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HEARTLAND EXPRESS INC  
Form 10-K  
March 28, 2001

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

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

For the Fiscal Year Ended December 31, 2000

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 0-15087

HEARTLAND EXPRESS, INC.

(Exact name of registrant as specified in its charter)

Nevada  
(State or Other Jurisdiction  
of Incorporation)

93-0926999  
(I.R.S. Employer  
Identification No.)

2777 Heartland Drive  
Coralville, Iowa  
(Address of Principal Executive Offices)

52241  
(Zip Code)

Registrant's telephone number, including area code: 319-545-2728

Securities Registered Pursuant to section 12(b) of the Act: None

Securities Registered Pursuant to section 12(g) of the Act: \$0.01 Par Value Common Stock

Indicated 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in the registrant's definitive proxy statement incorporated by reference in Part III of this Form 10-K.

The aggregate market value of the shares of the registrant's \$0.01 par value common stock held by non-affiliates of the registrant as of March 15, 2001 was \$281,643,713 (based upon \$23.72 per share being the average of the closing bid and asked price on that date as reported by NASDAQ). In making this calculation the issuer has assumed, without admitting for any purpose, that all executive officers and directors of the registrant, and no other persons, are affiliates.

The number of shares outstanding of the Registrant's common stock as March 15, 2001 was 25,366,582.

DOCUMENTS INCORPORATED BY REFERENCE: The information set forth under Part III, Items 10, 11, 12, and 13 of this Report is incorporated by reference from the

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registrant's definitive proxy statement for the 2001 annual meeting of stockholders that will be filed no later than April 28, 2001.

1

### Cross Reference Index

The following cross-reference index indicates that document and location of the information contained herein and incorporated by reference into the Form 10-K.

	Document and Location
Part I	
Item 1 Business	Page 3-5 herein
Item 2 Properties	Page 5 herein
Item 3 Legal Proceedings	Page 5 herein
Item 4 Submission of Matters to a Vote of Stockholders	Page 6 herein
Part II	
Item 5 Market for the Registrant's Common Equity and Related Stockholder Matters	Page 6 herein
Item 6 Selected Financial Data	Page 7 herein
Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations	Page 8-12 herein
Item 7A Quantitative and Qualitative Disclosures about Market Risk	Page 12 herein
Item 8 Financial Statements and Supplementary Data	Page 13 and 16-26 herein
Item 9 Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	Page 12 herein
Part III	
Item 10 Directors and Executive Officers of the Registrant	Pages 3 to 5 of Proxy Statement
Item 11 Executive Compensation	Pages 7 and 9 of Proxy Statement
Item 12 Security Ownership of Certain Beneficial Owners and Management	Page 10 of Proxy Statement
Item 13 Certain Relationships and Related Transactions	Page 5 of Proxy Statement
Part IV	
Item 14 Exhibits, Financial Statement Schedules, and Reports on Form 8-K	Pages 14 and 15 herein

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This report contains "forward-looking statements" in paragraphs that are marked with an asterisk. These statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those anticipated. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Cautions Statement Regarding Forward-Looking Statements" for additional information and factors to be considered concerning forward-looking statements.

2

### PART I

#### ITEM 1. BUSINESS

##### General

Heartland Express, Inc. ("Heartland" or the "Company") is a short-to-medium haul truckload carrier based near Iowa City, Iowa. The Company provides nationwide transportation service to major shippers, using late-model equipment and a combined fleet of company-owned and owner-operator tractors. The Company's primary traffic lanes are between customer locations east of the Rocky Mountains, with selected service to the West. Management believes that the Company's service standards and equipment accessibility have made it a core carrier to many of its major customers.

Heartland was founded by Russell A. Gerdin in 1978 and became publicly traded in November 1986. Over the fourteen years from 1986 to 2000, Heartland has grown to \$274.8 million in revenue from \$21.6 million and net income has increased to \$34.3 million from \$3.0 million. Much of this growth has been attributable to expanding service for existing customers, acquiring new customers, and continued expansion of the Company's operating regions.

In addition to internal growth, Heartland has completed four acquisitions since 1987. These acquisitions have enabled Heartland to solidify its position within historical regions, expand its customer base in the East and Northeast United States, and to pursue new customer relationships in new markets.

Heartland Express, Inc. is a holding company incorporated in Nevada, which owns, directly or indirectly, all of the stock of Heartland Express Inc. of Iowa, Heartland Equipment, Inc., and A & M Express, Inc.

##### Operations

Heartland's operations department focuses on the successful execution of customer expectations and providing consistent opportunity for the fleet of employee drivers and independent contractors, while maximizing equipment utilization. These objectives require a combined effort of marketing, regional operations managers, and fleet management.

The Company's regional operations managers are responsible for maintaining the continuity between the customer's needs and Heartland's ability to meet those needs by communicating customer's expectations to the fleet management group. They are charged with development of customer relationships, ensuring service standards, coordinating proper freight-to-capacity balancing, trailer asset management, and daily tactical decisions pertaining to matching the Company's freight with the appropriate capacity within geographical service areas. They assign orders to drivers based on well-defined criteria, such as driver safety and DOT compliance, customer needs and service requirements, equipment utilization, driver time at home, operational efficiency, and equipment maintenance needs.

Fleet management employees are charged with the management and development of their fleets of drivers. Additionally, they maximize the capacity that is available to the organization to meet the service needs of the Company's customers. Their responsibilities include meeting the needs of the drivers within the standards that have been set by the organization and communicating

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the requirements of the customers to the drivers on each order to ensure successful execution.

Serving the short-to-medium haul market (558-mile average length of haul in 2000) permits the Company to use primarily single, rather than team drivers and dispatch most trailers directly from origin to destination without an intermediate equipment change other than for driver scheduling purposes.

Heartland also operates four specialized regional distribution operations near Atlanta, Georgia; Carlisle, Pennsylvania; Columbus, Ohio; and Jacksonville, Florida. These short-haul operations concentrate on freight movements generally within a 400-mile radius of the regional terminal, and are designed to meet the needs of significant customers in those regions. Dispatchers at the regional locations handle these operations, and the Company uses a centralized computer network and regular communication to achieve system-wide load coordination. The Company also utilizes its subsidiary, A & M Express, Inc., to service geographical regions from Kingsport, Tennessee and Decatur, Illinois.

3

The Company emphasizes customer satisfaction through on-time performance, dependable late-model equipment, and consistent equipment availability to serve large customers' volume requirements. The Company also maintains a high trailer to tractor ratio, which facilitates the stationing of trailers at customer locations for convenient loading and unloading. This minimizes waiting time, which increases tractor utilization and assists with driver retention.

### Customers and Marketing

The Company targets customers in its operating area that require multiple, time-sensitive shipments, including those employing "just-in-time" manufacturing and inventory management. In seeking these customers, Heartland has positioned itself as a provider of premium service at compensatory rates, rather than competing solely on the basis of price. Freight transported for the most part is non-perishable and predominantly does not require driver handling. We believe Heartland's reputation for quality service, reliable equipment, and equipment availability makes it a core carrier to many of its customers.

Heartland seeks to transport freight that will complement traffic in its existing service areas and remain consistent with the Company's focus on short-to-medium haul and regional distribution markets. Management believes that building additional service in the Company's primary traffic lanes will assist in controlling empty miles and enhancing driver "home time."

The Company's 25, 10, and 5 largest customers accounted for 68%, 49%, and 35% of revenue, respectively, in 2000. The Company's primary customers include retailers, manufacturers, and third party logistics providers. The distribution of customers is not significantly different from the previous year. Sears Logistics Services accounted for 16% of revenue in 2000. No other customer accounted for as much as ten percent of revenue.

### Drivers, Independent Contractors, and Other Personnel

Heartland's workforce is an essential ingredient in achieving its business objectives. As of December 31, 2000, Heartland employed 1,728 persons. The Company also contracted with independent contractors to provide and operate tractors. Independent contractors own their own tractors and are responsible for all associated expenses, including financing costs, fuel, maintenance, insurance, and taxes. The Company historically has operated a combined fleet of company and independent contractor tractors. Management believes that a combined fleet complements the Company's recruiting efforts and offers greater flexibility in responding to fluctuations in shipper demand.

Management's strategy for both employee and independent contractor drivers is to (1) hire the best; (2) promote retention through financial incentives,

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positive working conditions, and targeting freight that requires little or no handling; and (3) minimize safety problems through careful screening, mandatory drug testing, continuous training, and financial rewards for accident-free driving. Heartland also seeks to minimize turnover of its employee drivers by providing modern, comfortable equipment and of all drivers by regularly scheduling them to their homes. All drivers are compensated for empty miles as well as loaded miles. This provides an incentive for the Company to minimize empty miles and at the same time does not penalize drivers for inefficiencies of operations that are beyond their control.

Heartland is not a party to a collective bargaining agreement. Management believes that the Company has good relationships with its employees.

### Revenue Equipment

Heartland's management believes that operating high-quality, efficient equipment is an important part of providing excellent service to customers. The Company's policy is to operate its tractors while under warranty to minimize repair and maintenance cost and reduce service interruptions caused by breakdowns. In addition, the Company's preventive maintenance program is designed to minimize equipment downtime, facilitate customer service, and enhance trade value when equipment is replaced. Factors considered when purchasing new equipment include fuel economy, price, technology, warranty terms, manufacturer support, driver comfort, and resale value.

4

### Competition

The truckload industry is highly competitive and includes thousands of carriers, none of which dominates the market. The Company competes primarily with other truckload carriers, and to a lesser extent with railroads, intermodal service, less-than-truckload carriers, and private fleets operated by existing and potential customers. Although intermodal and rail service has improved in recent years, such service has not been a major factor in the Company's short-to-medium haul traffic lanes (558-mile average length of haul). Historically, competition has created downward pressure on the truckload industry's pricing structure. Management believes that competition for the freight targeted by the Company is based primarily upon service and efficiency and to a lesser degree upon freight rates.

### Regulation

The Company is a common and contract motor carrier of general commodities. Historically, the Interstate Commerce Commission (the "ICC") and various state agencies regulated motor carriers' operating rights, accounting systems, mergers and acquisitions, periodic financial reporting, and other matters. In 1995 federal legislation preempted state regulation of prices, routes, and services of motor carriers and eliminated the ICC. Several ICC functions were transferred to the Department of Transportation (the "DOT"). Management does not believe that regulation by the DOT or by the states in their remaining areas of authority will have a material effect on the Company's operations. The Company's employee and independent contractor drivers also must comply with the safety and fitness regulations promulgated by the DOT, including those relating to drug and alcohol testing and hours of service.

The Company's operations are subject to various federal, state, and local environmental laws and regulations, implemented principally by the EPA and similar state regulatory agencies, governing the management of hazardous wastes, other discharge of pollutants into the air and surface and underground waters, and the disposal of certain substances. Management believes that its operations are in material compliance with current laws and regulations and does not know of any existing condition that would cause compliance with applicable environmental regulations to have a material effect on the Company's capital expenditures, earnings and competitive position. In the event the Company should

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fail to comply with applicable regulations, the Company could be subject to substantial fines or penalties and to civil or criminal liability.

### ITEM 2. PROPERTIES

Heartland's headquarters is located adjacent to Interstate 80, near Iowa City, Iowa. The facilities include five acres of land, two office buildings of approximately 25,000 square feet combined and a storage building, all leased from the Company's president and principal stockholder. Company-owned facilities at this location include three tractor and trailer maintenance garages totaling approximately 26,500 square feet, and a safety and service complex adjacent to Heartland's corporate offices. The adjacent facility provides the Company with six acres of additional trailer parking space, a drive-through inspection bay, an automatic truck wash facility, and 6,000 square feet of office space and driver facilities. The Company also owns a motel located adjacent to its corporate offices, which functions as a motel and driver training center.

The Company owns regional facilities in Ft. Smith, Arkansas; O'Fallon, Missouri; Atlanta, Georgia; Columbus, Ohio; Jacksonville, Florida; and Kingsport, Tennessee. The Company is leasing facilities in Carlisle, Pennsylvania; Decatur, Illinois; and Rochester, New York. A facility in Dubois, Pennsylvania is being leased to an unrelated third party. The Company sold closed facilities in Monmouth, Illinois and Forest Park, Georgia during 2000 to unrelated third parties.

### ITEM 3. LEGAL PROCEEDINGS

The Company is a party to routine litigation incidental to its business, primarily involving claims for personal injury and property damage incurred in the transportation of freight. The Company believes that adverse results in these cases, whether individual or in the aggregate, would not have a material effect upon the Company's financial position or results of operations.

5

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITIES HOLDERS

During the fourth quarter of 2000, no matters were submitted to a vote of securities holders.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDERS MATTERS

#### Price Range of Common Stock

The Company's common stock has been traded on the NASDAQ National Market under the symbol HTLD, since November 5, 1986, the date of the Company's initial public offering. The following table sets forth for the calendar period indicated the range of high and low price quotations for the Company's common stock as reported by NASDAQ from January 1, 1999 to December 31, 2000.

Period	High	Low
Calendar Year 2000		
1st Quarter	\$16.13	\$12.63
2nd Quarter	19.38	13.88
3rd Quarter	18.69	15.75
4th Quarter	24.75	15.81
Calendar Year 1999		
1st Quarter	\$17.75	\$13.00

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2nd Quarter	16.63	13.00
3rd Quarter	17.88	13.38
4th Quarter	16.63	12.38

The prices reported reflect interdealer quotations without retail mark-ups, markdowns or commissions, and may not represent actual transactions. As of March 15, 2001 the Company had 213 stockholders of record of its common stock. However, the Company estimates that it has a significantly greater number of stockholders because a substantial number of the Company's shares are held of record by brokers or dealers for their customers in street names.

### Dividend Policy

The Company has never declared and paid a cash dividend. It is the current intention of the Company's Board of Directors to retain earnings to finance the growth of the Company's business. Future payments of cash dividends will depend upon the financial condition, results of operations and capital requirements of the Company, as well as other factors deemed relevant by the Board of Directors.

6

### ITEM 6. SELECTED FINANCIAL DATA

The selected consolidated financial data presented below reflect the consolidated financial position and results of operations of Heartland Express, Inc., and its subsidiaries. The selected consolidated financial data are derived from the Company's consolidated financial statements. This data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's consolidated financial statements and notes thereto included elsewhere herein.

	Year Ended December 31, (in thousands, except per share data)				
	2000	1999	1998	1997	1996
Income Statement Data:	-----	-----	-----	-----	-----
Operating revenue .....	\$ 274,827	\$ 261,004	\$ 263,489	\$ 262,504	\$ 229,000
Operating expenses:					
Salaries, wages, and benefits.....	73,847	60,258	51,995	49,535	40,000
Rent and purchased transportation.	75,191	90,337	100,089	101,169	93,000
Operations and maintenance.....	42,651	30,167	26,072	27,739	22,000
Taxes and licenses.....	5,952	5,935	6,150	6,049	5,000
Insurance and claims.....	6,706	5,742	6,810	10,404	9,000
Communications and utilities.....	2,952	2,629	2,684	2,681	2,000
Depreciation.....	16,285	16,216	18,108	16,752	13,000
Other operating expenses.....	6,505	5,941	5,872	5,048	4,000
(Gain) on sale of fixed assets....	(1,512)	(928)	(332)	(59)	(0)
	-----	-----	-----	-----	-----
	228,577	216,297	217,448	219,318	192,000
	-----	-----	-----	-----	-----
Operating income	46,250	44,707	46,041	43,186	36,000
Interest income, net.....	5,726	5,953	4,896	3,782	2,000
	-----	-----	-----	-----	-----
Income before income taxes.....	51,976	50,660	50,937	46,968	39,000
Income taxes.....	17,672	17,536	17,828	16,895	14,000
	-----	-----	-----	-----	-----
Net income .....	\$ 34,304	\$ 33,124	\$ 33,109	\$ 30,073	\$ 25,000
	=====	=====	=====	=====	=====
Basic weighted average shares					
Outstanding.....	25,540	29,360	30,000	30,000	30,000

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Basic earnings per share .....	\$ 1.34	\$ 1.13	\$ 1.10	\$ 1.00	\$ 0
Balance sheet data:					
Net working capital .....	\$ 118,506	\$ 111,675	\$ 127,989	\$ 82,170	\$ 69,
Total assets .....	\$ 268,055	\$ 246,494	\$ 256,828	\$ 225,467	\$ 191,
Long term debt .....	\$ --	\$ --	\$ --	\$ --	\$ --
Stockholders' equity .....	\$ 195,134	\$ 174,840	\$ 186,848	\$ 153,739	\$ 123,

7

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

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

	Year Ended December 31,		
	2000	1999	1998
Operating revenue.....	100.0%	100.0%	100.0%
Operating expenses:			
Salaries, wages, and benefits .....	26.9%	23.1%	19.7%
Rent and purchased transportation.....	27.4	34.6	38.0
Operations and maintenance .....	15.5	11.6	9.9
Taxes and licenses .....	2.2	2.3	2.3
Insurance and claims .....	2.4	2.2	2.6
Communications and utilities .....	1.1	1.0	1.0
Depreciation .....	5.9	6.2	6.9
Other operating expenses.....	2.4	2.3	2.2
(Gain) on sale of fixed assets .....	(0.6)	(0.4)	(0.1)
Total operating expenses.....	83.2%	82.9%	82.5%
Operating income .....	16.8%	17.1%	17.5%
Interest income, net .....	2.1	2.3	1.9
Income before income taxes ..	18.9%	19.4%	19.4%
Federal and state income taxes .....	6.4	6.7	6.8
Net income .....	12.5%	12.7%	12.6%

Results of Operations

Year Ended December 31, 2000 Compared With Year Ended December 31, 1999

Operating revenue increased \$13.8 million (5.3%), to \$274.8 million in 2000 from \$261.0 million in 1999, as a result of the Company's expansion of the customer base as well as increased volume from existing customers. Operating revenue was also positively impacted by fuel surcharges assessed to the customer base.

Salaries, wages, and benefits increased \$13.5 million (22.5%), to \$73.8

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million in 2000 from \$60.3 million in 1999. As a percentage of revenue, salaries, wages, and benefits increased to 26.9% in 2000 from 23.1% in 1999. These increases are the result of increased reliance on employee drivers and a corresponding decrease in miles driven by independent contractors. In addition, the Company has increased employee driver pay four times since September 1, 1998. The increase in employee driver miles was attributable to internal growth in the company tractor fleet. During 2000, employee drivers accounted for 60% and independent contractors 40% of the total fleet miles, compared with 51% and 49%, respectively, in 1999.

Rent and purchased transportation decreased \$15.1 million (16.8%), to \$75.2 million in 2000 from \$90.3 million in 1999. As a percentage of revenue, rent and purchased transportation decreased to 27.4% in 2000 from 34.6% in 1999. This reflected the Company's decreased reliance upon independent contractors. In addition, an increased industry demand for independent contractors has negated the Company's previous competitive advantage.

Operations and maintenance increased \$12.5 million (41.4%), to \$42.7 million in 2000 from \$30.2 million in 1999. As a percentage of revenue, operations and maintenance increased to 15.5% in 2000 from 11.6% in 1999. This increase is attributable to an increase in fuel prices and increased reliance on the Company owned fleet.

8

Taxes and licenses increased \$0.1 million (0.3%), to \$6.0 million in 2000 from \$5.9 million 1999. As a percentage of revenue, taxes and licenses decreased to 2.2% in 2000 from 2.3% in 1999.

Insurance and claims increased \$1.0 million (16.8%), to \$6.7 million in 2000 from \$5.7 million in 1999. As a percentage of revenue, insurance and claims increased to 2.4% in 2000 from 2.2% in 1999. Insurance and claims expense will vary as a percentage of operating revenue from period to period based on the frequency and severity of claims incurred in a given period as well as changes in claims development trends.

Communications and utilities increased \$0.4 million (12.3%), to \$3.0 million in 2000 from \$2.6 million in 1999. As a percentage of revenue, communications and utilities increased to 1.1% in 2000 from 1.0% in 1999.

Depreciation increased \$0.1 million (0.4%), to \$16.3 million in 2000 from \$16.2 million in 1999. As a percentage of revenue, depreciation decreased to 5.9% in 2000 from 6.2% in 1999. The decrease resulted from the increase in the number of trailers in the Company's fleet becoming fully depreciated.

Other operating expenses increased \$0.6 million (9.5%), to \$6.5 million in 2000 from \$5.9 million in 1999. As a percentage of revenue, other operating expenses increased to 2.4% in 2000 from 2.3% in 1999. Other operating expenses consists of pallet cost, driver recruiting expenses, and administrative costs.

Primarily as a result of the foregoing, the Company's operating ratio increased to 83.2% in 2000 compared with 82.9% in 1999.

Interest income (net) decreased \$0.3 million (3.8%), to \$5.7 million in 2000 from \$6.0 million in 1999. The Company had \$128.0 million in cash, cash equivalents, and investments at December 31, 2000 compared with \$126.7 million at December 31, 1999. Interest income earned is primarily exempt from federal taxes and therefore earned at a lower pre-tax rate.

The Company's effective tax rate was 34.0% in 2000 and 34.6% in 1999.

As a result of the foregoing, net income increased to \$34.3 million in 2000 from \$33.1 million in 1999. The net income for both periods was impacted by the gain from the sale of fixed assets, primarily real estate.

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Year Ended December 31, 1999 Compared With Year Ended December 31, 1998

Operating revenue decreased \$2.5 million (0.9%), to \$261.0 million in 1999 from \$263.5 million in 1998. The Company's growth of operating revenues was curtailed by the industry-wide shortage of experienced employee drivers and independent contractors.

Salaries, wages, and benefits increased \$8.3 million (15.9%), to \$60.3 million in 1999 from \$52.0 million in 1998. As a percentage of revenue, salaries, wages, and benefits increase to 23.1% in 1999 from 19.7% in 1998. These increases are the result of increased reliance on employee drivers and a corresponding decrease in miles driven by independent contractors. In addition, the Company has increased employee driver pay three times since September 1, 1998. The increase in employee driver miles was attributable to internal growth in the company tractor fleet. During 1999, employee drivers accounted for 51% and independent contractors 49% of the total fleet miles, compared with 45% and 55%, respectively, in 1998.

Rent and purchased transportation decreased \$9.8 million (9.7%), to \$90.3 million in 1999 from \$100.1 million in 1998. As a percentage of revenue, rent and purchased transportation decreased to 34.6% in 1999 from 38.0% in 1998. This reflected the Company's decreased reliance upon independent contractors. In addition, an increased industry demand for independent contractors has negated the Company's previous competitive advantage.

Operations and maintenance increased \$4.1 million (15.7%), to \$30.2 million in 1999 from \$26.1 million in 1998. As a percentage of revenue, operations and maintenance decreased to 11.6% in 1999 from 9.9% in 1998. This increase is attributable to an increase in fuel prices and increased reliance on the Company owned fleet. The fuel cost per gallon steadily increased after the first quarter of 1999 with heavy increases experienced in the fourth quarter of 1999.

9

Taxes and licenses decreased \$0.2 million (3.5%), to \$5.9 million in 1999 from \$6.1 million 1998. As a percentage of revenue, taxes and licenses remained constant at 2.3% in 1999 and in 1998.

Insurance and claims decreased \$1.1 million (15.7%), to \$5.7 million in 1999 from \$6.8 million in 1998. As a percentage of revenue, insurance and claims decreased to 2.2% in 1999 from 2.6% in 1998. The decrease was primarily attributable to the favorable settlement of claims and the lessor severity of incurred claims. Insurance and claims expense will vary as a percentage of operating revenue from period to period based on the frequency and severity of claims incurred in a given period as well as changes in claims development trends.

Communications and utilities decreased \$0.1 million (2.1%), to \$2.6 million in 1999 from \$2.7 million in 1998. As a percentage of revenue, communications and utilities remained constant at 1.0% in 1999 and in 1998.

Depreciation decreased \$1.9 million (10.4%), to \$16.2 million in 1999 from \$18.1 million in 1998. As a percentage of revenue, depreciation decreased to 6.2% in 1999 from 6.9% in 1998. The decrease resulted from the increase in the number of trailers in the Company's fleet becoming fully depreciated.

Other operating expenses remained constant at \$5.9 million in 1999 and in 1998. As a percentage of revenue, other operating expenses increased to 2.3% in 1999 from 2.2% in 1998. Other operating expenses consists of pallet cost, driver recruiting expenses, goodwill, and administrative costs.

Primarily as a result of the foregoing, the Company's operating ratio was 82.9% in 1999 compared with 82.5% in 1998.

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Interest income (net) increased \$1.1 million (21.6%), to \$6.0 million in 1999 from \$4.9 million in 1998. As a percentage of revenue, interest income increased to 2.3% in 1999 from 1.9% in 1998. The Company had \$126.7 million in cash, cash equivalents, and investments at December 31, 1999 compared with \$143.4 million at December 31, 1998. Interest income earned is primarily exempt from federal taxes and therefore earned at a lower pre-tax rate.

The Company's effective tax rate was 34.6% in 1999 and 35% in 1998. This decrease is primarily attributable to the increase in tax-exempt interest earned.

As a result of the foregoing, net income remained constant at \$33.1 million in 1999 and in 1998.

### Liquidity and Capital Resources

The growth of the Company's business requires significant investments in new revenue equipment. Historically the Company has been debt-free, financing revenue equipment through cash flow from operations. The Company also obtains tractor capacity by utilizing independent contractors, who provide a tractor and bear all associated operating and financing expenses.

Cash and cash equivalents and investments increased to \$128.0 million as of December 31, 2000 from \$126.7 million at December 31, 1999. The Company's policy is to purchase only high quality liquid investments. Cash equivalents and investments primarily consist of municipal demand bonds and municipal demand bond funds.

Net cash provided by operations was \$49.9 million in 2000, \$45.6 million in 1999, and \$52.7 million in 1998. The primary source of funds in 2000 was net income of \$34.3 million increased by non-cash adjustments, including depreciation and amortization of \$17.2 million.

Net investing activities consumed \$34.1 million in 2000 and \$17.7 million in 1999, and generated \$14.5 million in 1998. The primary use of cash in 2000 was \$36.3 million for capital expenditures, including revenue equipment. The Company expects to finance future growth in its company-owned fleet primarily through cash flow from operations and cash equivalents currently on hand.

Net cash used in financing activities was \$14.0 million in 2000, \$45.1 million in 1999, and none in 1998. The 2000 financing activity was comprised solely of the repurchase of approximately 1.1 million shares of the Company's common stock.

10

Trade receivables increased to \$24.9 million as of December 31, 2000 from \$23.5 million as of December 31, 1999 primarily due to a 5.7% increase in fourth quarter operating revenue. Cash paid for income taxes decreased to \$16.5 million in 2000 from \$16.6 million in 1999. Lower income taxes on a cash basis are primarily due to increased interest income exempt from federal taxes.

Insurance accruals increased to \$35.7 million as of December 31, 2000 from \$34.3 million as of December 31, 1999. The Company's insurance program for liability, physical damage and cargo damage involves self-insurance retention for the first \$500,000 per claim. Claims in excess of the risk retention are covered by insurance in amounts which management considers adequate. The Company accrues the estimated cost of the uninsured portion of the pending claims. These accruals are estimated based on management's evaluation of the nature and severity of individual claims and estimate of future claims development based on historical claim development trends. If adjustments to previously established accruals are required, such amounts are included in operating expenses.

The Company has one customer who accounted for more than 10% of the Company's revenue for the year ended December 31, 2000. As disclosed in footnote

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two to the financial statements, historically a small number of customers generate a substantial percentage of revenue. In 2000, the Company's largest customer generated approximately 16% of operating revenue. The loss of a major customer could negatively impact the Company. Any negative impact would be mitigated by two factors: (1) the strong overall financial position of the Company (no long term debt at December 31, 2000 and \$128.0 million in cash and cash equivalents) and (2) the flexibility inherent in having a substantial percentage of fleet miles being generated by independent contractors who provide their own tractors.

Based on the Company's strong financial position (current ratio of 3.1 and no debt), management foresees no significant barriers to obtaining sufficient financing, if necessary, to continue with growth plans.

### Inflation and Fuel Cost

Most of the Company's operating expenses are inflation-sensitive, with inflation generally producing increased costs of operations. During the past three years, the most significant effects of inflation have been on revenue equipment prices and the compensation paid to the drivers. Innovations in equipment technology and comfort have resulted in higher tractor prices, and there has been an industry-wide increase in wages paid to attract and retain qualified drivers. The Company historically has limited the effects of inflation through increases in freight rates and certain cost control efforts. In addition to inflation, fluctuations in fuel prices can affect profitability. Most of the Company's contracts with customers contain fuel surcharge provisions. Although the Company historically has been able to pass through most long-term increases in fuel prices and operating taxes to customers in the form of surcharges and higher rates, shorter-term increases are not fully recovered.

### Seasonality

The nature of the Company's primary traffic (appliances, automotive parts, paper products, retail goods, and packaged foodstuffs) causes it to be distributed with relative uniformity throughout the year. However, earnings have historically been affected adversely during the fourth quarter as a result of reduced shipments by customers during the winter holiday season. In addition, the Company's operating expenses historically have been higher during the winter months due to increased operating costs in colder weather and higher fuel consumption due to increased engine idling.

### Recent Pronouncements

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 133 establishes new accounting and reporting standards for derivative financial instruments and for hedging activities. SFAS 133, as amended, requires an entity to measure all derivatives at fair value and to recognize them in the balance sheet as an asset or liability, depending on the entity's rights or obligations under the applicable derivative contract. The recognition of changes in fair value of a derivative that affect the income statement will depend on the intended use of the derivative. If the derivative does not qualify as a hedging instrument, the gain or loss on the derivative will be recognized currently in earnings.

If the derivative qualifies for special hedge accounting, the gain or loss on the derivative will either (1) be recognized in income along with an offsetting adjustment to the basis of the item being hedged or (2) be deferred in other comprehensive income and reclassified to earnings in the same period or periods during which the hedged transaction affects earnings. The Company has completed its analysis of Statement 133 and does not expect adoption as of January 1, 2001

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to have a material effect on results of operations or financial position.

### Forward - Looking Information

Certain matters discussed in this annual report and marked with an asterisk are "forward-looking statements" intended to qualify for the safe harbors from liability established by Private Securities Litigation Reform Act of 1995. Such statements address future plans, objectives, expectations and events or conditions concerning various matters such as capital expenditures, litigation, liquidity and capital resources, and accounting matters. Actual results in each case could differ materially from those currently anticipated in such statements.

### ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company purchases only high quality liquid investments. Primarily all investments as of December 31, 2000 have an original maturity of three months or less. The Company holds all investments to maturity and therefore, is exposed to minimal market risk related to its cash equivalents.

The Company has no debt outstanding as of December 31, 2000 and therefore, has no market risk related to debt.

The Company does not engage in fuel hedging with financial instruments.

### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Company's audited financial statements, including its consolidated balance sheets and consolidated statements of operations, cash flows, and stockholders' equity, and notes related thereto, are contained at pages 17 to 27 of this report. Selected quarterly data is contained at page 27. Such information is incorporated by reference.

### ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

## PART III

### ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information respecting executive officers, directors, and director nominee, set forth under the caption "Election of Directors-Information Concerning Executive Officers and Directors" and "Compliance with Section 16(a) of the Securities Exchange Act of 1934" on pages 2 through 4 and 6 of the registrant's proxy statement relating to its 2001 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission in accordance with Rule 14a-6 promulgated under the Securities Exchange Act of 1934 (the "Proxy Statement"), is incorporated by reference. With the exception of the foregoing information and other information specifically incorporated by reference into this Form 10-K report, the Proxy Statement is not being filed as a part hereof.

### ITEM 11. EXECUTIVE COMPENSATION

The information respecting executive compensation set forth under the caption "Executive Compensation" on pages 4 and 5 of the Proxy Statement is incorporated herein by reference; provided, however, that the "Board of Directors' Report on Executive Compensation" is not incorporated by reference here.

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### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information respecting security ownership of certain beneficial owners and management included under the caption "Principal Stockholders and Stockholdings of Management" on page 7 of the Proxy Statement is incorporated herein by reference.

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information respecting certain relationships and transactions of management set forth under the captions "Board of Directors Interlocks and Insider Participation / Certain Transactions and Relationships" on page 4 of the Proxy Statement is incorporated herein by reference.

## PART IV

### ITEM 14. EXHIBITS, FINANCIAL STATEMENTS, SCHEDULES, AND REPORTS ON FORM 8-K

#### (a) 1. Financial Statements and Schedules

The Company's audited financial statements are set forth on the following pages of this report:

	Page
Report of Independent Public Accountants.....	17
Consolidated Balance Sheets.....	18
Consolidated Statements of Operations.....	19
Consolidated Statements of Stockholders' Equity.....	20
Consolidated Statements of Cash Flows.....	21
Notes to Consolidated Financial Statements.....	22-27

#### (a) 2. Financial Statement Schedule

	Page
Valuation and Qualifying Accounts and Reserves.....	27

#### (a) 3. Exhibits required by Item 601 of Regulation S-K are listed below.

#### (b) Reports on Form 8-K

A Form 8-K was filed on February 28, 2000, pertaining to the repurchase of 1,093,669 shares of the Company's outstanding common stock.

#### (c) Exhibits

13

Exhibit No.	Document	Page of Method of Filing
3.1	Articles of Incorporation	Incorporated by reference to the Company's registration statement on Form S-1, Registration No. 33-8165, effective November 5, 1986.
3.2	Bylaws	Incorporated by reference to the Company's registration statement on Form S-1, Registration No. 33-8165, effective November 5, 1986.
3.3	Certificate of Amendment to Articles of Incorporation	Incorporated by reference to the Company's Form 10-QA, for the

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		quarter ended June 30, 1997, dated March 26, 1998.
4.1	Articles of Incorporation	Incorporated by reference to the Company's registration statement on Form S-1, Registration No. 33-8165, effective November 5, 1986.
4.2	Bylaws	Incorporated by reference to the Company's registration statement on Form S-1, Registration No. 33-8165, effective November 5, 1986.
4.3	Certificate of Amendment to Articles of Incorporation	Incorporated by reference to the Company's Form 10-QA, for the quarter ended June 30, 1997, dated March 26, 1998.
9.1	Voting Trust Agreement dated June 6, 1997 between Larry Crouse as trustee under the Gerdin Educational Trusts and Larry Crouse voting trustee.	Incorporated by reference to the Company's Form 10-K for the year ended December 31, 1997. Commission file no. 0-15087.
10.1	Business Property Lease between Russell A. Gerdin as Lessor and the Company as Lessee, regarding the Company's headquarters at 2777 Heartland Drive, Coralville, Iowa 52241	Incorporated by reference to the Company's Form 10-Q for the quarter ended September 30, 2000. Commission file no. 0-15087.
10.2	Form of Independent Contractor Operating Agreement between the Company and its independent contractor providers of tractors.	Incorporated by reference to the Company's Form 10-K for the year ended December 31, 1993. Commission file no. 0-15087.
10.3	Description of Key Management Deferred Incentive Compensation Arrangement.	Incorporated by reference to the Company's Form 10-K for the year ended December 31, 1993. Commission file no. 0-15087.
21	Subsidiaries of the Registrant	Filed herewith.
27	Financial Data Schedule	Filed herewith.

14

### SIGNATURES

Pursuant to the requirements of Sections 13 or 15(d) of the Securities Act of 1934, the registrant has duly caused the report to be signed on its behalf by the undersigned thereunto duly authorized.

HEARTLAND EXPRESS, INC.

Date: March 26, 2001

By: /s/ Russell A. Gerdin  
Russell A. Gerdin

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President and Secretary

Pursuant to the Securities Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Russell A. Gerdin Russell A. Gerdin	Chairman, President and Chief Executive Officer (Principal Executive Officer), Secretary	March 26, 2001
/s/ John P. Cosaert John P. Cosaert	Vice President of Finance (Principal Financial Officer and Principal Accounting Officer) and Treasurer	March 26, 2001
/s/ Richard O. Jacobson Richard O. Jacobson	Director	March 26, 2001
/s/ Michael J. Gerdin Michael J. Gerdin	Director	March 26, 2001
/s/ Benjamin J. Allen Benjamin J. Allen	Director	March 26, 2001
/s/ Lawrence D. Crouse Lawrence D. Crouse	Director	March 26, 2001

15

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and  
Stockholders of Heartland Express, Inc.:

We have audited the accompanying consolidated balance sheets of Heartland Express, Inc. (a Nevada corporation) and Subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2000. These financial statements and schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present

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fairly, in all material respects, the financial position of Heartland Express, Inc. and Subsidiaries, as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedule II is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Kansas City, Missouri  
January 19, 2001

16

### HEARTLAND EXPRESS, INC. AND SUBSIDIARIES

#### CONSOLIDATED BALANCE SHEETS

	December 31,	
ASSETS	2000	1999
<b>CURRENT ASSETS</b>		
Cash and cash equivalents .....	\$128,027,076	\$126,211,056
Trade receivable, less allowance:		
\$402,812 at both 2000 and 1999 .....	24,954,681	23,478,708
Prepaid tires and tubes .....	3,780,644	1,655,018
Investments .....	--	500,000
Deferred income taxes .....	16,846,000	15,979,000
Other current assets .....	328,273	359,472
	173,936,674	168,183,254
<b>PROPERTY AND EQUIPMENT</b>		
Land and land improvements .....	3,237,875	3,701,400
Buildings .....	8,532,621	9,740,487
Furniture and fixtures .....	2,604,400	2,611,166
Shop and service equipment .....	1,459,862	1,563,485
Revenue equipment .....	129,572,317	121,822,991
	145,407,075	139,439,529
Less accumulated depreciation.....	56,329,103	66,533,949
	89,077,972	72,905,580
OTHER ASSETS .....	5,040,358	5,404,707

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	-----	-----
	\$268,055,004	\$246,493,541
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities .....	\$ 6,712,053	\$ 10,595,662
Compensation and benefits .....	5,132,589	4,225,023
Income taxes payable .....	4,618,882	4,974,341
Insurance accruals .....	35,657,944	34,285,500
Other accruals .....	3,308,925	2,427,464
	-----	-----
Total current liabilities .....	55,430,393	56,507,990
	-----	-----
DEFERRED INCOME TAXES .....	17,491,000	15,146,000
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Preferred stock, par value \$.01; authorized 5,000,000 shares; none issued .....	--	--
Common stock, par value \$.01; authorized 395,000,000 shares; issued and outstanding 25,366,582 in 2000 and 26,460,251 in 1999 .....	253,666	264,603
Additional paid-in capital .....	6,608,170	6,608,170
Retained earnings .....	188,271,775	167,966,778
	-----	-----
	195,133,611	174,839,551
	-----	-----
	\$268,055,004	\$246,493,541
	=====	=====

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

HEARTLAND EXPRESS, INC.  
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended December 31,		
	2000	1999	1998
	-----	-----	-----
Operating revenue .....	\$ 274,827,551	\$ 261,004,122	\$ 263,489,156
	-----	-----	-----
Operating expenses:			
Salaries, wages, and benefits	73,846,541	60,258,431	51,994,959
Rent and purchased transportation .....	75,190,893	90,337,083	100,089,165
Operations and maintenance ..	42,650,757	30,167,446	26,072,323
Taxes and licenses .....	5,952,448	5,934,644	6,150,407
Insurance and claims .....	6,706,247	5,742,167	6,809,819
Communications and utilities	2,952,394	2,628,494	2,684,310
Depreciation .....	16,284,550	16,215,587	18,107,708
Other operating expenses ....	6,505,174	5,941,411	5,871,671
Gain on sale of fixed assets	(1,511,587)	(927,548)	(332,255)
	-----	-----	-----

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	228,577,417	216,297,715	217,448,107
	-----	-----	-----
Operating income .....	46,250,134	44,706,407	46,041,049
Interest income .....	5,725,551	5,952,741	4,895,651
	-----	-----	-----
Income before income taxes ..	51,975,685	50,659,148	50,936,700
Income taxes .....	17,671,725	17,535,710	17,827,847
	-----	-----	-----
Net income .....	\$ 34,303,960	\$ 33,123,438	\$ 33,108,853
	=====	=====	=====
Basic earnings per share .....	\$ 1.34	\$ 1.13	\$ 1.10
	=====	=====	=====
Basic weighted average shares outstanding .....	25,539,896	29,359,936	30,000,000
	=====	=====	=====

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

18

HEARTLAND EXPRESS, INC.  
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Capital Stock, Common	Additional Paid-In Capital	Retained Earnings	Total
	-----	-----	-----	-----
Balance, December 31, 1997	\$ 300,000	\$ 6,608,170	\$ 146,830,890	\$ 153,739,060
Net income .....	--	--	33,108,853	33,108,853
	-----	-----	-----	-----
Balance, December 31, 1998	300,000	6,608,170 #	179,939,743 #	186,847,913
Repurchase of common stock	(35,397)	--	(45,096,403)	(45,131,800)
Net income .....	--	--	33,123,438	33,123,438
	-----	-----	-----	-----
Balance, December 31, 1999	264,603	6,608,170	167,966,778	174,839,551
Repurchase of common stock	(10,937)	--	(13,998,963)	(14,009,900)
Net income .....	--	--	34,303,960	34,303,960
	-----	-----	-----	-----
Balance, December 31, 2000	\$ 253,666	\$ 6,608,170	\$ 188,271,775	\$ 195,133,611
	=====	=====	=====	=====

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

19

HEARTLAND EXPRESS, INC.

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AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2000	1999
<b>OPERATING ACTIVITIES</b>		
Net income .....	\$ 34,303,960	\$ 33,123,438
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization .....	17,217,526	17,312,033
Deferred income taxes .....	1,478,000	(467,000)
Gain on sale of fixed assets .....	(1,511,587)	(906,600)
Changes in certain working capital items:		
Trade receivable .....	(1,475,973)	(2,087,502)
Prepays .....	(2,125,626)	(851,922)
Other current assets .....	31,199	(53,330)
Accounts payable and accrued expenses .....	2,349,670	(1,851,091)
Accrued income taxes .....	(355,459)	1,395,840
Net cash provided by operating activities .....	49,911,710	45,613,866
<b>INVESTING ACTIVITIES</b>		
Proceeds from sale of property and equipment .....	2,163,324	1,585,623
Capital additions .....	(36,335,347)	(18,613,595)
Net maturities (purchases) of municipal bonds .....	500,000	(500,000)
Other .....	(413,767)	(177,632)
Net cash provided (used in) by investing activities .....	(34,085,790)	(17,705,604)
<b>FINANCING ACTIVITIES</b>		
Repurchase of common stock .....	(14,009,900)	(45,131,800)
Net cash used in financing activities .....	(14,009,900)	(45,131,800)
Net increase (decrease) in cash and cash equivalents .....	1,816,020	(17,223,538)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year .....	126,211,056	143,434,594
End of year .....	\$ 128,027,076	\$ 126,211,056
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid during the period for:		
Income taxes .....	\$ 16,549,184	\$ 16,606,870
Noncash investing activities:		
Book value of revenue equipment traded .....	\$ 12,202,753	\$ 4,868,860

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

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### Nature of Business:

Heartland Express, Inc., (the "Company") is a short-to-medium-haul, irregular route, truckload carrier of general commodities. The Company's primary traffic lanes are between customer locations east of the Rocky Mountains, with selected service to the West. The Company operates the business as one reportable segment.

### Significant Accounting Policies:

#### Principles of Consolidation:

The accompanying consolidated financial statements include the parent company, Heartland Express, Inc., and its subsidiaries, all of which are wholly owned. All material intercompany items and transactions have been eliminated in consolidation.

#### Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Cash and Cash Equivalents:

Cash equivalents are short-term, highly liquid investments with original maturities of three months or less.

#### Investments:

Substantially all investments represent municipal bonds or municipal bond funds with a maturity of one year or less. These investments are held to maturity and stated at amortized cost. Investment income received is generally exempt from federal income taxes.

#### Revenue and Expense Recognition:

Operating revenues are recognized on the date the freight is delivered and expenses are recognized as incurred.

#### Property and Equipment:

Property and equipment are stated at cost. Depreciation is computed by the straight-line method for all assets other than tractors, which are depreciated by the 125% declining balance method. Trailers are depreciated to a salvage value of up to 30% based upon when they were put in service. Historically, we have assumed no salvage value for tractors. For revenue equipment purchased after January 1, 2000 the trailers are depreciated with a \$6,000 salvage value and the tractors with a \$15,000 salvage value. Lives of the assets are as follows:

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	Years
Land improvements and building	3-30
Furniture and fixtures	2-3
Shop and service equipment	3-5
Revenue equipment	5-7

### Tires and Tubes:

The cost of tires and tubes on new revenue equipment is carried as a prepayment and amortized over the estimated tire life of two years. Replacement tires (including recapped tires) are expensed when purchased.

### Earnings Per Share:

Basic earnings per share is based upon the weighted average common shares outstanding during each year. Diluted earnings per share is based upon the weighted average common and common equivalent shares outstanding during each year. Heartland has no common stock equivalents.

### Note 2. Concentrations of Credit Risk and Major Customers

The Company's major customers represent the consumer goods, appliances, food products and automotive industries. Credit is usually granted to customers on an unsecured basis. The Company's five largest customers accounted for 35%, 34%, and 35% of revenues for the years ended December 31, 2000, 1999, and 1998, respectively. Operating revenue from one customer exceeded 10% of total gross revenues in 2000, 1999 and 1998. Annual revenues for this customer were \$43.0 million, \$37.0 million, and \$37.0 million for the years ended December 31, 2000, 1999, and 1998, respectively.

22

## HEARTLAND EXPRESS, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Note 3. Income Taxes

Deferred income taxes are determined based upon the differences between the financial reporting and tax basis of the Company's assets and liabilities. Deferred taxes are provided at the enacted tax rates to be in effect when the differences reverse.

Deferred tax assets and liabilities as of December 31 are as follows:

	2000	1999
	-----	-----
Deferred income tax liabilities, related to property and equipment ...	\$ 17,491,000	\$ 15,146,000
	=====	=====
Deferred income tax assets:		
Allowance for doubtful accounts ....	\$ 153,000	\$ 153,000
Accrued expenses .....	2,219,000	1,999,000

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Insurance accruals .....	13,262,000	12,724,000
Other .....	1,212,000	1,103,000
	-----	-----
Deferred income tax assets .....	\$ 16,846,000	\$ 15,979,000
	=====	=====

The income tax provision is as follows:

	2000	1999	1998
	-----	-----	-----
Current income taxes:			
Federal .....	\$ 14,846,728	\$ 17,008,402	\$ 16,983,674
State .....	1,346,997	994,308	1,270,173
	-----	-----	-----
	\$ 16,193,725	\$ 18,002,710	\$ 18,253,847
	-----	-----	-----
Deferred income taxes:			
Federal .....	\$ 1,574,000	\$ (448,320)	\$ (408,960)
State .....	(96,000)	(18,680)	(17,040)
	-----	-----	-----
	\$ 1,478,000	\$ (467,000)	\$ (426,000)
	-----	-----	-----
Total .....	\$ 17,671,725	\$ 17,535,710	\$ 17,827,847
	=====	=====	=====

23

HEARTLAND EXPRESS, INC.  
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The income tax provision differs from the amount determined by applying the U.S. federal tax rate as follows:

	2000	1999	1998
	-----	-----	-----
Federal tax at statutory rate (35%)	\$ 18,191,490	\$ 17,730,702	\$ 17,827,845
State taxes, net of federal benefit	876,000	646,000	826,000
Non-taxable interest income	(1,725,000)	(1,545,000)	(1,398,000)
Other	329,235	704,008	572,002
	-----	-----	-----
	\$ 17,671,725	\$ 17,535,710	\$ 17,827,847
	=====	=====	=====

Note 4. Related Party Transactions

The Company leases two office buildings and a storage building from its president under a lease which provided for monthly rentals of \$24,969 plus the payment of all property taxes, insurance and maintenance. The lease expires May 31, 2005 and contains a five-year renewal option.

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The total minimum rental commitment under the building lease is as follows:

Year Ending December 31:

2001	\$ 299,625
2002	\$ 299,625
2003	\$ 299,625
2004	\$ 299,625
2005	\$ 124,844
	-----
	\$ 1,323,344
	=====

Rent expense paid to the Company's president totaled \$292,281 for the year ended December 31, 2000 and \$282,000 for the years ended December 31, 1999, and 1998. The Company also maintains cash accounts with a bank owned by the Company's president.

### Note 5. Accident and Workers' Compensation Claims

Accident and workers' compensation claims include the estimated settlements, settlement expenses and an allowance for claims incurred but not yet reported for property damage, personal injury and public liability losses from vehicle accidents and cargo losses as well as workers' compensation claims for amounts not covered by insurance.

Accrued claims are determined based on estimates of the ultimate cost of settling reported and unreported claims, including expected settlement expenses. Such estimates are based on management's evaluation of the nature and severity of individual claims and an estimate of future claims development based on historical claims development trends. Since the reported liability is an estimate, the ultimate liability may be more or less than reported. If adjustments to previously established accruals are required, such amounts are included in operating expenses.

24

## HEARTLAND EXPRESS, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company acts as a self-insurer for liability up to \$500,000 for any single occurrence involving cargo, personal injury or property damage. Liability in excess of this amount is assumed by an insurance underwriter.

The Company acts as a self-insurer for workers' compensation liability up to a maximum liability of \$300,000 per claim. Liability in excess of this amount is assumed by an insurance underwriter. The State of Iowa has required the Company to deposit \$700,000 into a trust fund as part of the self-insurance program. This deposit has been classified with other long-term assets on the balance sheet. In addition, the Company has provided its insurance carriers with letters of credit and deposits of approximately \$5.7 million in connection with its liability and workers' compensation insurance arrangements.

### Note 6. Stockholders' Equity

On October 26, 1999 the Company purchased 3,539,749 shares of its common stock for \$45,131,800 and 1,093,669 shares of its common stock for \$14,009,900 on February 28, 2000. The shares have been reported as retired in the accompanying financial statements.

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### Note 7. Profit Sharing Plan and Retirement Plan

The Company has a profit sharing plan with 401(k) plan features whereby the Company may make contributions to the plan at its discretion. Individual employees may make voluntary contributions to the plan. Company contributions totaled \$255,000, \$501,000, and \$675,000, for the years ended December 31, 2000, 1999 and 1998, respectively.

25

### HEARTLAND EXPRESS, INC. AND SUBSIDIARIES

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Note 8. Commitments and Contingencies

Various claims and legal actions are pending against the Company. In management's opinion, the resolution of these matters will not materially impact the Company's financial condition or results of operations.

### Note 9. Quarterly Financial Information (Unaudited)

	First	Second	Third	Fourth
	-----	-----	-----	-----
	(In Thousands, Except Per Share Data)			
Year ended December 31, 2000				
Operating revenue .....	\$67,190	\$69,262	\$68,107	\$70,269
Operating income .....	12,529	12,121	11,119	10,481
Income before income taxes.....	13,852	13,450	12,712	11,962
Net income .....	9,142	8,877	8,390	7,895
Basic earnings per share .....	0.35	0.35	0.33	0.31
Year end December 31, 1999				
Operating revenue .....	\$63,097	\$66,094	\$65,351	\$66,462
Operating income .....	10,159	11,483	11,582	11,483
Income before income taxes.....	11,638	13,002	13,126	12,893
Net income .....	7,564	8,517	8,598	8,445
Basic earnings per share .....	0.25	0.28	0.29	0.31

#### SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

Column A	Column B	Column C		Column D	Column E
Description		Charges To			
	Balance At Beginning of Period	Cost And Expense	Other Accounts	Deductions	Balance At End of Period
Allowance for doubtful accounts:					
Year ended December 31, 2000	\$402,812	\$251,555	\$ --	\$251,555	\$402,812
Year ended December 31, 1999	\$402,812	\$ 4,147	\$ --	\$ 4,147	\$402,812
Year ended December 31, 1998	\$491,971	\$ 37,078	\$ --	\$126,237	\$402,812

Exhibit No. 21

Subsidiaries of the Registrant

Heartland Express, Inc.	Parent
A & M Express, Inc.	Subsidiary
Heartland Equipment, Inc.	Subsidiary
Heartland Express, Inc. of Iowa	Subsidiary