HEARTLAND EXPRESS INC
Form 424B1
March 05, 2015
Table of Contents

Filed Pursuant to Rule 424(b)(1)
Registration No. 333-202425

PROSPECTUS

HEARTLAND EXPRESS, INC.

3,250,000 Shares

of

Common Stock

The selling stockholder identified in this prospectus is selling 3,250,000 shares of our common stock, $0.01 par value. We will not receive any of the proceeds from the sale of shares of our common stock by the selling stockholder.

Our common stock is listed on The NASDAQ Global Select Market under the symbol HTLD. On March 4, 2015, the last reported sale price of our common stock on The NASDAQ Global Select Market was $24.49 per share.

Investing in our common stock involves a high degree of risk. Before buying any of our common stock, you should carefully consider the risk factors described in Risk Factors beginning on page 7 of this prospectus and in the documents we filed with the Securities and Exchange Commission that are incorporated in this prospectus by reference for certain risks and uncertainties you should consider.

	Per Share	Total
Public offering price	$ 23.75	$ 77,187,500
Underwriting discounts and commissions(1)	$ 0.7125	$ 2,315,625

Proceeds, before expenses, to the selling stockholder	$ 23.0375	$ 74,871,875

(1) Refer to Underwriting beginning on page 26 of this prospectus for information regarding underwriting compensation. The selling stockholder will bear all expenses, underwriting discounts and commissions relating to the offering.

The underwriters have the option to purchase up to an additional 487,500 shares from the selling stockholder identified in this prospectus within 30 days from the date of this prospectus at the initial price to the public less the underwriting discounts and commissions. If the underwriters exercise the option in full, the total underwriting discounts and commissions payable will be $2,662,968.75, and the total proceeds to the selling stockholder, before expenses, will be $86,102,656.25. We will not receive any proceeds from the sale of any of the additional shares.

The underwriters expect to deliver the shares on March 10, 2015.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Stifel **Stephens Inc.** **Wells Fargo Securities** **BB&T Capital Markets**

The date of this prospectus is March 5, 2015.

Table of Contents

TABLE OF CONTENTS

Table of Contents

ABOUT THIS PROSPECTUS

We, the selling stockholder and the underwriters have not authorized anyone to provide any information other than that contained or incorporated by reference in this prospectus or in any free writing prospectus prepared by or on behalf of us or to which we have referred you. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. The selling stockholder is offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The information in this prospectus, including any information incorporated by reference, or in any free-writing prospectus prepared by or on behalf of us or to which we have referred you, is accurate only as of its date, regardless of its time of delivery or of any sale of shares of our common stock. Our business, financial condition, results of operations and prospects may have changed since that date.

Unless the context requires otherwise, references in this prospectus to Heartland Express, Inc., Heartland Express, Heartland, the Company, we, us, our, and similar terms refer to Heartland Express, Inc. and its consol subsidiaries.

You should read carefully the entire prospectus, as well as the documents incorporated by reference into the prospectus, before making an investment decision.

Table of Contents

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated herein by reference contain certain statements that may be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), and such statements are subject to the safe harbor created by those sections and the Private Securities Litigation Reform Act of 1995, as amended. Such statements may be identified by their use of terms or phrases such as expects, estimates, projects, believes, anticipates, plans, intends and similar terms and phrases. Forward-looking statements are upon the current beliefs and expectations of our management and are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, which could cause future events and actual results to differ materially from those set forth in, contemplated by or underlying the forward-looking statements. In this prospectus and the documents incorporated herein by reference, the statements relating to the following, among others, are forward-looking statements:

- any projections of earnings, revenues, capital expenditures, sources or adequacy of capital and liquidity or other financial items;
- plans, strategies and objectives of management for future operations, acquisition synergies and integration benefits, including those related to our 2013 acquisition of Gordon Trucking, Inc., proposed new services or developments, tractor and trailer count and expected average ages;
- future economic conditions, trucking capacity, freight demand, market for used revenue equipment, volumes, rates and prices;
- future costs, such as driver compensation, equipment costs, diesel fuel prices, taxes and other government impositions; and
- the impact of actual or proposed governmental regulation.

All forward-looking statements, including, without limitation, management s examination of historical operating trends and data, are based upon our current expectations and various assumptions. Our expectations, beliefs and projections are expressed in good faith and we believe there is a reasonable basis for them. However, we cannot assure you that management s expectations, beliefs and projections will be achieved. There are a number of risks, uncertainties, and other important factors that could cause our actual results to differ materially from the forward-looking statements contained in this prospectus and the documents incorporated herein by reference. Such risks, uncertainties and other important factors, which could cause our actual results to differ materially from those suggested by our forward-looking statements, are set forth in this prospectus under Risk Factors as well as in our reports incorporated by reference into this prospectus and include, among other things, the following:

- future recessionary economic cycles, downturns in customers business cycles and inventory fluctuations, particularly in industries in which we have a significant concentration of customers;

any weakening in the credit markets or general economic conditions;

regulatory requirements that increase costs, decrease efficiency or reduce the availability of drivers, including any changes in hours-of-service requirements for drivers and the U.S. Department of Transportation (DOT) Federal Motor Carrier Safety Administration s (FMCSA) Compliance Safety Accountability (CSA) program (formerly Comprehensive Safety Analysis 2010), which implemented new driver standards and modified the methodology for determining a carrier s DOT safety rating;

increases in compensation for, and difficulty in attracting and retaining, qualified drivers, including independent contractors;

elevated experience in the frequency and severity of claims relating to accident, cargo, workers compensation, health and other claims; increased insurance premiums; fluctuations in claims expenses that result from our self-insured retention amounts, including in our excess layers, and the requirement that we pay additional premiums if there are claims in certain of those layers; differences between estimates used in establishing and adjusting claims reserves and actual results over time; adverse changes in claims experience and loss development factors or additional changes in management s estimates of liability based upon such experience and development factors that cause our expectations of insurance and claims expense to be inaccurate or otherwise impacts our results;

changes in market conditions for used revenue equipment that impact our capital expenditures and our ability to dispose of revenue equipment on the schedule and for the prices we expect;

increases in the prices paid for new revenue equipment that impact our capital expenditures and our results generally;

our ability to generate sufficient cash from operations to meet our significant ongoing capital requirements;

excess tractor or trailer capacity in the trucking industry;

decreased demand for our services or loss of one or more of our major customers;

strikes, work slowdowns or work stoppages at the Company, customers, ports or other shipping related facilities;

increases or rapid fluctuations in diesel fuel prices, as well as fluctuations in fuel surcharge collection, including, but not limited to, changes in customer fuel surcharge policies and increases in fuel surcharge bases by customers;

the volume and terms of diesel purchase commitments;

interest rates, fuel taxes, tolls and license and registration fees;

seasonal factors such as harsh weather conditions;

our ability to retain or replace key personnel and the impact of ownership concentration with the Gerdin family;

potential failure in computer or communications systems;

pricing and other competitive pressures;

the ability to control increases in operating costs;

the ability to identify acceptable acquisition candidates, consummate acquisitions and integrate and realize synergies from acquired operations; and

impairments of goodwill and other intangibles.

Readers should review and consider these factors along with those described in Risk Factors in this prospectus and in Risk Factors in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2014.

We disclaim any obligation to update or revise any forward-looking statements to reflect actual results or changes in the factors affecting the forward-looking information.

Table of Contents

SUMMARY

The following is a summary of selected information contained elsewhere or incorporated by reference in this prospectus. This summary does not contain all of the information that you should consider before making an investment in our common stock, and it is qualified in its entirety by, and should be read in conjunction with, the more detailed information included elsewhere or incorporated by reference in this prospectus. You should carefully consider all of the information contained in and incorporated by reference in this prospectus, including the information set forth under the heading Risk Factors, the financial statements, and the notes to the financial statements, included elsewhere or incorporated by reference in this prospectus, before deciding to invest in our common stock.

Overview

We are one of the largest and most profitable truckload carriers in the United States, as measured by revenue and net margin. Our headquarters is located in North Liberty, Iowa, in a low-cost environment with ready access to a skilled, educated, and industrious workforce. Our twenty-one other terminals are located near major shipping corridors nationwide, affording proximity to customer locations, driver domiciles, and distribution centers. We concentrate primarily on short-to-medium haul, asset-based dry van truckload services in regional markets near our terminals, where the average trip is approximately one day. We believe our geographic reach and terminal locations assist us with driver recruiting and retention, efficient fleet maintenance, and consistent customer engagement.

Our long-term objectives, which have not changed since we were founded in 1978, are to achieve significant growth, to operate with a low-80s operating ratio (operating expenses as a percentage of operating revenue), and to maintain a debt-free balance sheet. Since our initial public offering (IPO), we have grown revenue from $21.6 million in 1986 to $871.4 million in 2014, a compounded annual growth rate of approximately 14%. At the same time, we have grown net income from $3.0 million to $84.8 million, a compounded annual growth rate of approximately 13%. Our growth has come organically, by expanding service for customers and opening new locations, and through six acquisitions. In November 2013, we acquired Gordon Trucking, Inc. and related assets (GTI) for approximately $300 million, which increased our annual revenue run rate by nearly 80% and expanded our presence in the western United States. As of January 31, 2015, we have repaid 100% of the long-term debt related to our acquisition of GTI from internally generated cash.

We maintain a disciplined approach to cost controls. We do this by scrutinizing all expenditures, prioritizing expenses that improve our drivers experience or our customer service, minimizing non-driving personnel through proven technology when the cost of doing so is justified, and operating late-model tractors and trailers with sound warranty coverage and enhanced fuel efficiency. We have generated the best net margin of any publicly traded truckload carrier each year for the past 20 years.

We have never issued primary shares for cash and have repaid from cash flows all long-term debt temporarily incurred in connection with our past acquisitions. Since our IPO, we have paid over $450 million in cash dividends. In addition, since our IPO, we have repurchased 16.2 million shares, net of shares issued in acquisitions. Our return on equity has averaged 21.7% since our IPO, including 19.1% in 2014. We expect to continue to generate substantial free cash flows for allocation to growth, the continuation of our quarterly dividends, acquisitions, and other corporate purposes.

Operating Strategy

The key components of our operating strategy are as follows: (i) hire talented and experienced professional truck drivers and reward them with industry-leading pay, new equipment, and driver-friendly freight, (ii) seek customers that require a high level of service, respect our drivers, and compensate us fairly, and (iii) manage our tractor and trailer fleet for operating efficiency and favorable net cash flows.

Drivers. We hire primarily experienced drivers, and we provide our drivers well-equipped, late model tractors and trailers. Through the acquisition of GTI, we also gained access to the student driving community. To attract and retain drivers who understand the importance of safety and customer service, we offer compensation that is designed to be at or near the top of the competitive market, as well as incentives that reward safety. We equip 100% of our over-the-road tractors with electronic logging devices for efficiency and safety. Our composite CSA score for the 24-month period ended January 31, 2015, as measured by the FMCSA, was the best of any publicly traded truckload carrier. During 2014, our drivers helped us earn the following safety and operational awards: British Petroleum Driving Safety Standards, California Trucking Association Fleet Safety Award, Truckload Carriers Association Top 20 Best Fleets to Drive For, and Truckload Carriers Association U.S. Safest Fleet (over 100 million miles).

Table of Contents

Customers. We serve a blue chip customer base with diversified commodities, end markets, and geographies. Our largest customer sectors in 2014 were retailers (27.5%), food and beverage (26.1%), consumer product companies (13.6%), and paper manufacturers (13.4%). Our top five customers by revenue in 2014, in alphabetical order, were General Mills, Georgia Pacific, Sears, Unilever, and Walmart. In 2014, our largest customer represented approximately 8% of our operating revenue. We seek our customers freight that involves extremely high service levels, significant lane density, efficient driver turnaround times, and a network yield that supports our profitability requirements. We believe that our service standards, safety record, and equipment availability have made us a core carrier for many of our major customers. During 2014, we received the following awards from our customers in recognition of our service levels:

Armada Supply Chain Solutions Elite Fleet Member Award (2014 Performance)

CHEP Dedicated Provider of the Year Award (2013 Performance)

FedEx Core Carrier of the Year (2014 Performance 4th consecutive year)

FedEx Gold Award (2014 Performance 4th consecutive year)

FedEx SmartPost Peak Performance Award (2014 Performance 4th consecutive year)

Nestle Waters Southeast Region Carrier of the Year (2013 Performance)

United Sugars Dry Van Carrier of the Year (2014 Performance 2nd consecutive year)

Walmart Best Performing Carrier for Unilever Award (2014 Performance)

Walmart General Merchandise Carrier of the Year (2013 Performance)

Whirlpool National TL Carrier of the Year (2013 Performance 2nd consecutive year)

Winegard Carrier of the Year (2013 Performance 3rd consecutive year)

Fleet. Our revenue equipment program has three main components: (i) operate a relatively new fleet to improve fuel mileage, lower maintenance expense, increase reliability of service, and enhance our drivers safety and comfort, (ii) depreciate new tractor revenue equipment on an accelerated basis, and (iii) avoid long-term purchase or trade-in agreements with manufacturers. This strategy, which we believe is unique among our publicly traded peers, affords us flexibility to buy and sell at nearly any time to capitalize on equipment market conditions, regulatory changes, and efficiency advances. We believe this flexibility helps us generate favorable cash flows over time. However, this flexibility can also add volatility to gain on disposal of property and equipment, cash flows, and earnings per share depending on the amount of equipment we dispose of in a given period.

Growth History and Capital Allocation

We have grown both organically and through six acquisitions. Our organic growth has come from expanding our terminal network and customer relationships to locations such as Atlanta, GA, Carlisle, PA, Columbus, OH, Dallas, TX, Phoenix, AZ, and St. Louis, MO, then building up freight density and driver domiciles around these locations. The main constraint on organic growth currently is the shortage of highly qualified professional truck drivers. We are highly selective about acquisitions, with our main criteria being (i) safe operations, (ii) high quality professional truck drivers, (iii) fleet profile that is compatible with our philosophy or can be replaced economically, and (iv) freight profile that will allow a path to a low 80s operating ratio upon full integration, application of our cost structure, and freight optimization, including exiting certain loads that fail to meet our operating profile.

Table of Contents

We regularly evaluate the prospective uses of our available capital and allocate funds where we expect to generate the most favorable risk-adjusted, medium to long-term returns for our stockholders. Our major uses of cash flows since our IPO have been (i) investment in new tractors and trailers, (ii) acquisitions, (iii) dividends, and (iv) stock repurchases. Examples of significant capital allocation decisions since 1994 include the following:

Period	Market Conditions	Heartland Capital Decisions
1994-1998	Initially strong then variable freight market Initially strong then variable used equipment market	Acquire Munson Transportation Acquire A&M Express Improve margins Pay off 100% of long-term debt Build cash to $143.4 million
1999-2001	Freight slows into recession Highly depressed used equipment market	Restrain growth Repurchase 15.4% of outstanding shares for $59.1 million Build cash to $161.1 million
2002-2006	Economy expands Freight rates rise Used equipment market improves	Acquire Great Coastal Express Grow organically Improve margins Initiate quarterly cash dividends Build cash to $331.3 million
2007-2012	Freight recession in 2007-08 Great Recession in 2009 Slow recovery in 2010-12 Used equipment market drops substantially then recovers EPA regulations lower MPG and increase costs Acquisition price expectations unreasonable	Constrain fleet size Pre-buy tractors ahead of untested 2007 and 2010 EPA engine requirements Pay special dividends of $372.2 million Repurchase 13.7% of outstanding shares for $181.8 million Rebuild cash to $119.8 million
2013-Present	Strong freight recovery Strong pricing Strong used equipment market Selective acquisitions possible	Acquire GTI Invest in new, higher MPG tractors Pay off 100% of long-term debt at January 31, 2015 Position for future margin improvement and growth

Note: In this prospectus summary, references to cash include cash, cash equivalents and short-term investments. Unless otherwise indicated, the date of measurement in the information above is December 31 of the last year in the applicable timeframe.

Recent Developments

We have experienced the following recent developments:

As of February 28, 2015, we had zero long-term debt and an estimated $30 million of cash, after investing approximately $114 million in net capital expenditures in 2014 and repaying 100% of the long-term debt we had incurred to purchase GTI.

The freight market has continued to be strong, with customer demand outweighing our tractor capacity. For January 2015, our load turndowns (loads we were tendered but did not accept) were approximately 23,000, which was approximately the same as in January 2014. Turndowns have continued at approximately the same rate through the first three weeks of February.

By the end of 2015, we expect approximately 40% of our tractors to be 2016 models, lowering our average fleet age to approximately 1.3 years. Given our tractor investment in 2014 and expected tractor investment for 2015, we will not need to purchase tractors in 2016, although we may choose to do so.

The integration of GTI is proceeding steadily. During 2014, we made substantial progress on asset productivity and cost controls, which was partially offset by increased depreciation due to adding new equipment under our depreciation method. The following table reflects our progress on operating efficiency during 2014.

	Operating Expenses as % of Operating Revenue for the Three Months Ended							
($ in millions)	Mar. 31, 2014		June 30, 2014		Sept. 30, 2014		Dec. 31, 2014	
Operating revenue	$ 224.5	100%	$ 226.8	100%	$ 217.1	100%	$ 203.0	100%
Depreciation	$ 24.6	11.0%	$ 26.7	11.8%	$ 27.8	12.8%	$ 29.6	14.6%
Gain on disposal of prop. & equip.	$ (2.0)	(0.9%)	$ (13.9)	(6.1%)	$ (11.3)	(5.2%)	$ (6.4)	(3.2%)
All other operating expenses (1)	$ 181.3	80.8%	$ 173.3	76.4%	$ 164.3	75.7%	$ 145.6	71.7%

(1) Three months ended December 31, 2014 includes an approximately $4.0 million positive adjustment to insurance accruals based on an actuarial study. Excluding the positive adjustment, all other operating expenses were 73.7% of operating revenue.

Corporate Information

Our headquarters is located at 901 North Kansas Avenue, North Liberty, Iowa 52317. Our telephone number is (319) 626-3600. Our website is located at www.heartlandexpress.com. The information contained in or available through our website is not incorporated by reference into, and should not be considered part of, this prospectus.

Table of Contents

THE OFFERING

Common stock offered by the selling stockholder	3,250,000 shares (3,737,500 shares if the underwriters exercise their option to purchase additional shares in full)
Underwriters option to purchase additional shares of common stock from the selling stockholder	487,500 shares
Common stock to be outstanding before and immediately after this offering	87,790,677 shares (1)
Common stock to be owned by the Gerdin family and related trusts and partnerships, including the selling stockholder, immediately after this offering	36,559,732 shares (36,072,232 shares if the underwriters exercise their option to purchase additional shares in full) (2)
Use of proceeds	The selling stockholder will receive all of the net proceeds from the sale of our common stock in this offering. We will not receive any of the proceeds from the sale of our common stock by the selling stockholder. The selling stockholder will be responsible for all fees, expenses, and commissions incurred in connection with this offering. See Use of Proceeds.
The NASDAQ Global Select Market symbol	HTLD
Risk factors	You should carefully consider all of the information set forth under the heading Risk Factors and all other information included or incorporated by reference in this prospectus before deciding to invest in our common stock.

(1) Excludes 175,066 shares of unvested restricted stock issued pursuant to our 2011 Restricted Stock Award Plan (the Plan). Holders of unvested restricted shares issued under the Plan have all of the rights of a stockholder with respect to the unvested restricted shares, including, but not limited to, the right to receive such cash dividends, if any, as may be declared on such shares from time to time and the right to vote such shares at any meeting of our stockholders. In this prospectus, the number of our outstanding shares as of March 4, 2015 excludes 175,066 shares of unvested restricted stock issued under the Plan, unless otherwise specifically noted.

(2) The selling stockholder is the 2009 Gerdin Heartland Trust UTA 7/15/2009, which is one of the entities through which members of the Gerdin family hold their shares. The Gerdin family and related trusts and partnerships, including the selling stockholder, beneficially own an aggregate 39,809,732 shares of our common stock, or approximately 45.3% of our outstanding shares, prior to this offering and will beneficially own an aggregate of 36,559,732 shares of our common stock, or approximately 41.6% of our outstanding shares, after this offering, assuming the underwriters do not exercise their option to purchase additional shares, or 36,072,232 shares of our common stock, or approximately 41.0% of our outstanding common stock, assuming the underwriters exercise their option to purchase additional shares in full.

Table of Contents

SUMMARY CONSOLIDATED FINANCIAL DATA

(in thousands, except per share amounts)

Our summary historical financial data as of and for the years ended December 31, 2014, 2013, 2012, 2011 and 2010, under the captions Statements of Income Data, and Balance Sheet Data are derived from our audited consolidated financial statements. The consolidated financial statements were audited by KPMG LLP. The following table should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations, as well as the consolidated financial statements and related notes thereto, appearing in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014, which is incorporated by reference into this prospectus.

	Year Ended December 31,				
	2014	**2013** (5)	**2012**	**2011**	**2010**
Statements of Income Data:					
Operating revenue	$ 871,355	$ 582,257	$ 545,745	$ 528,623	$ 499,516
Operating expenses:					
Salaries, wages and benefits	278,126	178,736	167,073	166,717	167,980
Rent and purchased transportation	51,950	12,808	6,273	7,527	9,460
Fuel	219,261	172,315	168,981	161,915	126,477
Operations and maintenance	39,052	22,345	25,282	20,938	17,086
Operating taxes and licenses	20,370	10,516	8,694	9,225	8,480
Insurance and claims	17,946	14,888	14,906	13,142	12,526
Communications and utilities	6,494	3,552	2,953	2,957	3,187
Depreciation and amortization (1)	108,566	68,908	57,158	57,226	61,949
Other operating expenses	31,266	19,157	14,633	14,552	14,239
Gain on disposal of property and equipment	(33,544)	(33,270)	(15,109)	(32,133)	(13,317)
	739,487	469,955	450,844	422,066	408,067
Operating income (1)	131,868	112,302	94,901	106,557	91,449
Interest income	195	462	674	773	1,424
Interest expense	(446)	(208)			
Income before income taxes (1)	131,617	112,556	95,575	107,330	92,873
Federal and state income taxes	46,783	41,974	34,034	37,398	30,657
Net income (1)	$ 84,834	$ 70,582	$ 61,541	$ 69,932	$ 62,216