LANDAIR CORP
Form 10-Q
August 14, 2002

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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, 2002
Commission File No. 000-24615

LANDAIR CORPORATION
(Exact name of registrant as specified in its charter)

Tennessee (State or other jurisdiction of incorporation or organization)	**62-1743549** (I.R.S. Employer Identification No.)
430 Airport Road **Greeneville, Tennessee** (Address of principal executive offices) **37745** (Zip Code)	

Registrant s telephone number, including area code: **(423) 783-1300**

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

The number of shares outstanding of the registrant s common stock, $.01 par value, as of July 31, 2002 was 4,935,468.

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Part I. Financial Information

Item 1. Financial Statements (Unaudited)

Landair Corporation

Condensed Consolidated Balance Sheets

	June 30, 2002	December 31, 2001
	(Unaudited)	(Note 1)
	(In thousands, except share data)	
Assets		
Current assets:		
Cash and cash equivalents	$6	$6
Trade accounts receivable, less allowance of $279 in 2002 and $317 in 2001	7,919	6,713
Other current assets	5,257	3,940
Total current assets	13,182	10,659
Property and equipment	81,609	80,650
Less accumulated depreciation and amortization	29,608	26,578
	52,001	54,072
Other assets	3	34

Total assets	$65,186	$64,765
Liabilities and Shareholders Equity		
Current liabilities:		
Accounts payable	$2,552	$1,835
Accrued expenses	7,000	7,673
Current portion of long-term debt	256	242
Total current liabilities	9,808	9,750
Long-term debt, less current portion	2,269	5,885
Deferred income taxes	14,781	13,565
Shareholders equity:		
Preferred stock		
Common stock, $0.01 par value:		
Authorized shares - 45,000,000		
Issued and outstanding shares - 4,934,776 in 2002 and 4,861,643 in 2001	49	49
Additional paid-in capital	37,946	37,880
Retained earnings (deficit)	333	(2,364)
Total shareholders equity	38,328	35,565

Total liabilities and shareholders equity	$65,186	$64,765

The accompanying notes are an integral part of the financial statements.

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Landair Corporation

Condensed Consolidated Statements of Income
(Unaudited)

	Three months ended		Six months ended	
	June 30, 2002	June 30, 2001	June 30, 2002	June 30, 2001
	(In thousands, except per share data)			
Operating revenue	$26,405	$27,102	$52,028	$56,058
Operating expenses:				
Salaries, wages and employee benefits	8,385	8,993	16,752	18,811
Purchased transportation	6,604	6,710	12,562	14,388
Fuel and fuel taxes	2,646	2,919	5,389	5,900
Depreciation and amortization	2,404	2,362	4,767	4,786
Insurance and claims	773	681	2,009	1,541
Operating leases	398	444	878	852
Other operating expenses	2,894	2,598	5,587	5,267
	24,104	24,707	47,944	51,545
Income from operations	2,301	2,395	4,084	4,513
Other income (expense):				
Interest expense				

	(25)	(342)	(61)	(802)
Other, net	229	89	327	160
	204	(253)	266	(642)
Income before income taxes	2,505	2,142	4,350	3,871
Income taxes	952	853	1,653	1,543
Net income	$1,553	$1,289	$2,697	$2,328
Income per share:				
Basic	$ .31	$ .27	$ .55	$ .48

Diluted	$ .31	$ .26	$ .53	$ .47

The accompanying notes are an integral part of the financial statements.

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Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Six months ended	
	June 30, 2002	June 30, 2001
	(In thousands)	
Cash provided by operations:		
Net income	$2,697	$2,328
(Gain) loss on disposal	(70)	17
Depreciation and amortization	4,767	4,786
Changes in operating assets and liabilities:		
Accounts receivable	(1,206)	3,119
Other receivables	138	277
Inventories	209	283
Other assets	31	240
Prepaid expenses	(20)	60
Accounts payable and accrued expenses	205	(1,978)
Income taxes	1,056	1,728
Net cash provided by operations	7,807	10,860
Investing activities:		
Proceeds from disposal of property and equipment	1,313	1,937
Purchases of property and equipment	(5,584)	(53)

Net cash (used in) provided by investing activities	(4,271)	1,884
Financing activities:		
Payments of long-term debt	(3,602)	(12,422)
Repurchase of common stock	(422)	(494)
Common stock issued under employee stock purchase plan	54	28
Proceeds from exercise of stock options	434	142
Cash used in financing activities	(3,536)	(12,746)
Decrease in cash and cash equivalents	$	$(2)
Cash and cash equivalents at beginning of period	6	9
Cash and cash equivalents at end of period	$6	$7

The accompanying notes are an integral part of the financial statements.

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Notes to Condensed Consolidated Financial Statements
(Unaudited)
June 30, 2002

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six-month period ended June 30, 2002 are not necessarily indicative of the results that may be expected for the year ending December 31, 2002. For further information, refer to the consolidated financial statements and footnotes thereto included in the Landair Corporation Annual Report on Form 10-K for the year ended December 31, 2001.

The balance sheet at December 31, 2001 has been derived from the audited financial statements at that date, but does not include all of the financial information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

2. Comprehensive Income

The Company had no items of other comprehensive income in 2002 or 2001 and, accordingly, comprehensive income is equivalent to net income.

3. Reclassifications

Certain reclassifications have been made to prior year financial statements to conform to the 2002 presentation. These reclassifications had no effect on net income as previously reported.

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Notes to Condensed Consolidated Financial Statements (continued)

4. Income Per Share

The following table sets forth the computation of basic and diluted income per share (in thousands, except per share data):

	Three months ended		Six months ended	
	June 30, 2002	June 30, 2001	June 30, 2002	June 30, 2001
Numerator:				
Numerator for basic and diluted earnings per share net income	$1,553	$1,289	$2,697	$2,328
Denominator:				
Denominator for basic earnings per share weighted-average shares	4,943	4,832	4,940	4,843
Effect of dilutive stock options	138	86	123	61
Denominator for diluted earnings per share adjusted weighted-average shares	5,081	4,918	5,063	4,904
Basic earnings per share	$0.31	$0.27	$0.55	$0.48

Diluted earnings per share	$0.31	$0.26	$0.53	$0.47

5. Income Taxes

For the six months ended June 30, 2002 and 2001, the effective income tax rate varied from the statutory federal income tax rate of 34% primarily as a result of the effect of state income taxes, net of the federal benefit, and permanent differences.

6. Commitments and Contingencies

The primary claims in the Company s business are workers compensation, property damage, auto liability and medical benefits. Most of the Company s insurance coverage provides for self-insurance levels with primary and excess coverage which management believes is sufficient to adequately protect the Company from catastrophic claims. In the opinion of management, adequate provision has been made for all incurred claims up to the self-insured limits, including provision for estimated claims incurred but not reported.

The Company estimates its self-insurance loss exposure by evaluating the merits and circumstances surrounding individual known claims, and by performing hindsight analysis to determine an estimate of probable losses on claims incurred but not reported. Such losses could be realized immediately as the events underlying the claims have already occurred as of the balance sheet dates.

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Notes to Condensed Consolidated Financial Statements (continued)

6. Commitments and Contingencies (continued)

Because of the uncertainty of the ultimate resolution of outstanding claims, as well as uncertainty regarding claims incurred but not reported, it is possible that management s provision for these losses could change materially in the near term. However, no estimate can currently be made of the range of additional loss that is at least reasonably possible.

7. Impact of Recently Issued Accounting Standards

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 141, *Business Combinations*, effective for business combinations occurring on or after July 1, 2001, and SFAS No. 142, *Goodwill and Other Intangible Assets*, effective for fiscal years beginning after December 15, 2001. Under the new rules in SFAS No. 142, goodwill and intangible assets deemed to have indefinite lives are no longer amortized but are subject to annual impairment tests in accordance with the Statement. Other intangible assets will continue to be amortized over their useful lives.

The Company applied the new rules on accounting for goodwill and other intangible assets beginning in the first quarter of 2002. Application of the nonamortization provisions of the Statement had no effect on net income upon adoption.

SFAS No. 143, *Accounting for Asset Retirement Obligations*, issued in August 2001, addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and for the associated retirement costs. SFAS No. 143, which applies to all entities that have a legal obligation associated with the retirement of tangible long-lived assets, is effective for fiscal years beginning after June 15, 2001. The adoption of SFAS No. 143 did not have a material impact on the Company s financial condition or results of operations.

SFAS No. 144, *Accounting for the Impairment or Disposal of Long-lived Assets*, issued in October 2001, addresses financial accounting and reporting for the impairment or disposal of long-lived assets. SFAS No. 144, which applies to all entities, is effective for fiscal years beginning after December 15, 2001. The adoption of SFAS No. 144 did not have a material impact on the Company s financial condition or results of operations.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

The following table sets forth the percentage relationship of expense items to operating revenue for the periods indicated.

	Three months ended		Six months ended	
	June 30, 2002	June 30, 2001	June 30, 2002	June 30, 2001
Operating revenue	100.0%	100.0%	100.0%	100.0%
Operating expenses:				
Salaries, wages and employee benefits	31.8	33.2	32.2	33.6
Purchased transportation	25.0	24.8	24.1	25.7
Fuel and fuel taxes	10.0	10.8	10.4	10.5
Depreciation and amortization	9.1	8.7	9.2	8.5
Insurance and claims	2.9	2.5	3.9	2.7
Operating leases	1.5	1.6	1.7	1.5
Other operating expenses	11.0	9.6	10.7	9.4
	91.3	91.2	92.2	91.9
Income from operations	8.7	8.8	7.8	8.1
Other income (expense):				