 (in thousands, except share and per share data)	December 31, 2013
Assets		
Current Assets:		
Cash and cash equivalents	\$ 1,788	\$ 159
Accounts receivable, net	148,850	117,937
Prepaid expenses and other	43,877	52,157
Total current assets	194,515	170,253
Property and Equipment, at cost	863,193	797,527
Less-accumulated depreciation	389,041	365,301
Net property and equipment	474,152	432,226
Goodwill and Identifiable Intangibles, net	8,481	8,789
Other Noncurrent Assets	5,543	5,533
Total assets	\$ 682,691	\$ 616,801
Liabilities and Stockholders Equity		
Current Liabilities:		
Accounts payable	\$ 62,885	\$ 50,799
Wages, vacation and employees benefits	34,502	35,248
Other current liabilities	48,922	47,667
Current portion of long-term debt	7,143	7,143
Total current liabilities	153,452	140,857
Other Liabilities:		
Long-term debt, less current portion	88,597	69,740
Deferred income taxes	68,472	69,916
Claims, insurance and other	41,932	31,496
Total other liabilities	199,001	171,152
Commitments and Contingencies		
Stockholders Equity:		

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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, 24,691,680 and 24,478,544 shares issued and outstanding at June 30, 2014 and December 31, 2013, respectively	25	24
Additional paid-in-capital	216,926	213,648
Deferred compensation trust, 196,599 and 201,936 shares of common stock at cost at June 30, 2014 and December 31, 2013, respectively	(2,223)	(2,246)
Retained earnings	115,510	93,366
Total stockholders' equity	330,238	304,792
Total liabilities and stockholders' equity	\$ 682,691	\$ 616,801

See accompanying notes to condensed consolidated financial statements.

Table of Contents**Saia, Inc. and Subsidiaries****Condensed Consolidated Statements of Operations****For the quarters and six months ended June 30, 2014 and 2013****(unaudited)**

	Second Quarter		Six Months	
	2014	2013	2014	2013
	(in thousands, except per share data)			
Operating Revenue	\$ 330,399	\$ 292,557	\$ 630,129	\$ 566,352
Operating Expenses:				
Salaries, wages and employees' benefits	160,204	144,309	310,426	281,163
Purchased transportation	27,926	19,338	49,917	36,109
Fuel, operating expenses and supplies	81,276	78,154	161,235	157,156
Operating taxes and licenses	8,993	9,330	17,968	18,909
Claims and insurance	14,177	5,883	23,695	11,478
Depreciation and amortization	15,087	12,386	28,928	24,020
Operating gains, net	(5)	(102)	(12)	(274)
Total operating expenses	307,658	269,298	592,157	528,561
Operating Income	22,741	23,259	37,972	37,791
Nonoperating Expenses:				
Interest expense	1,177	1,618	2,493	3,146
Other, net	(35)	(29)	(65)	(95)
Nonoperating expenses, net	1,142	1,589	2,428	3,051
Income Before Income Taxes	21,599	21,670	35,544	34,740
Income Tax Provision	8,031	8,170	13,400	12,085
Net Income	\$ 13,568	\$ 13,500	\$ 22,144	\$ 22,655
Weighted average common shares outstanding - basic	24,484	24,163	24,434	24,073
Weighted average common shares outstanding - diluted	25,447	25,218	25,396	25,123
Basic Earnings Per Share	\$ 0.55	\$ 0.56	\$ 0.91	\$ 0.94
Diluted Earnings Per Share	\$ 0.53	\$ 0.54	\$ 0.87	\$ 0.90

See accompanying notes to condensed consolidated financial statements.

Table of Contents**Saia, Inc. and Subsidiaries****Condensed Consolidated Statements of Cash Flows****For the six months ended June 30, 2014 and 2013****(unaudited)**

	Six Months	
	2014	2013
	(in thousands)	
Operating Activities:		
Net income	\$ 22,144	\$ 22,655
Noncash items included in net income:		
Depreciation and amortization	28,928	24,020
Other, net	4,318	2,531
Changes in operating assets and liabilities, net	(8,515)	(17,224)
Net cash provided by operating activities	46,875	31,982
Investing Activities:		
Acquisition of property and equipment	(67,077)	(72,092)
Proceeds from disposal of property and equipment	421	1,273
Net cash used in investing activities	(66,656)	(70,819)
Financing Activities:		
Repayment of revolving credit agreement	(191,430)	(103,775)
Borrowing of revolving credit agreement	213,852	153,162
Proceeds from stock option exercises	2,559	3,658
Repayment of senior notes	(3,571)	(11,071)
Payment of debt issuance costs		(545)
Other financing activities		(41)
Net cash provided by financing activities	21,410	41,388
Net Increase in Cash and Cash Equivalents	1,629	2,551
Cash and cash equivalents, beginning of period	159	321
Cash and cash equivalents, end of period	\$ 1,788	\$ 2,872

See accompanying notes to condensed consolidated financial statements.

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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 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 balance sheets, statements 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, 2013. Operating results for the quarter and six months ended June 30, 2014 are not necessarily indicative of the results of operations that may be expected for the year ended December 31, 2014.

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 December 31, 2013, the Company's subsidiaries were as follows: Saia Motor Freight Line, LLC, doing business as Saia LTL Freight; Saia TL Plus, LLC, formerly Robart Transportation, Inc., Saia Sales, LLC and Saia Logistics Services, LLC, formerly The RL Services Group, LLC.

New Accounting Pronouncements

On May 28, 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services. The ASU will replace most existing revenue recognition guidance in U.S. generally accepted accounting principles when it becomes effective. The new standard is effective for us on January 1, 2017. Early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it completed its evaluation of the effect of the standard on its ongoing financial reporting.

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):

	Second Quarter		Six Months	
	2014	2013	2014	2013
Numerator:				
Net income	\$ 13,568	\$ 13,500	\$ 22,144	\$ 22,655
Denominator:				
Denominator for basic earnings per share weighted average common shares	24,484	24,163	24,434	24,073
Effect of dilutive stock options	232	294	235	298
Effect of other common stock equivalents	731	761	727	752
Denominator for diluted earnings per share adjusted weighted average common shares	25,447	25,218	25,396	25,123
Basic Earnings Per Share	\$ 0.55	\$ 0.56	\$ 0.91	\$ 0.94
Diluted Earnings Per Share	\$ 0.53	\$ 0.54	\$ 0.87	\$ 0.90

For the quarter and six months ended June 30, 2014, options to purchase 114,976 and 92,376 shares of common stock of the Company were excluded from the calculation of diluted earnings per share because their effect was anti-dilutive. For the quarter and six months ended June 30, 2013, respectively, options to purchase 102,105 and 51,335 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 June 30, 2014 and December 31, 2013 because of the relatively short maturity of these instruments. Based on the borrowing rates currently available to the Company for debt with similar terms and remaining maturities the estimated fair value of total debt at June 30, 2014 and December 31, 2013 was \$96.9 million and \$78.0 million, respectively, based upon level two in the fair value hierarchy. The carrying value of the debt was \$95.7 million and \$76.9 million at June 30, 2014 and December 31, 2013.

Table of Contents**(5) Debt and Financing Arrangements**

At June 30, 2014 and December 31, 2013, debt consisted of the following (in thousands):

	June 30, 2014	December 31, 2013
Credit Agreement with Banks, described below	\$ 70,740	\$ 48,312
Senior Notes under a Master Shelf Agreement, described below	25,000	28,571
Total debt	95,740	76,883
Less: current portion of long-term debt	7,143	7,143
Long-term debt, less current portion	\$ 88,597	\$ 69,740

On June 28, 2013, the Company entered into the First Amendment to the Fourth Amended and Restated Credit Agreement with its banking group (as amended, the Restated Credit Agreement). The amendment increased the amount of the revolver from \$150 million to \$200 million and extended the term until June 2018. The amendment also reduced the interest rate pricing grid and, subject to the Company maintaining a specified leverage ratio, suspended the borrowing base. On June 28, 2013, the Company also entered into the Third Amendment to the Amended and Restated Master Shelf Agreement with its long term note holders (as amended, the Restated Master Shelf Agreement) that made changes to this agreement to conform with certain changes in the Restated Credit Agreement.

Restated Credit Agreement

The Restated Credit Agreement is a revolving credit facility for up to \$200 million expiring in June 2018. The Restated Credit Agreement also has an accordion feature that allows for an additional \$40 million availability, subject to lender approval. The Restated Credit Agreement provides for a LIBOR rate margin range from 125 basis points to 250 basis points, base rate margins from minus 12.5 to plus 50 basis points, letter of credit fee range from 137.5 basis points to 262.5 basis points and an unused portion fee from 20 basis points to 32.5 basis points in each case based on the Company's leverage ratio.

Under the Restated Credit Agreement, the Company must maintain certain financial covenants including a minimum fixed charge coverage ratio, a maximum leverage ratio and a minimum tangible net worth, among others. The Restated Credit Agreement also provides for a pledge by the Company of certain land and structures, certain tractors, trailers and other personal property and accounts receivable, as defined in the Restated Credit Agreement. Total bank commitments under the Restated Credit Agreement are \$200 million. If the Company's leverage ratio exceeds a 3-to-1 ratio, the bank commitments become subject to a borrowing base calculated utilizing certain pledged property, equipment and accounts receivable as defined in the Restated Credit Agreement.

At June 30, 2014, the Company had borrowings of \$70.7 million and outstanding letters of credit of \$47.1 million under the Restated Credit Agreement. At June 30, 2013, the Company had borrowings of \$59.4 million and outstanding letters of credit of \$59.1 million under the Restated Credit Agreement. The available portion of the Restated Credit Agreement may be used for general corporate purposes, including future capital expenditures, working capital and letter of credit requirements as needed.

Restated Master Shelf Agreement

On September 20, 2002, the Company issued \$100 million in Senior Notes under a \$125 million (amended to \$150 million in April 2005) Master Shelf Agreement with Prudential Investment Management, Inc. and certain of its affiliates. The Company issued another \$25 million in Senior Notes on November 30, 2007 and \$25 million in Senior Notes on January 31, 2008 under the same Master Shelf Agreement.

The initial \$100 million Senior Notes had a fixed interest rate of 7.38 percent. Payments due under the \$100 million Senior Notes were interest only until June 30, 2006 and at that time semi-annual principal payments began with the final payment ma