**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 8-K**

**Current Report**

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported) July 30, 2020**

**Universal Logistics Holdings, Inc.**

**(Exact name of registrant as specified in its charter)**

|  |  |  |
| --- | --- | --- |
| **Michigan** | **0-51142** | **38-3640097** |
| **(State or other jurisdiction** | **(Commission** | **(I.R.S. Employer** |
| **of incorporation)** | **File Number)** | **Identification No.)** |
|  | **12755 E. Nine Mile Road, Warren, Michigan** |  |
|  | **(Address of principal executive offices)** |  |
|  | **48089** |  |
|  | **(Zip Code)** |  |
|  | **(586) 920-0100** |  |
|  | **(Registrant’s telephone number, including area code)** |  |
|  | **(Former name, former address and former fiscal year, if changed since last report)** |  |

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

* Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
* Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
* Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
* Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

|  |  |  |
| --- | --- | --- |
| Securities registered pursuant to Section 12(b) of the Act: |  |  |
| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|  |  |  |
| Common Stock, no par value | ULH | The NASDAQ Stock Market LLC |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐



**Item 2.02 Results of Operations and Financial Condition.**

On July 30, 2020, the Company issued a press release announcing the Company's financial and operating results for the thirteen weeks and twenty-six weeks ended July 4, 2020, a copy of which is furnished as Exhibit 99.1 to this Form 8-K.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits.

Exhibit No. Description

99.1 [Press Release dated July 30, 2020](#page4).



**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

|  |  |
| --- | --- |
|  | UNIVERSAL LOGISTICS HOLDINGS, INC. |
| Date: July 30, 2020 | */s/ Steven Fitzpatrick* |
|  | Steven Fitzpatrick |
|  | Secretary |

**Exhibit 99.1**



**Universal Logistics Holdings Reports Second Quarter 2020 Financial Results**

* **Second Quarter 2020 Operating Revenues: $258.0 million, 32.7% decrease**
* **Second Quarter 2020 Operating Income: $10.8 million, 64.7% decrease**
* **Second Quarter 2020 Earnings Per Share: $0.23 per share**

Warren, MI – July 30, 2020 — Universal Logistics Holdings, Inc. (NASDAQ: ULH), a leading asset-light provider of customized transportation and logistics solutions, today reported consolidated second quarter 2020 net income of $6.2 million, or $0.23 per basic and diluted share, on total operating revenues of $258.0 million. This compares to $20.0 million, or $0.70 per basic and diluted share, during second quarter 2019 on total operating revenues of $383.2 million. Included in second quarter 2020 results were $0.9 million of pre-tax holding gains, or $0.02 per share, on marketable securities due to changes in fair value recognized in income.

In the second quarter 2020, Universal reported operating income of $10.8 million compared to $30.7 million in the second quarter one year earlier. As a percentage of operating revenue, operating income margin for the second quarter 2020 was 4.2% compared to 8.0% during the same period last year. EBITDA, a non-GAAP measure, decreased by $18.0 million during the second quarter 2020 to $30.2 million, compared to $48.2 million one year earlier. As a percentage of operating revenue, EBITDA margin for the second quarter 2020 was 11.7% compared to 12.6% during the same period last year.

“Our performance during these unprecedented times once again highlights the resilience of Universal’s business model,” commented Tim Phillips, Universal’s Chief Executive Officer. “With a substantial portion of our customer base shuttered during the peak of the COVID-19 pandemic, Universal was able to quickly adapt to a rapidly changing environment, adjust our operations to meet customer demands, and still report positive operating results. We were able to accomplish all of this while staying focused on the safety and well-being of our employees, contractors and customers.

“We’re excited to see the resumption of North American manufacturing, particularly in the automotive and heavy-truck space, as well as improving demand for truckload transportation throughout the second quarter. While some of our Southern California intermodal operations struggled amid muted port volumes, we are optimistic that continued strength in retail sales will boost container volumes and cascade improvements throughout our network. Although it is difficult to predict the operating environment for second half of the year, we are generally pleased with the anticipated direction of our current operations and remain committed to controlling costs and scaling our services to support customer activity.”

Operating revenues from truckload services in the second quarter decreased $24.3 million to $40.5 million, compared to $64.8 million for the same period last year. Included in truckload revenues for the recently completed quarter were $2.9 million in separately identified fuel surcharges compared to $7.0 million during the same period last year. The decrease in truckload services reflects a 40.7% decrease in the number of loads hauled, which was partially offset by a 6.8% increase in average operating revenue per load, excluding fuel surcharges. During the quarter ended July 4, 2020, Universal moved 36,445 loads compared to 61,423 during the same period last year.



Revenues for the second quarter 2020 from brokerage services decreased $26.6 million, or 29.8%, to $62.8 million compared to $89.4 million one year earlier. The decrease is primarily due to a 17.2% decrease in the number of brokerage loads moved and a 16.7% decrease average operating revenue per load. During the second quarter of 2020, Universal brokered 47,797 loads, compared to 57,710 loads during the same period last year.

Intermodal services revenues decreased $11.0 million to $82.9 million in the second quarter 2020, down from $93.9 million during the same period last year. Included in intermodal revenues for the recently completed quarter were $8.2 million in separately identified fuel surcharges compared to $11.6 million during the same period last year. The decrease in intermodal services reflects a decrease in the number of loads hauled, in addition to a decrease in the average operating revenue per load, excluding fuel surcharges. During the quarter ended July 4, 2020, Universal moved 156,779 intermodal loads, compared to 164,761 loads during the same period last year, while its average operating revenue per load, excluding fuel surcharges, fell by 3.0%.

Second quarter 2020 operating revenues from dedicated services decreased 49.7% to $18.0 million compared to $35.9 million one year earlier. Dedicated services revenues included $1.3 million in separately identified fuel surcharges in the second quarter 2020 compared to $4.3 million during the same period last year. During the second quarter of 2020, Universal moved 57,703 dedicated loads, compared to 151,755 loads during the same period last year. Universal’s dedicated operations were substantially impacted by the shutdown of North American automotive manufacturing from the COVID-19 pandemic for several weeks during the quarter.

Overall, revenues from value-added services decreased during the second quarter 2020 to $53.8 million. This compares to $99.2 million from value-added services one year earlier. Operations supporting passenger vehicle programs declined due to plant shutdowns during the height of the pandemic and reduced output as production began to ramp up near the end of the second quarter. Value-added operations supporting heavy-truck production also decreased this quarter falling $20.6 million in the thirteen weeks ended July 4, 2020 compared to the same period last year. Both platforms were adversely impacted by the shutdown of North American automotive and heavy-truck manufacturing for several weeks during the period.

During the second quarter 2020, the transportation segment, which is primarily comprised of truckload, brokerage and intermodal services operations, reported operating income of $10.0 million on total operating revenues of $185.8 million. The transportation segment performed well during the period despite the depressed volumes experienced in each transportation service lines. In the logistics segment, which includes value-added and dedicated services, the shutdown of North American automotive and heavy-truck manufacturing for several weeks during the quarter adversely impacted results. For the second quarter 2020, income from operations in the logistics segment was $0.8 million on total operating revenues of $71.8 million.

As of July 4, 2020, Universal held cash and cash equivalents totaling $8.0 million, and $7.2 million in marketable securities. Outstanding debt at the end of the second quarter 2020 was $405.6 million and capital expenditures totaled $9.6 million.

Universal calculates and reports selected financial metrics not only for purposes of our lending arrangements but also in an effort to isolate and exclude the impact of non-operating expenses related to our corporate development activities. These statistics are described in more detail below in the section captioned “Non-GAAP Financial Measures.”



**Conference call:**

We invite investors and analysts to our quarterly earnings conference call.

*Quarterly Earnings Conference Call Dial-in Details:*

**Time:** 10:00 a.m. Eastern Time

**Date:** Friday, July 31, 2020

**Call Toll Free:** (866) 622-0924

**International Dial-in:** +1 (660) 422-4956

**Conference ID:** 3877109

A replay of the conference call will be available beginning two hours after the call through September 4, 2020, by calling (855) 859-2056 (toll free) or +1 (404) 537-3406 (toll) and using conference ID 3877109. The call will also be available on investors.universallogistics.com.

**Source:** Universal Logistics Holdings, Inc.

For Further Information:

Steven Fitzpatrick, Investor Relations

SFitzpatrick@UniversalLogistics.com

**About Universal:**

Universal Logistics Holdings, Inc. is a leading asset-light provider of customized transportation and logistics solutions throughout the United States, and in Mexico, Canada and Colombia. We provide our customers with supply chain solutions that can be scaled to meet their changing demands and volumes. We offer our customers a broad array of services across their entire supply chain, including truckload, brokerage, intermodal, dedicated, and value-added services.

***Forward Looking Statements***

*Some of the statements contained in this press release might be considered forward-looking statements. These statements identify prospective information. Forward-looking statements can be identified by words such as: “expect,” “anticipate,” “intend,” “plan,” “goal,” “seek,” “believe,” “project,” “estimate,” “future,” “likely,” “may,” “should” and similar references to future periods. Forward-looking statements are based on information available at the time and/or management’s good faith belief with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the statements. These forward-looking statements are subject to a number of factors that may cause actual results to differ materially from the expectations described. Additional information about the factors that may adversely affect these forward-looking statements is contained in the Company’s reports and filings with the Securities and Exchange Commission. The Company assumes no obligation to update forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information except to the extent required by applicable securities laws.*



**UNIVERSAL LOGISTICS HOLDINGS, INC.**

Unaudited Condensed Consolidated Statements of Income

(In thousands, except per share data)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Thirteen Weeks Ended** | | | | |  | **Twenty-six Weeks Ended** | | | | | |  |
|  |  | **July 4,** | |  | **June 29,** |  |  | **July 4,** | |  |  | **June 29,** |  |  |
|  |  | **2020** |  |  | **2019** |  |  | **2020** |  |  |  | **2019** |  |  |
| Operating revenues: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Truckload services | $ | 40,523 |  | $ | 64,846 |  | $ | 99,421 |  | $ | | 130,517 |  |  |
| Brokerage services |  | 62,782 |  |  | 89,371 |  |  | 148,681 |  |  |  | 175,238 |  |  |
| Intermodal services |  | 82,881 |  |  | 93,853 |  |  | 193,203 |  |  |  | 185,021 |  |  |
| Dedicated services |  | 18,031 |  |  | 35,867 |  |  | 49,610 |  |  |  | 72,888 |  |  |
| Value-added services |  | 53,763 |  |  | 99,238 |  |  | 149,227 |  |  |  | 196,917 |  |  |
| Total operating revenues |  | 257,980 |  |  | 383,175 |  |  | 640,142 |  |  |  | 760,581 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Operating expenses: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Purchased transportation and equipment rent |  | 128,611 |  |  | 178,356 |  |  | 309,467 |  |  |  | 355,681 |  |  |
| Direct personnel and related benefits |  | 57,592 |  |  | 93,650 |  |  | 154,980 |  |  |  | 186,817 |  |  |
| Operating supplies and expenses |  | 16,962 |  |  | 30,737 |  |  | 47,657 |  |  |  | 61,507 |  |  |
| Commission expense |  | 5,024 |  |  | 7,858 |  |  | 12,194 |  |  |  | 15,694 |  |  |
| Occupancy expense |  | 8,984 |  |  | 9,859 |  |  | 17,815 |  |  |  | 19,143 |  |  |
| General and administrative |  | 6,580 |  |  | 9,633 |  |  | 15,504 |  |  |  | 18,874 |  |  |
| Insurance and claims |  | 4,858 |  |  | 4,951 |  |  | 9,730 |  |  |  | 11,303 |  |  |
| Depreciation and amortization |  | 18,530 |  |  | 17,415 |  |  | 38,048 |  |  |  | 34,333 |  |  |
| Total operating expenses |  | 247,141 |  |  | 352,459 |  |  | 605,395 |  |  |  | 703,352 |  |  |
| Income from operations |  | 10,839 |  |  | 30,716 |  |  | 34,747 |  |  |  | 57,229 |  |  |
| Interest expense, net |  | (3,438) | |  | (4,098) | |  | (7,647) | |  |  | (8,467) | |  |
| Other non-operating income |  | 811 |  |  | 96 |  |  | (2,794) | |  |  | 1,049 |  |  |
| Income before income taxes |  | 8,212 |  |  | 26,714 |  |  | 24,306 |  |  |  | 49,811 |  |  |
| Income tax expense |  | 2,044 |  |  | 6,742 |  |  | 5,975 |  |  |  | 12,542 |  |  |
| Net income | $ | 6,168 |  | $ | 19,972 |  | $ | 18,331 |  |  | $ | 37,269 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Earnings per common share: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Basic | $ | 0.23 |  | $ | 0.70 |  | $ | 0.68 |  | $ | | 1.31 |  |  |
| Diluted | $ | 0.23 |  | $ | 0.70 |  | $ | 0.68 |  | $ | | 1.31 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Weighted average number of common shares outstanding: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Basic |  | 26,919 |  |  | 28,383 |  |  | 27,074 |  |  |  | 28,382 |  |  |
| Diluted |  | 26,919 |  |  | 28,385 |  |  | 27,074 |  |  |  | 28,383 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Dividends declared per common share: | $ | - |  | $ | 0.105 |  | $ | 0.105 |  | $ | | 0.210 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |



**UNIVERSAL LOGISTICS HOLDINGS, INC.**

Unaudited Condensed Consolidated Balance Sheets

(In thousands)

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **July 4,** | |  |  | **December 31,** | |  |
|  |  |  | **2020** |  |  |  | **2019** |  |  |
| Assets |  |  |  |  |  |  |  |  |  |
| Cash and cash equivalents | $ | | 7,977 |  | $ | | 7,726 |  |  |
| Marketable securities |  |  | 7,195 |  |  |  | 9,369 |  |  |
| Accounts receivable - net |  |  | 180,942 |  |  |  | 210,534 |  |  |
| Other current assets |  |  | 45,778 |  |  |  | 44,214 |  |  |
| Total current assets |  |  | 241,892 |  |  |  | 271,843 |  |  |
| Property and equipment - net |  |  | 350,346 |  |  |  | 339,823 |  |  |
| Other long-term assets - net |  |  | 371,187 |  |  |  | 376,331 |  |  |
| Total assets |  | $ | 963,425 |  |  | $ | 987,997 |  |  |
|  |  |  |  |  |  |  |  |  |  |
| Liabilities and shareholders' equity |  |  |  |  |  |  |  |  |  |
| Current liabilities, excluding current maturities of debt | $ | | 209,462 |  | $ | | 192,099 |  |  |
| Debt - net |  |  | 403,721 |  |  |  | 457,612 |  |  |
| Other long-term liabilities |  |  | 133,692 |  |  |  | 133,069 |  |  |
| Total liabilities |  |  | 746,875 |  |  |  | 782,780 |  |  |
| Total shareholders' equity |  |  | 216,550 |  |  |  | 205,217 |  |  |
| Total liabilities and shareholders' equity |  | $ | 963,425 |  |  | $ | 987,997 |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |



**UNIVERSAL LOGISTICS HOLDINGS, INC.**

Unaudited Summary of Operating Data

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Thirteen Weeks Ended** | | | |  |  | **Twenty-six Weeks Ended** | | | |  |
|  |  | **July 4,** | |  | **June 29,** | |  | **July 4,** |  |  | **June 29,** | |
|  |  | **2020** |  |  | **2019** |  |  | **2020** |  |  | **2019** |  |
| **Truckload Services:** |  |  |  |  |  |  |  |  |  |  |  |  |
| Number of loads |  | 36,445 |  |  | 61,423 |  |  | 93,132 |  |  | 122,515 |  |
| Average operating revenue per load, excluding fuel surcharges | $ | 1,001 |  | $ | 937 |  | $ | 937 | $ | | 938 |  |
| Average operating revenue per mile, excluding fuel surcharges | $ | 3.61 |  | $ | 3.18 |  | $ | 3.24 | $ | | 3.27 |  |
| Average length of haul |  | 277 |  |  | 295 |  |  | 289 |  |  | 287 |  |
| Average number of tractors |  | 1,320 |  |  | 1,525 |  |  | 1,373 |  |  | 1,576 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Brokerage Services:** |  |  |  |  |  |  |  |  |  |  |  |  |
| Number of loads (a) |  | 47,797 |  |  | 57,710 |  |  | 108,849 |  |  | 111,319 |  |
| Average operating revenue per load (a) | $ | 1,236 |  | $ | 1,484 |  | $ | 1,315 | $ | | 1,501 |  |
| Average length of haul (a) |  | 599 |  |  | 642 |  |  | 607 |  |  | 641 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Intermodal Services:** |  |  |  |  |  |  |  |  |  |  |  |  |
| Number of loads |  | 156,779 |  |  | 164,761 |  |  | 354,562 |  |  | 329,938 |  |
| Average operating revenue per load, excluding fuel surcharges | $ | 485 |  | $ | 500 |  | $ | 491 | $ | | 497 |  |
| Average number of tractors |  | 2,236 |  |  | 1,889 |  |  | 2,383 |  |  | 1,773 |  |
| Number of depots |  | 14 |  |  | 14 |  |  | 14 |  |  | 14 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Dedicated Services:** |  |  |  |  |  |  |  |  |  |  |  |  |
| Number of loads (b) |  | 57,703 |  |  | 151,755 |  |  | 197,218 |  |  | 295,003 |  |

1. Excludes operating data from freight forwarding division in order to improve the relevance of the statistical data related to our brokerage services and improve the comparability to our peer companies.
2. Includes shuttle moves.



**UNIVERSAL LOGISTICS HOLDINGS, INC.**

Unaudited Summary of Operating Data - Continued

(Dollars in thousands)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Thirteen Weeks Ended** | | | |  |  | **Twenty-six Weeks Ended** | | | | | |  |
|  |  | **July 4,** | |  | **June 29,** |  |  | **July 4,** | |  |  | **June 29,** |  |  |
|  |  | **2020** |  |  | **2019** |  |  | **2020** |  |  |  | **2019** |  |  |
| **Value-added Services** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Average number of direct employees |  | 3,238 |  |  | 3,768 |  |  | 3,445 |  |  |  | 3,734 |  |  |
| Average number of full-time equivalents |  | 787 |  |  | 1,564 |  |  | 1,109 |  |  |  | 1,667 |  |  |
| Number of active programs |  | 55 |  |  | 49 |  |  | 55 |  |  |  | 49 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Operating Revenues by Segment:** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Transportation | $ | 185,831 |  | $ | 251,777 | $ | | 440,504 |  | $ | | 498,482 |  |  |
| Logistics |  | 71,794 |  |  | 131,160 |  |  | 198,836 |  |  |  | 261,559 |  |  |
| Other |  | 355 |  |  | 238 |  |  | 802 |  |  |  | 540 |  |  |
| Total | $ | 257,980 |  | $ | 383,175 |  | $ | 640,142 |  |  | $ | 760,581 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Income from Operations by Segment:** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Transportation | $ | 10,035 |  | $ | 13,294 | $ | | 22,138 |  | $ | | 25,826 |  |  |
| Logistics |  | 750 |  |  | 17,339 |  |  | 12,440 |  |  |  | 31,159 |  |  |
| Other |  | 54 |  |  | 83 |  |  | 169 |  |  |  | 244 |  |  |
| Total | $ | 10,839 |  | $ | 30,716 |  | $ | 34,747 |  |  | $ | 57,229 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |



**Non-GAAP Financial Measures**

In addition to providing consolidated financial statements based on generally accepted accounting principles in the United States of America (GAAP), we are providing additional financial measures that are not required by or prepared in accordance with GAAP (non-GAAP). We present EBITDA and EBITDA margin, each a non-GAAP measure, as supplemental measures of our performance. We define EBITDA as net income plus (i) interest expense, net, (ii) income taxes, (iii) depreciation, and (iv) amortization. We define EBITDA margin as EBITDA as a percentage of total operating revenues. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis.

In accordance with the requirements of Regulation G issued by the Securities and Exchange Commission, we are presenting the most directly comparable GAAP financial measure and reconciling the non-GAAP financial measure to the comparable GAAP measure. Set forth below is a reconciliation of net income, the most comparable GAAP measure, to EBITDA for each of the periods indicated:

**Thirteen Weeks Ended** **Twenty-six Weeks Ended**

|  |  |
| --- | --- |
| **July 4,** | **June 29,** |
| **2020** | **2019** |



( in thousands)

|  |  |
| --- | --- |
| **July 4,** | **June 29,** |
| **2020** | **2019** |



( in thousands)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **EBITDA** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net income | $ | | 6,168 |  | $ | 19,972 |  | $ | | 18,331 |  | $ | 37,269 |  |
| Income tax expense |  |  | 2,044 |  |  | 6,742 |  |  |  | 5,975 |  |  | 12,542 |  |
| Interest expense, net |  |  | 3,438 |  |  | 4,098 |  |  |  | 7,647 |  |  | 8,467 |  |
| Depreciation |  |  | 14,485 |  |  | 13,242 |  |  |  | 29,927 |  |  | 26,176 |  |
| Amortization |  |  | 4,045 |  |  | 4,173 |  |  |  | 8,121 |  |  | 8,157 |  |
| EBITDA |  | $ | 30,180 |  | $ | 48,227 |  |  | $ | 70,001 |  | $ | 92,611 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| EBITDA margin (a) |  |  | 11.7% | |  | 12.6% | |  |  | 10.9% | |  | 12.2% | |

1. EBITDA margin is computed by dividing EBITDA by total operating revenues for each of the periods indicated.

We present EBITDA and EBITDA margin because we believe they assist investors and analysts in comparing our performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance.

EBITDA has limitations as an analytical tool. Some of these limitations are:

* EBITDA does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
* EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
* EBITDA does not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on our debts;
* Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements; and
* Other companies in our industry may calculate EBITDA differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, EBITDA and EBITDA margin should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP. We compensate for these limitations by relying primarily on our GAAP results and only supplementally on EBITDA and EBITDA margin.