

CELADON GROUP INC
Form 10-Q
February 10, 2017

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 December 31, 2016

or

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

Commission file number: 001-34533

CELADON GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware	13-3361050
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

9503 East 33 rd Street	
One Celadon Drive	
Indianapolis, IN	46235-4207
(Address of principal executive offices)	(Zip Code)

(Registrant's telephone number, including area code): (317)
972-7000

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 (§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

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer [] Accelerated filer [X] Non-accelerated filer []

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12-b2 of the Exchange Act).
Yes [] No [X]

As of February 9, 2017, 28,299,404 shares of the registrant's common stock, par value \$0.033 per share, were outstanding.

CELADON GROUP, INC.

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December 31, 2016 Form 10-Q

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PART I. FINANCIAL INFORMATION

Item I. Financial Statements

CELADON GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars and shares in thousands except per share amounts)

(Unaudited)

	Three months ended December 31,		Six months ended December 31,	
	2016	2015	2016	2015
OPERATING REVENUE:				
Freight revenue	\$242,349	\$249,311	\$ 483,818	\$487,123
Fuel surcharge revenue	23,376	26,088	46,947	54,397
Total revenue	265,725	275,399	530,765	541,520
OPERATING EXPENSES:				
Salaries, wages, and employee benefits	79,484	85,877	162,291	167,354
Fuel	27,311	26,688	53,608	54,416
Purchased transportation	85,614	93,948	175,906	182,978
Revenue equipment rentals	9,184	2,201	18,652	4,423
Operations and maintenance	22,108	18,243	41,258	35,849
Insurance and claims	13,691	7,709	21,947	14,637
Depreciation and amortization	16,976	19,187	36,308	40,788
Communications and utilities	2,578	2,611	4,998	4,955
Operating taxes and licenses	4,731	5,532	9,180	10,504
General and other operating	6,289	4,803	11,429	9,085
Gain on disposition of equipment	(507)	(5,479)	(1,768)	(18,721)
Total operating expenses	267,459	261,320	533,809	506,268
Operating income (loss)	(1,734)	14,079	(3,044)	35,252
Interest expense	2,988	3,758	6,291	6,910
Other (income) expense, net	(40)	---	13	---
Loss (income) from equity method investment	(1,824)	21	(1,955)	121
Income (loss) before income taxes	(2,858)	10,300	(7,393)	28,221
Income tax (benefit) expense	(1,333)	3,685	(3,015)	10,239
Net income (loss)	\$(1,525)	\$6,615	\$ (4,378)	\$17,982
Income (loss) per common share:				
Diluted	\$(0.06)	\$0.24	\$ (0.16)	\$0.64
Basic	\$(0.06)	\$0.24	\$ (0.16)	\$0.65
Diluted weighted average shares outstanding	27,639	27,940	27,627	27,953
Basic weighted average shares outstanding	27,639	27,480	27,627	27,467

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

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CELADON GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands)

(Unaudited)

	Three months ended December 31,		Six months ended December 31,	
	2016	2015	2016	2015
Net income (loss)	\$ (1,525)	\$6,615	\$ (4,378)	\$17,982
Other comprehensive income (loss):				
Unrealized gain (loss) on fuel derivative instruments, net of tax	199	(875)	314	(1,351)
Foreign currency translation adjustments, net of tax	(4,044)	(4,829)	(8,947)	(14,260)
Total other comprehensive loss	(3,845)	(5,704)	(8,633)	(15,611)
Comprehensive income (loss)	\$ (5,370)	\$911	\$ (13,011)	\$2,371

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

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CELADON GROUP, INC.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (Dollars and shares in thousands except par value)

	(unaudited)	
	December	June 30,
	31,	2016
ASSETS	2016	2016
Current assets:		
Cash and cash equivalents	\$ 6,138	\$9,077
Trade receivables, net of allowance for doubtful accounts of \$1,716 and \$1,588 at December 31, 2016 and June 30, 2016, respectively	133,784	134,572
Prepaid expenses and other current assets	50,305	38,498
Tires in service	4,201	3,175
Leased revenue equipment held for sale	---	24,937
Revenue equipment held for sale	---	44,876
Income tax receivable	201	473
Total current assets	194,629	255,608
Property and equipment, net of accumulated depreciation and amortization of \$161,537 and \$142,423 at December 31, 2016 and June 30, 2016, respectively	610,777	636,733
Leased Assets, net of accumulated depreciation and amortization of \$0 and \$9,717 at December 31, 2016 and June 30, 2016, respectively	---	99,300
Tires in service	4,167	3,603
Goodwill	62,451	62,451
Investment in unconsolidated companies	---	2,253
Investment in joint venture	100,000	---
Other assets	9,698	43,342
Total assets	\$ 981,722	\$ 1,103,290
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 22,852	\$26,499
Accrued salaries and benefits	14,612	17,090
Accrued insurance and claims	21,863	20,727
Accrued fuel expense	6,451	8,258
Accrued purchased transportation	17,335	22,046
Leasing servicing liabilities	11,526	15,918
Other accrued expenses	33,511	29,560
Current maturities of capital lease obligations	84,351	51,397
Total current liabilities	212,501	191,495
Long-term debt, net of current maturities	114,507	152,032
Capital lease obligations, net of current maturities	181,608	247,383
Other long term liabilities	---	22,227
Deferred income taxes	104,887	109,138
Stockholders' equity:		
Common stock, \$0.033 par value, authorized 40,000 shares; issued and outstanding 28,729 and 28,715 shares at December 31, 2016 and June 30, 2016, respectively	948	948

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Treasury stock at cost; 500 shares at December 31, 2016 and June 30, 2016	(3,453)	(3,453)
Additional paid-in capital	199,896	198,576
Retained earnings	212,573	218,056
Accumulated other comprehensive loss	(41,745)	(33,112)
Total stockholders' equity	368,219	381,015
Total liabilities and stockholders' equity	\$ 981,722	\$ 1,103,290

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

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CELADON GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(Unaudited)

	Six months ended December 31,	
	2016	2015
Cash flows from operating activities:		
Net income (loss)	\$ (4,378)	\$ 17,982
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	36,313	40,929
Gain on sale of equipment	(1,768)	(18,721)
Earnings from unconsolidated entity	(1,803)	---
Distributions received on earnings from unconsolidated entity	2,588	---
Deferred income taxes	(3,981)	13,715
Provision for doubtful accounts	323	441
Stock based compensation	1,321	1,458
Changes in operating assets and liabilities:		
Trade receivables	(37)	(635)
Income tax receivable and payable	365	2,229
Tires in service	(1,614)	(1,373)
Prepaid expenses and other current assets	(15,622)	(10,238)
Other assets	33,693	(6,744)
Leased revenue equipment held for sale	16,915	(11,948)
Accounts payable and accrued expenses	(3,840)	(4,201)
Net cash provided by operating activities	58,475	22,894
Cash flows from investing activities:		
Purchase of property and equipment	(43,111)	(67,093)
Proceeds on sale of property and equipment	75,624	107,871
Investment in joint venture	(35,300)	---
Proceeds from unconsolidated entity	2,000	---
Purchase of businesses, net of cash acquired	---	(17,733)
Net cash provided by (used in) investing activities	(787)	23,045
Cash flows from financing activities:		
Proceeds from issuance of stock	--	169
Proceeds from borrowings on long-term debt	266,400	499,970
Payments on long-term debt	(303,926)	(506,867)
Proceeds from borrowings on other long-term liabilities	15,039	---
Payments on other long-term liabilities	(4,025)	