

KNIGHT TRANSPORTATION INC
Form 10-Q
November 09, 2010

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, 2010

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: 0-24946

KNIGHT TRANSPORTATION, INC.
(Exact name of registrant as specified in its charter)

Arizona
(State or other jurisdiction of
incorporation or organization)

86-0649974
(I.R.S. Employer
Identification No.)

5601 West Buckeye Road
Phoenix, Arizona
85043
(Address of Principal Executive Offices)
(Zip Code)

Registrant's telephone number, including area code: 602-269-2000

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 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 definition 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

The number of shares outstanding of registrant's Common Stock, par value \$0.01 per share, as of October 31, 2010 was 83,660,601 shares.

KNIGHT TRANSPORTATION, INC.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

KNIGHT TRANSPORTATION, INC. AND SUBSIDIARIES
Condensed Consolidated Unaudited Balance Sheets
as of September 30, 2010 and December 31, 2009
(in thousands)

	September 30, 2010	December 31, 2009
ASSETS		
Current Assets:		
Cash and cash equivalents	\$9,665	\$30,812
Short-term investments	70,390	66,942
Accounts receivable, net of allowance for doubtful accounts	83,381	73,327
Notes receivable, net of allowance for doubtful accounts	1,149	520
Related party notes and interest receivable	3,412	3,944
Prepaid expenses	12,326	7,323
Assets held for sale	9,534	12,258
Other current assets	4,450	3,571
Income tax receivable	4,189	-
Current deferred tax asset	4,998	5,755
Total current assets	203,494	204,452
Property and Equipment:		
Land and land improvements	31,803	31,918
Buildings and improvements	77,531	69,321
Furniture and fixtures	7,390	7,562
Shop and service equipment	6,307	5,977
Revenue equipment	587,489	548,477
Leasehold improvements	1,837	1,875
Gross Property and Equipment	712,357	665,130
Less: accumulated depreciation and amortization	(222,304)	(204,091)
Property and equipment, net	490,053	461,039
Notes receivable – long-term	3,684	2,906
Goodwill	10,319	10,333
Intangible assets, net	67	114
Other long-term assets and restricted cash	12,124	7,629
Total assets	\$719,741	\$686,473

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

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KNIGHT TRANSPORTATION, INC. AND SUBSIDIARIES
Condensed Consolidated Unaudited Balance Sheets (continued)
as of September 30, 2010 and December 31, 2009
(in thousands, except par values)

	September 30, 2010	December 31, 2009
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$8,550	\$14,022
Accrued payroll and purchased transportation	8,002	6,170
Accrued liabilities	12,608	11,199
Claims accrual – current portion	13,655	14,298
Dividend payable	305	70
Total current liabilities	43,120	45,759
Long-term Liabilities:		
Claims accrual – long-term portion	11,666	12,421
Deferred tax liabilities	106,818	108,135
Total long-term liabilities	118,484	120,556
Total liabilities	161,604	166,315
Commitments and Contingencies		
Shareholders' Equity:		
Preferred stock, \$0.01 par value; 50,000 shares authorized; none issued and outstanding		
Common stock, \$0.01 par value; 300,000 shares authorized; 83,644 and 83,302 shares issued and outstanding at September 30, 2010 and December 31, 2009, respectively	836	833
Additional paid-in capital	122,763	115,348
Accumulated other comprehensive income	202	-
Retained earnings	434,376	403,977
Total Knight Transportation shareholders' equity	558,177	520,158
Noncontrolling interest	(40)	-
Total shareholders' equity	558,137	520,158
Total liabilities and shareholders' equity	\$719,741	\$686,473

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

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KNIGHT TRANSPORTATION, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Income (unaudited)
(in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
REVENUE:				
Revenue, before fuel surcharge	\$ 162,066	\$ 150,190	\$ 457,672	\$ 427,580
Fuel surcharge	29,233	22,942	84,726	56,351
Total revenue	191,299	173,132	542,398	483,931
OPERATING EXPENSES:				
Salaries, wages and benefits	53,468	52,042	153,632	150,344
Fuel	44,585	38,962	128,795	101,421
Operations and maintenance	12,091	11,219	34,693	31,944
Insurance and claims	6,100	5,424	18,441	16,132
Operating taxes and licenses	3,596	3,765	10,214	10,760
Communications	1,341	1,331	4,054	4,153
Depreciation and amortization	16,955	18,204	52,885	53,524
Purchased transportation	23,099	18,147	58,903	44,120
Miscellaneous operating expenses	2,880	3,304	9,022	10,564
Total operating expenses	164,115	152,398	470,639	422,962
Income from operations	27,184	20,734	71,759	60,969
Interest income	487	424	1,426	1,079
Other income/(expense)	(91)	386	571	365
Income before income taxes	27,580	21,544	73,756	62,413
Income taxes	10,965	8,436	28,990	24,994
Net income	\$ 16,615	\$ 13,108	\$ 44,766	\$ 37,419
Net loss attributable to noncontrolling interest	36	-	64	-
Net income attributable to Knight Transportation	\$ 16,651	\$ 13,108	\$ 44,830	\$ 37,419
Earnings per common share:				
Basic	\$ 0.20	\$ 0.16	\$ 0.54	\$ 0.45
Diluted	\$ 0.20	\$ 0.16	\$ 0.53	\$ 0.45
Weighted average number of common shares outstanding:				
Basic	83,590	83,197	83,482	83,216
Diluted	84,403	83,630	84,317	83,584

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

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KNIGHT TRANSPORTATION, INC. AND SUBSIDIARIES
Condensed Consolidated Unaudited Statements of Cash Flows
(in thousands)

Nine Months Ended
September 30,
2010 2009

Cash Flows From Operating Activities:

Net income	\$44,766	\$37,419
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	52,885	53,524
Gain on sale of equipment	(3,372)	(2,109)
Earn-out on sold investment	(718)	-
Gain from insurance claim settlement	(100)	(388)
Loss from investment in Transportation Resource Partners III	236	-