**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**



**FORM 10-Q**



**(Mark One)**

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

**For the quarterly period ended September 28, 2019**

**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: 0-51142**



**UNIVERSAL LOGISTICS HOLDINGS, INC.**

**(Exact Name of Registrant as Specified in Its Charter)**



|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Michigan** |  |  | **38-3640097** |  |
| **(State or other jurisdiction of** |  | **(I.R.S. Employer** |  |
| **incorporation or organization)** |  | **Identification No.)** |  |
|  |  | **12755 E. Nine Mile Road** |  |
|  |  | **Warren, Michigan 48089** |  |
|  | **(Address, including Zip Code of Principal Executive Offices)** |  |
|  |  |  | **(586) 920-0100** |  |  |  |
|  | **(Registrant’s telephone number, including area code)** |  |
|  |  |  | **N/A** |  |
|  | **(Former name, former address and former fiscal year, if changed since last report)** |  |
|  |  |  |  |  |  |
| 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 (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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

|  |  |  |  |
| --- | --- | --- | --- |
| Large accelerated filer | ☐ | Accelerated filer | ☒ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☒ |
|  |  | 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. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒ The number of shares of the registrant’s common stock, no par value, outstanding as of November 4, 2019, was 27,282,230.



**PART I – FINANCIAL INFORMATION**

**ITEM 1: FINANCIAL STATEMENTS**

**UNIVERSAL LOGISTICS HOLDINGS, INC.**

Unaudited Consolidated Balance Sheets

(In thousands, except share data)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **September 28,** |  | **December 31,** |
|  |  | **2019** |  |  | **2018** |  |
| **Assets** |  |  |  |  |  |  |
| Current assets: |  |  |  |  |  |  |
| Cash and cash equivalents | $ | 6,485 |  | $ | 5,727 |  |
| Marketable securities |  | 9,139 |  |  | 9,333 |  |
| Accounts receivable – net of allowance for doubtful accounts of $1,988 |  |  |  |  |  |  |
| and $1,772, respectively |  | 212,010 |  |  | 215,991 |  |
| Other receivables |  | 16,814 |  |  | 19,130 |  |
| Prepaid expenses and other |  | 18,991 |  |  | 19,830 |  |
| Due from affiliates |  | 3,353 |  |  | 5,247 |  |
| Total current assets |  | 266,792 |  |  | 275,258 |  |
| Property and equipment – net of accumulated depreciation of $258,769 and |  |  |  |  |  |  |
| $231,319, respectively |  | 317,623 |  |  | 303,234 |  |
| Operating lease right-of-use asset |  | 79,628 |  |  | - |  |
| Goodwill |  | 158,416 |  |  | 145,152 |  |
| Intangible assets – net of accumulated amortization of $75,055 and $62,624, respectively |  | 106,989 |  |  | 113,775 |  |
| Deferred income taxes |  | 2,361 |  |  | 2,549 |  |
| Other assets |  | 2,920 |  |  | 3,179 |  |
| Total assets | $ | 934,729 |  | $ | 843,147 |  |
| **Liabilities and Shareholders’ Equity** |  |  |  |  |  |  |
| Current liabilities: |  |  |  |  |  |  |
| Accounts payable | $ | 101,483 |  | $ | 92,019 |  |
| Current portion of long-term debt |  | 59,894 |  |  | 51,903 |  |
| Insurance and claims |  | 55,931 |  |  | 31,679 |  |
| Accrued expenses and other current liabilities |  | 27,242 |  |  | 25,126 |  |
| Current portion of operating lease liabilities |  | 24,860 |  |  | - |  |
| Due to affiliates |  | 20,371 |  |  | 17,764 |  |
| Income taxes payable |  | 2,470 |  |  | 2,678 |  |
| Total current liabilities |  | 292,251 |  |  | 221,169 |  |
| Long-term liabilities: |  |  |  |  |  |  |
| Long-term debt, net of current portion |  | 326,662 |  |  | 348,549 |  |
| Operating lease liabilities, net of current portion |  | 56,440 |  |  | - |  |
| Deferred income taxes |  | 56,243 |  |  | 59,228 |  |
| Other long-term liabilities |  | 5,218 |  |  | 4,902 |  |
| Total long-term liabilities |  | 444,563 |  |  | 412,679 |  |
| Shareholders' equity: |  |  |  |  |  |  |
| Common stock, no par value. Authorized 100,000,000 shares; 30,970,452 and |  |  |  |  |  |  |
| 30,965,452 shares issued; 27,282,230 and 28,378,827 shares outstanding, |  |  |  |  |  |  |
| respectively |  | 30,972 |  |  | 30,967 |  |
| Paid-in capital |  | 4,298 |  |  | 4,230 |  |
| Treasury stock, at cost; 3,688,222 and 2,586,625 shares, respectively |  | (77,248) |  | (52,462) |
| Retained earnings |  | 245,332 |  |  | 231,525 |  |
| Accumulated other comprehensive income (loss): |  |  |  |  |  |  |
| Interest rate swaps, net of income taxes of $(60) and $94, respectively |  | (187) |  | 298 |  |
| Foreign currency translation adjustments |  | (5,252) |  | (5,259) |
| Total shareholders’ equity |  | 197,915 |  |  | 209,299 |  |
| Total liabilities and shareholders’ equity | $ | 934,729 |  | $ | 843,147 |  |
|  |  |  |  |  |  |  |

**See accompanying notes to consolidated financial statements.**

2



**UNIVERSAL LOGISTICS HOLDINGS, INC.**

Unaudited Consolidated Statements of Income

(In thousands, except per share data)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Thirteen Weeks Ended** |  |  | **Thirty-nine Weeks Ended** |
|  |  |  | **September 28,** |  |  | **September 29,** |  |  |  | **September 28,** |  | **September 29,** |  |
|  |  |  | **2019** |  |  |  | **2018** |  |  |  | **2019** |  |  | **2018** |  |
| Operating revenues: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Truckload services | $ | 62,615 |  | $ | 80,204 |  | $ | 193,133 |  | $ | 240,053 |  |
| Brokerage services |  |  | 94,442 |  |  |  | 98,801 |  |  |  | 269,680 |  |  | 269,446 |  |
| Intermodal services |  |  | 93,022 |  |  |  | 65,710 |  |  |  | 278,043 |  |  | 167,190 |  |
| Dedicated services |  |  | 32,730 |  |  |  | 36,195 |  |  |  | 105,618 |  |  | 106,915 |  |
| Value-added services |  |  | 92,676 |  |  |  | 93,382 |  |  |  | 289,593 |  |  | 291,726 |  |
| Total operating revenues |  |  | 375,485 |  |  |  | 374,292 |  |  |  | 1,136,067 |  |  | 1,075,330 |  |
| Operating expenses: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Purchased transportation and equipment rent |  |  | 183,902 |  |  |  | 186,239 |  |  |  | 539,584 |  |  | 526,502 |  |
| Direct personnel and related benefits |  |  | 91,946 |  |  |  | 87,189 |  |  |  | 278,763 |  |  | 260,548 |  |
| Operating supplies and expenses |  |  | 30,465 |  |  |  | 32,119 |  |  |  | 91,972 |  |  | 90,547 |  |
| Commission expense |  |  | 7,991 |  |  |  | 9,653 |  |  |  | 23,685 |  |  | 28,298 |  |
| Occupancy expense |  |  | 8,380 |  |  |  | 7,410 |  |  |  | 27,523 |  |  | 22,574 |  |
| General and administrative |  |  | 11,435 |  |  |  | 7,750 |  |  |  | 30,309 |  |  | 23,354 |  |
| Insurance and claims |  |  | 29,912 |  |  |  | 7,419 |  |  |  | 41,215 |  |  | 18,173 |  |
| Depreciation and amortization |  |  | 18,807 |  |  |  | 13,983 |  |  |  | 53,140 |  |  | 39,448 |  |
| Total operating expenses |  |  | 382,838 |  |  |  | 351,762 |  |  |  | 1,086,191 |  |  | 1,009,444 |  |
| (Loss) income from operations |  |  | (7,353) |  |  |  | 22,530 |  |  |  | 49,876 |  |  | 65,886 |  |
| Interest income |  |  | 14 |  |  |  | 21 |  |  |  | 57 |  |  | 56 |  |
| Interest expense |  |  | (4,091) |  |  | (4,324) |  |  | (12,602) |  | (9,866) |
| Other non-operating income |  |  | 163 |  |  |  | 1,746 |  |  |  | 1,212 |  |  | 1,688 |  |
| (Loss) income before income taxes |  |  | (11,267) |  |  |  | 19,973 |  |  |  | 38,543 |  |  | 57,764 |  |
| Provision for income taxes |  |  | (2,847) |  |  | 4,918 |  |  |  | 9,694 |  |  | 14,606 |  |
| Net (loss) income |  | $ | (8,420) |  |  | $ | 15,055 |  |  | $ | 28,849 |  | $ | 43,158 |  |
| Earnings per common share: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Basic | $ | (0.30) | $ | 0.53 |  | $ | 1.02 |  | $ | 1.52 |  |
| Diluted | $ | (0.30) | $ | 0.53 |  | $ | 1.02 |  | $ | 1.52 |  |
| Weighted average number of common shares outstanding: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Basic |  |  | 28,263 |  |  |  | 28,382 |  |  |  | 28,342 |  |  | 28,388 |  |
| Diluted |  |  | 28,264 |  |  |  | 28,392 |  |  |  | 28,343 |  |  | 28,396 |  |
| Dividends declared per common share | $ | 0.105 |  | $ | 0.105 |  | $ | 0.315 |  | $ | 0.315 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

**See accompanying notes to consolidated financial statements.**

3



**UNIVERSAL LOGISTICS HOLDINGS, INC.**

Unaudited Consolidated Statements of Comprehensive Income

(In thousands)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **Thirteen Weeks Ended** |  | **Thirty-nine Weeks Ended** |
|  |  | **September 28,** |  | **September 29,** |  |  | **September 28,** |  |  | **September 29,** |  |
|  |  | **2019** |  |  | **2018** |  |  | **2019** |  |  |  | **2018** |  |
| Net Income | $ | (8,420) |  | $ | 15,055 |  | $ | 28,849 |  |  | $ | 43,158 |  |
| Other comprehensive income: |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Unrealized changes in fair value of interest rate swaps, |  |  |  |  |  |  |  |  |  |  |  |  |  |
| net of income taxes of $(34), $17, $(155) and $107, respectively |  | (107) |  | 112 |  |  | (485) |  |  | 343 |  |
| Foreign currency translation adjustments |  | (185) |  | 589 |  |  | 7 |  |  |  | 764 |  |
| Total other comprehensive income |  | (292) |  |  | 701 |  |  | (478) |  |  |  | 1,107 |  |
| Total comprehensive income | $ | (8,712) |  | $ | 15,756 |  | $ | 28,371 |  |  | $ | 44,265 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |

**See accompanying notes to consolidated financial statements.**

4



**UNIVERSAL LOGISTICS HOLDINGS, INC.**

Unaudited Consolidated Statements of Cash Flows

(In thousands)

|  |  |  |
| --- | --- | --- |
|  |  | **Thirty-nine Weeks Ended** |
|  |  | **September 28,** |  |  | **September 29,** |  |
|  |  | **2019** |  |  |  | **2018** |  |
| Cash flows from operating activities: |  |  |  |  |  |  |  |
| Net income | $ | 28,849 |  | $ | 43,158 |  |
| Adjustments to reconcile net income to net cash provided by operating activities: |  |  |  |  |  |  |  |
| Depreciation and amortization |  | 53,140 |  |  |  | 39,448 |  |
| Noncash lease expense |  | 22,361 |  |  |  | — |
| Gain on marketable equity securities |  | (960) |  |  | (291) |
| Loss (gain) on disposal of property and equipment |  | 6 |  |  |  | (137) |
| Gain on life insurance policies |  | — |  |  | (1,025) |
| Amortization of debt issuance costs |  | 439 |  |  |  | 998 |  |
| Stock-based compensation |  | 73 |  |  |  | 246 |  |
| Provision for doubtful accounts |  | 2,157 |  |  |  | 561 |  |
| Deferred income taxes |  | (1,877) |  |  | 3,741 |  |
| Change in assets and liabilities: |  |  |  |  |  |  |  |
| Trade and other accounts receivable |  | 7,246 |  |  |  | (33,239) |
| Prepaid expenses and other assets |  | 1,236 |  |  |  | (3,694) |
| Accounts payable, accrued expenses and other current liabilities, insurance |  |  |  |  |  |  |  |
| and claims, and income taxes payable |  | 36,230 |  |  |  | 20,421 |  |
| Principal reduction in operating lease liabilities |  | (21,103) |  |  | — |
| Due to/from affiliates, net |  | 4,503 |  |  |  | 2,674 |  |
| Other long-term liabilities |  | (324) |  |  | 1,040 |  |
| Net cash provided by operating activities |  | 131,976 |  |  |  | 73,901 |  |
| Cash flows from investing activities: |  |  |  |  |  |  |  |
| Capital expenditures |  | (60,752) |  |  | (54,207) |
| Proceeds from the sale of property and equipment |  | 5,002 |  |  |  | 2,132 |  |
| Purchases of marketable securities |  | (92) |  |  | (613) |
| Proceeds from sale of marketable securities |  | 1,246 |  |  |  | 5,615 |  |
| Proceeds from life insurance policies |  | — |  |  | 2,583 |  |
| Acquisition of business |  | (22,457) |  |  | (100,787) |
| Net cash used in investing activities |  | (77,053) |  |  |  | (145,277) |  |
| Cash flows from financing activities: |  |  |  |  |  |  |  |
| Proceeds from borrowing - revolving debt |  | 214,393 |  |  |  | 304,885 |  |
| Repayments of debt - revolving debt |  | (229,392) |  |  | (276,000) |
| Proceeds from borrowing - term debt |  | 45,433 |  |  |  | 84,133 |  |
| Repayments of debt - term debt |  | (44,228) |  |  | (37,123) |
| Borrowings under margin account |  | — |  |  | 12,400 |  |
| Repayments under margin account |  | (541) |  |  | (7,149) |
| Payment of capital lease obligations |  | — |  |  | (69) |
| Capitalized financing costs |  | — |  |  | (862) |
| Purchases of treasury stock |  | (24,786) |  |  | (832) |
| Dividends paid |  | (15,042) |  |  | (7,950) |
| Net cash (used in) provided by financing activities |  | (54,163) |  |  |  | 71,433 |  |
| Effect of exchange rate changes on cash and cash equivalents |  | (2) |  |  | 816 |  |
| Net increase in cash |  | 758 |  |  |  | 873 |  |
| Cash and cash equivalents – beginning of period |  | 5,727 |  |  |  | 1,672 |  |
| Cash and cash equivalents – end of period | $ | 6,485 |  |  | $ | 2,545 |  |
|  |  |  |  |  |  |  |  |

**See accompanying notes to consolidated financial statements.**

5



**UNIVERSAL LOGISTICS HOLDINGS, INC.**

Unaudited Consolidated Statements of Cash Flows - Continued

(In thousands)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  | **Thirty-nine Weeks Ended** |  |
|  |  |  | **September 28,** |  |  | **September 29,** |  |  |
|  |  |  | **2019** |  |  |  | **2018** |  |  |
| **Supplemental cash flow information:** |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| Cash paid for interest | $ | 11,282 |  | $ | 8,398 |  |  |
| Cash paid for income taxes |  |  |  |  |  |  |  |  |  |
|  | $ | 11,892 |  |  | $ | 3,717 |  |  |
| **Acquisition of business:** |  |  |  |  |  |  |  |  |  |
| Fair value of assets acquired | $ | 23,981 |  | $ | 115,736 |  |  |
| Liabilities assumed |  |  | (2,779) |  |  | (14,949) |  |
| Payment of acquisition obligations |  |  | 1,255 |  |  |  | — |  |
| Net cash paid for acquisition of business |  | $ | 22,457 |  |  | $ | 100,787 |  |  |
|  |  |  |  |  |  |  |  |  |  |

**See accompanying notes to consolidated financial statements.**

6



**UNIVERSAL LOGISTICS HOLDINGS, INC.**

Unaudited Consolidated Statements of Shareholders’ Equity

(In thousands, except per share data)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | **Accumulated** |  |  |  |  |
|  |  |  | **Common** |  |  | **Paid-in** |  |  | **Treasury** |  |  | **Retained** |  | **other** |  |  |  |  |
|  |  |  |  |  |  |  |  |  | **comprehensive** |  | **Total** |  |
|  |  |  | **stock** |  |  | **capital** |  |  | **stock** |  |  | **earnings** | **income (loss)** |  |  |
|  | Balances – December 31, 2017 | $ | 30,943 |  | $ | 3,841 |  | $ | (51,532) |  |  | $ | 186,226 |  | $ | (713) |  | $ | 168,765 |  |  |
|  | Net income |  | — |  |  | — |  |  | — |  |  | 10,434 |  |  | — |  | 10,434 |  |  |
|  | Comprehensive income |  | — |  |  | — |  |  | — |  |  | — |  | 1,721 |  |  | 1,721 |  |  |
|  | Cumulative effect adjustment - ASU 2014-09 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | revenue recognition |  | — |  |  | — |  |  | — |  |  | 228 |  |  | — |  | 228 |  |  |
|  | Cumulative effect adjustment - ASU 2016-01 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | financial instruments |  | — |  |  | — |  |  | — |  |  | 3,823 |  |  | (3,823) |  | — |  |
|  | Dividends paid ($0.070 per share) |  | — |  |  | — |  |  | — |  |  | (1,988) |  | — |  | (1,988) |  |
|  | Stock based compensation |  | 12 |  |  | 233 |  |  | — |  |  | — |  | — |  | 245 |  |  |
| Balances - March 31, 2018 |  | 30,955 |  |  | 4,074 |  |  | (51,532) |  |  |  | 198,723 |  |  | (2,815) |  |  | 179,405 |  |  |
|  | Net income |  | — |  |  | — |  |  | — |  |  | 17,669 |  |  | — |  | 17,669 |  |  |
|  | Comprehensive income |  | — |  |  | — |  |  | — |  |  | — |  | (1,315) |  | (1,315) |  |
|  | Dividends paid ($0.105 per share) |  | — |  |  | — |  |  | — |  |  | (2,981) |  | — |  | (2,981) |  |
| Balances – June 30, 2018 |  | 30,955 |  |  | 4,074 |  |  | (51,532) |  |  |  | 213,411 |  |  | (4,130) |  |  | 192,778 |  |  |
|  | Net income |  | — |  |  | — |  |  | — |  |  | 15,055 |  |  | — |  | 15,055 |  |  |
|  | Comprehensive income |  | — |  |  | — |  |  | — |  |  | — |  | 701 |  |  | 701 |  |  |
|  | Purchases of treasury stock |  | — |  |  | — |  |  | (832) |  |  | — |  | — |  | (832) |  |
|  | Dividends paid ($0.105 per share) |  | — |  |  | — |  |  | — |  |  | (2,981) |  | — |  | (2,981) |  |
|  | Balances - September 29, 2018 | $ | 30,955 |  | $ | 4,074 |  | $ | (52,364 | ) |  | $ | 225,485 |  | $ | (3,429) |  | $ | 204,721 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Balances – December 31, 2018 | $ | 30,967 | $ | 4,230 | $ | (52,462) | $ | 231,525 |  | $ | (4,961) | $ | 209,299 |  |  |
|  | Net income |  | — |  |  | — |  |  | — |  |  | 17,297 |  |  | — |  | 17,297 |  |  |
|  | Comprehensive income |  | — |  |  | — |  |  | — |  |  | — |  | 86 |  |  | 86 |  |  |
|  | Dividends paid ($0.215 per share) |  | — |  |  | — |  |  | — |  |  | (6,101) |  | — |  | (6,101) |  |
|  | Stock based compensation |  | 5 |  |  | 68 |  |  | — |  |  | — |  | — |  | 73 |  |  |
| Balances - March 30, 2019 |  | 30,972 |  |  | 4,298 |  |  | (52,462) |  |  |  | 242,721 |  |  | (4,875) |  |  | 220,654 |  |  |
|  | Net income |  | — |  |  | — |  |  | — |  |  | 19,972 |  |  | — |  | 19,972 |  |  |
|  | Comprehensive income |  | — |  |  | — |  |  | — |  |  | — |  | (272) |  | (272) |  |
|  | Dividends paid ($0.105 per share) |  | — |  |  | — |  |  | — |  |  | (2,981) |  | — |  | (2,981) |  |
| Balances – June 29, 2019 |  | 30,972 |  |  | 4,298 |  |  | (52,462) |  |  |  | 259,712 |  |  | (5,147) |  |  | 237,373 |  |  |
|  | Net income |  | — |  |  | — |  |  | — |  |  | (8,420) |  | — |  | (8,420) |  |
|  | Comprehensive income |  | — |  |  | — |  |  | — |  |  | — |  | (292) |  | (292) |  |
|  | Dividends paid ($0.105 per share) |  | — |  |  | — |  |  | — |  |  | (2,980) |  | — |  | (2,980) |  |
|  | Dividends payable ($0.105 per share) |  | — |  |  | — |  |  | — |  |  | (2,980) |  | — |  | (2,980) |  |
|  | Purchases of treasury stock |  | — |  |  | — |  |  | (24,786) |  |  | — |  | — |  | (24,786) |  |
| Balances – September 28, 2019 | $ | 30,972 |  | $ | 4,298 |  | $ | (77,248 | ) |  | $ | 245,332 |  | $ | (5,439) |  | $ | 197,915 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

**See accompanying notes to consolidated financial statements.**

7



**UNIVERSAL LOGISTICS HOLDINGS, INC.**

Notes to Unaudited Consolidated Financial Statements

1. **Basis of Presentation**

The accompanying unaudited consolidated financial statements of Universal Logistics Holdings, Inc. and its wholly-owned subsidiaries (collectively, “Universal” or the “Company”) have been prepared by the Company’s management. In the opinion of management, the unaudited consolidated financial statements include all normal recurring adjustments necessary to present fairly the information required to be set forth therein. All intercompany transactions and balances have been eliminated in consolidation. Certain information and note disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted from these statements pursuant to such rules and regulations and, accordingly, should be read in conjunction with the consolidated financial statements as of December 31, 2018 and 2017 and for each of the years in the three-year period ended December 31, 2018 included in the Company’s Form 10-K filed with the Securities and Exchange Commission. The preparation of the consolidated financial statements requires the use of management’s estimates. Actual results could differ from those estimates.

Our fiscal year ends on December 31 and consists of four quarters, each with thirteen weeks.

The Company made certain immaterial reclassifications to items in its prior financial statements so that their presentation is consistent with the format in the financial statements for the period ended September 28, 2019. These reclassifications, however, had no effect on reported consolidated net income, comprehensive income, earnings per common share, cash flows, total assets or shareholders’ equity as previously reported.

1. **Recent Accounting Pronouncements**

In February 2016, the FASB issued ASU 2016-02, *Leases*. The objective of the new standard is to establish principles for lessees and lessors to report information about the amount, timing, and uncertainty of cash flows arising from a lease. The ASU requires a lessee to recognize the assets and liabilities that arise from leases, including operating leases. Under the new requirements, a lessee will recognize in the statement of financial position a liability to make lease payments (the lease liability) and the right-of-use asset representing the right to the underlying asset for the lease term. For leases with a term of 12 months or less, the lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In July 2018, the FASB issued additional authoritative guidance providing companies with the option to apply this ASU to new and existing leases within the scope of the guidance as of the beginning of the period of adoption. We elected this transition method of applying the new lease standard on January 1, 2019. In doing so, we also elected the package of practical expedients provided under the guidance; however, we did not elect the hindsight practical expedient when determining the lease term for existing leases. The practical expedient package applies to leases that commenced prior to adoption of the new standard and permits companies not to reassess whether existing or expired contracts are or contain a lease, the lease classification, and any initial direct costs. Upon adoption of the standard, we recorded offsetting lease assets and lease liabilities, resulting in a $88.8 million increase in total assets, a $26.0 million increase in total current liabilities and a $62.8 million increase in total long-term liabilities in our consolidated balance sheet. The amount of accrued rent as of adoption was not material. Prior period amounts were not adjusted and are reported under the accounting standards in effect for those periods. The adoption of the standard did not have a material impact on our results of operations or cash flows. See Note 9 for additional information pertaining to leases.

In February 2018, the FASB issued ASU 2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, which amends existing guidance for reporting comprehensive income to reflect changes resulting from the Tax Cuts and Jobs Act of 2017. The amendment provides the option to reclassify stranded tax effects within accumulated other comprehensive income (AOCI) to retained earnings in each period in which the effect of the change in the U.S. federal corporate income tax rate in the Act is recorded. The adoption of this standard did not have a material impact on our financial condition, results of operations, or cash flows.

In June 2016, the FASB issued ASU 2016-13, (“ASU 2016-13”), *Accounting for Credit Losses* (Topic 326). ASU 2016-13 requires the use of an “expected loss” model on certain types of financial instruments. The standard also amends the impairment model for available-for-sale debt securities and requires estimated credit losses to be recorded as allowances instead of reductions to amortized cost of the securities. ASU 2016-13 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019, with early adoption permitted. The Company is evaluating the new guidance, but does not expect it to have a material impact on its financial condition, results of operations, or cash flows.

8



**UNIVERSAL LOGISTICS HOLDINGS, INC.**

Notes to Unaudited Consolidated Financial Statements - Continued

1. **Revenue Recognition**

The Company broadly groups its services into the following categories: truckload services, brokerage services, intermodal services, dedicated services and value-added services. We disaggregate these categories and report our service lines separately on the Consolidated Statements of Income.

Truckload services include dry van, flatbed, heavy-haul and refrigerated operations. We transport a wide variety of general commodities, including automotive parts, machinery, building materials, paper, food, consumer goods, furniture, steel and other metals on behalf of customers in various industries.

To complement our available capacity, we provide customers freight brokerage services by utilizing third-party transportation providers to move freight. Brokerage services also include full service domestic and international freight forwarding, and customs brokerage.

Intermodal services include rail-truck, steamship-truck and support services. Our intermodal support services are primarily short-to-medium distance delivery of rail and steamship containers between the railhead or port and the customer and drayage services.

Dedicated services are primarily provided in support of automotive and retail customers using van equipment. Dedicated services also include our final mile and ground expedited services. Our dedicated services are primarily short run or round-trip moves within a defined geographic area.

Transportation services are short-term in nature; agreements governing their provision generally have a term of less than one year. They do not contain significant financing components. The Company recognizes revenue over the period transportation services are provided to the customer, including service performed as of the end of the reporting period for loads currently in-transit, in order to recognize the value that is transferred to a customer over the course of the transportation service.

We determine revenue in-transit using the input method, under which revenue is recognized based on the duration of time that has lapsed from the departure date (start of transportation services) to the arrival date (completion of transportation services). Measurement of revenue in-transit requires the application of significant judgment. We calculate the estimated percentage of an order’s transit time that is complete at period end, and we apply that percentage of completion to the order’s estimated revenue.

Value-added services, which are typically dedicated to individual customer requirements, include material handling, consolidation, sequencing, sub-assembly, cross-dock services, kitting, repacking, warehousing and returnable container management. Value-added revenues are substantially driven by the level of demand for outsourced logistics services. Major factors that affect value-added service revenue includes changes in manufacturing supply chain requirements and production levels in specific industries, particularly the North American automotive and Class-8 heavy-truck industries.

Revenue is recognized as control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration the Company expects to receive in exchange for its services. We have elected to use the “right to invoice” practical expedient to recognize revenue, reflecting that a customer obtains the benefit associated with value-added services as they are provided. The contracts in our value-added services businesses are negotiated agreements, which contain both fixed and variable components. The variability of revenues is driven by volumes and transactions, which are known as of an invoice date. Value-added service contracts typically have terms that extend beyond one year, and they do not include financing components.

The following table provides information related to contract balances associated with our contracts with customers (in thousands):

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | **September 28,** |  |  | **December 31,** |
|  |  | **2019** |  |  | **2018** |  |
| Prepaid expenses and other - contract assets | $ | 2,391 |  | $ | 1,901 |  |

We generally receive payment for performance obligations within 45 days of completion of transportation services and 65 days for completion of value-added services. Contract assets in the table above generally relate to revenue in-transit at the end of the reporting period.

9



**UNIVERSAL LOGISTICS HOLDINGS, INC.**

Notes to Unaudited Consolidated Financial Statements - Continued

1. **Marketable Securities**

The Company accounts for its marketable equity securities in accordance with ASC Topic 321 “*Investments- Equity Securities*.” ASC Topic 321 requires companies to measure equity investments at fair value, with changes in fair value recognized in net income. The Company’s investments in marketable securities consist of equity securities with readily determinable fair values. The cost of securities sold is based on the specific identification method, and interest and dividends on securities are included in non-operating income (expense).

Marketable equity securities are carried at fair value, with gains and losses in fair market value included in the determination of net income. The fair value of marketable equity securities is determined based on quoted market prices in active markets, as described in Note 8.

The following table sets forth market value, cost, and unrealized gains on equity securities (in thousands):

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | **September 28,** |  |  | **December 31,** |
|  |  | **2019** |  |  | **2018** |  |
| Fair value | $ | 9,139 |  | $ | 9,333 |  |
| Cost |  | 8,404 |  |  | 11,143 |  |
| Unrealized gain (loss) | $ | 735 |  | $ | (1,810) |  |
|  |  |  |  |  |  |  |

The following table sets forth the gross unrealized gains and losses on the Company’s marketable securities (in thousands):

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | **September 28,** |  |  | **December 31,** |
|  |  | **2019** |  |  |  | **2018** |  |
| Gross unrealized gains | $ | 933 |  |  | $ | 89 |  |
| Gross unrealized losses |  | (198) |  |  | (1,899) |
| Net unrealized gains (losses) | $ | 735 |  |  | $ | (1,810) |  |
|  |  |  |  |  |  |  |  |

The following table shows the Company’s net realized gains (loss) on marketable equity securities (in thousands):

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Thirteen Weeks Ended** |  |  | **Thirty-nine Weeks Ended** |  |
|  |  |  |  | **September 28,** |  |  | **September 29,** |  |  | **September 28,** |  |  | **September 29,** |  |  |
|  |  |  |  | **2019** |  |  | **2018** |  |  | **2019** |  |  | **2018** |  |  |
|  | Realized gain |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Sale proceeds | $ | 689 | $ | 2,804 | $ | 1,246 | $ | 5,615 |  |  |
|  | Cost of securities sold |  |  | 576 |  |  | 2,439 |  |  | 1,021 |  |  | 5,123 |  |  |
|  | Realized gain |  | $ | 113 |  | $ | 365 |  | $ | 225 |  | $ | 492 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Realized gain, net of taxes | $ | 84 | $ | 275 | $ | 168 | $ | 368 |  |  |

During the thirteen-week and thirty-nine week periods ended September 28, 2019, our marketable equity securities portfolio experienced a net unrealized pre-tax gain in market value of approximately $21,000 and $735,000, respectively, which was reported in other non-operating income (expense) for the period.

During the thirteen-week and thirty-nine week periods ended September 29, 2018, our marketable equity securities portfolio experienced a net unrealized pre-tax gain (loss) in market value of approximately $232,000 and $(201,000), respectively, which was reported in other non-operating income (expense) for the period.

10



**UNIVERSAL LOGISTICS HOLDINGS, INC.**

Notes to Unaudited Consolidated Financial Statements - Continued

1. **Acquisitions**

On April 22, 2019, the Company acquired Michael’s Cartage, Inc. (“Michael’s”). Headquartered in Bridgeview, Illinois, Michael’s provides intermodal drayage services to customers primarily within a 300-mile radius of the Chicagoland area. The total cash purchase price was $22.0 million, subject to post-closing adjustments. The Company used available cash and borrowings on its revolving credit facility to finance the acquisition, and is in the process of finalizing the purchase accounting for this transaction. Approximately $0.4 million of transaction related costs were incurred in the acquisition.

The Company accounted for the acquisition in accordance with ASC 805 “*Business Combinations*.” Assets acquired and liabilities assumed were recorded at their estimated fair value at acquisition, with the remaining unallocated purchase price recorded as goodwill. The goodwill recorded is included in our transportation segment, and is deductible for income tax purposes. The Company is in the process of finalizing post-closing purchase price adjustments and valuations related to certain assets and liabilities. The preliminary allocation of the purchase price is as follows (in thousands):

|  |  |  |  |
| --- | --- | --- | --- |
| Current assets | $ | 3,572 |  |
| Property and equipment |  |  | 2,831 |  |
| Goodwill |  |  | 6,049 |  |
| Intangible assets |  |  | 9,235 |  |
| Current liabilities |  |  | (461) |
| Deferred tax liabilities, net |  |  | (24) |
|  |  | $ | 21,202 |  |
|  |  |  |  |  |

The intangible assets represent the acquired company’s customer relationships and non-competition agreements. The acquired customer relationships are being amortized over a period of 11 years and the non-competition agreements are being amortized over a period of five years. The Company used the discounted cash flow method to estimate the fair value of these acquired intangible assets.

The following unaudited pro forma results of operations present consolidated information of the Company as if Michael’s was acquired on January 1, 2018 (in thousands, except per share data):

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Thirteen Weeks Ended** |  |  | **Thirty-nine Weeks Ended** |  |
|  |  |  |  | **September 28,** |  |  | **September 29,** |  |  | **September 28,** |  |  | **September 29,** |  |  |
|  |  |  |  | **2019** |  |  |  | **2018** |  |  | **2019** |  |  | **2018** |  |  |
|  | Operating revenues |  | $ | 375,485 |  |  | $ | 382,534 |  | $ | 1,145,016 |  | $ | 1,098,813 |  |  |
|  | Income from operations | $ | (7,353) | $ | 23,510 | $ | 50,656 | $ | 68,264 |  |  |
|  | Net income | $ | (8,420) | $ | 15,628 | $ | 29,230 | $ | 44,442 |  |  |
|  | Earnings per common share: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Basic | $ | (0.30) | $ | 0.55 | $ | 1.03 | $ | 1.57 |  |  |
|  | Diluted | $ | (0.30) | $ | 0.55 | $ | 1.03 | $ | 1.57 |  |  |
|  |  |  |  |  |  | 11 |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |



**UNIVERSAL LOGISTICS HOLDINGS, INC.**

Notes to Unaudited Consolidated Financial Statements - Continued

1. **Goodwill**

The changes in the carrying amount of goodwill during the thirty-nine weeks ended September 28, 2019 are as follows:

Balance as of January 1, 2019



Michael's Cartage acquisition

Purchase accounting adjustments



Balance as of September 28, 2019

* 145,152

6,049

7,215



* 158,416



During the thirty-nine weeks ended September 28, 2019, the Company made purchase accounting adjustments to the preliminary purchase price allocations of the Company’s December 7, 2018 acquisition of Deco Logistics, Inc., d/b/a Container Connection, and Oaktree Logistics, Inc., October 12, 2018 acquisition of Specialized Rail Service, Inc. and August 10, 2018 acquisition of Southern Counties Express, Inc. The adjustments resulted in an increase in goodwill of $7.2 million and in deferred tax liabilities of $0.8 million, with offsetting decreases in intangible assets of $3.6 million, $3.4 million in property and equipment and $1.0 million in other current assets.

At September 28, 2019 and December 31, 2018, $102.1 million and $88.9 million of goodwill was recorded in our transportation segment, respectively. At both September 28, 2019 and December 31, 2018, $56.3 million of goodwill was recorded in our logistics segment.

1. **Accrued Expenses and Other Current Liabilities**

Accrued expenses and other current liabilities are comprised of the following (in thousands):

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  | **September 28,** |  | **December 31,** |  |  |
|  |  |  |  |  |  |  |  |  | **2019** |  |  |  |  | **2018** |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Payroll related items |  |  | $ |  | 12,526 |  | $ |  |  |  | 11,476 |  |  |  |  |
|  |  |  | Driver escrow liabilities |  |  |  |  |  | 3,222 |  |  |  |  |  |  | 3,923 |  |  |  |  |
|  |  |  | Commissions, taxes and other |  |  |  |  |  | 11,494 |  |  |  |  |  |  | 9,727 |  |  |  |  |
|  |  |  | Total |  |  | $ |  | 27,242 |  |  | $ |  |  |  | 25,126 |  |  |  |  |
| **(8)** | **Debt** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Debt is comprised of the following (in thousands): |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  | **Interest Rates** |  |  |  | **September 28,** |  |  |  |  |  | **December 31,** |  |  |
|  |  |  |  |  | **at September 28, 2019** |  |  |  | **2019** |  |  |  |  |  |  | **2018** |  |  |  |  |
|  |  | Outstanding Debt: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | Credit and Security Agreement (1) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | Term Loan | 3.52% | $ | 146,250 |  | $ | 150,000 |  |  |  |
|  |  | Revolver | 3.52% |  |  |  | 65,589 |  |  |  | 80,588 |  |  |  |
|  |  | Equipment Financing (2) |  | 3.18% to 5.13% |  |  |  | 138,111 |  |  |  | 126,162 |  |  |  |
|  |  | Real Estate Financing (3) | 4.27% |  |  |  | 38,870 |  |  |  | 45,864 |  |  |  |
|  |  | Margin Facility (4) | 3.13% |  |  |  |  |  |  | — |  |  | 541 |  |  |  |
|  |  | Unamortized debt issuance costs |  |  |  |  |  | (2,264) |  |  | (2,703) |  |  |
|  |  |  |  |  |  |  |  |  | 386,556 |  |  |  | 400,452 |  |  |  |
|  |  | Less current portion of long-term debt |  |  |  |  |  | 59,894 |  |  |  | 51,903 |  |  |  |
|  |  | Total long-term debt, net of current portion |  |  |  |  | $ | 326,662 |  |  | $ | 348,549 |  |  |  |
|  |  |  |  | 12 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |



**UNIVERSAL LOGISTICS HOLDINGS, INC.**

Notes to Unaudited Consolidated Financial Statements - Continued

1. **Debt – continued**
	1. The Credit and Security Agreement (the “Credit Agreement”) provides for maximum borrowings of $350 million in the form of a $150 million term loan and a $200 million revolver. Term loan proceeds were advanced on November 27, 2018 and mature on November 26, 2023. The term loan will be repaid in consecutive quarterly installments, as defined in the Credit Agreement, commencing March 31, 2019, with the remaining balance due at maturity. Borrowings under the revolving credit facility may be made until and mature on November 26, 2023. Borrowings under the Credit Agreement bear interest at LIBOR or a base rate, plus an applicable margin for each based the Company’s leverage ratio. The Credit Agreement is secured by a first priority pledge of the capital stock of applicable subsidiaries, as well as first priority perfected security interest in cash, deposits, accounts receivable, and selected other assets of the applicable borrowers. The Credit Agreement includes customary affirmative and negative covenants and events of default, as well as financial covenants requiring minimum fixed charge coverage and leverage ratios, and customary mandatory prepayments provisions. At September 28, 2019, we were in compliance with all covenants under the facility, and $134.4 million was available for borrowing on the revolver.
	2. The Equipment Financing consists of a series of promissory notes issued by a wholly-owned subsidiary in order to finance transportation equipment. The equipment notes, which are secured by liens on selected titled vehicles, include certain affirmative and negative covenants and are generally payable in 60 monthly installments and bear interest at fixed rates ranging from 3.18% to 5.13%. At September 28, 2019, we were in compliance with all covenants.
	3. The Real Estate Financing consists of a series of promissory notes issued by a wholly-owned subsidiary in order to finance certain real property. The promissory notes, which are secured by first mortgages and assignment of leases on specific parcels of real estate and improvements, include certain affirmative and negative covenants and are generally payable in 120 monthly installments. Each of the notes bears interest at LIBOR plus 2.25%. At September 28, 2019, we were in compliance with all covenants.
	4. The Margin Facility is a short-term line of credit secured by our portfolio of marketable securities. It bears interest at LIBOR plus 1.10%. The amount available under the line of credit is based on a percentage of the market value of the underlying securities. At September 28, 2019, the maximum available borrowings under the line of credit were $5.0 million.

The Company is also party to two interest rate swap agreements that qualify for hedge accounting. The swap agreements were executed to fix a portion of the interest rates on its variable rate debt that have a combined notional amount of $15.7 million at September 28, 2019. Under the swap agreements, the Company receives interest at the one-month LIBOR rate plus 2.25%, and pays a fixed rate. The March 2016 swap (swap A) became effective October 2016, has a rate of 4.16% (amortizing notional amount of $10.0 million) and expires July 2026, and an additional March 2016 swap (swap B) became effective October 2016, has a rate of 3.83% (amortizing notional amount of $5.7 million) and expires May 2022. At September 28, 2019, the fair value of the swap agreements was a liability of $0.2 million. Since these swap agreements qualify for hedge accounting, the changes in fair value are recorded in other comprehensive income (loss), net of tax. See Note 9 for additional information pertaining to interest rate swaps.

1. **Fair Value Measurements and Disclosures**

FASB ASC Topic 820, “*Fair Value Measurements and Disclosures,*” defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date and expanded disclosures with respect to fair value measurements.

FASB ASC Topic 820 also establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

* + Level 1 — Quoted prices in active markets for identical assets or liabilities.
	+ Level 2 — Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
	+ Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

13



**UNIVERSAL LOGISTICS HOLDINGS, INC.**

Notes to Unaudited Consolidated Financial Statements - Continued

1. **Fair Value Measurements and Disclosures – continued**

We have segregated all financial assets and liabilities that are measured at fair value on a recurring basis into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date in the tables below (in thousands):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  | **September 28,** |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  | **2019** |  |  |  |  |  |  |  |
|  |  |  |  | **Level 1** |  |  | **Level 2** |  | **Level 3** |  |  |  |  | **Fair Value** |  |  |
|  |  |  |  |  |  |  |  |  |  |  | **Measurement** |  |
|  | Assets |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Cash equivalents | $ | 50 | $ | — | $ | — | $ | 50 |  |  |
|  | Marketable securities |  |  | 9,139 |  |  | — |  |  | — |  |  |  | 9,139 |  |  |
|  | Total |  | $ | 9,189 |  | $ | — |  | $ | — |  |  | $ | 9,189 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Liabilities |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Interest rate swaps | $ | — | $ | 247 | $ | — | $ | 247 |  |  |
|  | Total |  | $ | — |  | $ | 247 |  | $ | — |  |  | $ | 247 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  | **December 31,** |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  | **2018** |  |  |  |  |  |  |  |
|  |  |  |  | **Level 1** |  |  | **Level 2** |  | **Level 3** |  |  |  |  | **Fair Value** |  |  |
|  |  |  |  |  |  |  |  |  |  |  | **Measurement** |  |
|  | Assets |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Marketable securities | $ | 9,333 | $ | — | $ | — | $ | 9,333 |  |  |
|  | Interest rate swaps |  |  | — |  |  | 392 |  |  | — |  |  |  | 392 |  |  |
|  | Total |  | $ | 9,333 |  | $ | 392 |  | $ | — |  | $ | 9,725 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

The valuation techniques used to measure fair value for the items in the tables above are as follows:

* Cash equivalents – This category consists of money market funds which are listed as Level 1 assets and measured at fair value based on quoted prices for identical instruments in active markets.
* Marketable securities – Marketable securities represent equity securities, which consist of common and preferred stocks, are actively traded on public exchanges and are listed as Level 1 assets. Fair value was measured based on quoted prices for these securities in active markets.
* Interest rate swaps – The fair value of our interest rate swaps is determined using a methodology of netting the discounted future fixed cash payments (or receipts) and the discounted expected variable cash receipts (or payments). The variable cash receipts (or payments) are based on the expectation of future interest rates (forward curves) derived from observed market interest rate curves. The fair value measurement also incorporates credit valuation adjustments to appropriately reflect both the Company’s nonperformance risk and the respective counterparty’s nonperformance risk.

Our revolving credit and term loan agreements and our real estate promissory notes consist of variable rate borrowings. We categorize borrowings under these credit agreements as Level 2 in the fair value hierarchy. The carrying value of these borrowings approximate fair value because the applicable interest rates are adjusted frequently based on short-term market rates.

For our equipment promissory notes, the fair values are estimated using discounted cash flow analyses, based on our current incremental borrowing rates for similar types of borrowing arrangements. We categorize borrowings under this credit agreement as Level 2 in the fair value hierarchy. The carrying value and estimated fair value of these promissory notes at September 28, 2019 is summarized as follows:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Carrying Value** |  |  | **Estimated Fair** |  |  |
|  |  |  |  |  | **Value** |  |  |
|  | Equipment promissory notes | $ | 138,111 |  | $ | 139,035 |  |  |  |
| We have not elected the fair value option for any of our financial instruments. |  |  |  |  |  |  |  |  |
| 14 |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |



**UNIVERSAL LOGISTICS HOLDINGS, INC.**

Notes to Unaudited Consolidated Financial Statements - Continued

1. **Leases**

On January 1, 2019, we adopted ASU 2016-02, *Leases*, which required us to recognize a right-of-use asset and a corresponding lease liability on our balance sheet for most leases classified as operating leases under previous guidance. Right-of-use assets represent our right to use an underlying asset over the lease term and lease liabilities represent the obligation to make lease payments resulting from the lease agreement. We recognize a right-of-use asset and a lease liability on the effective date of a lease agreement.

We initially record these assets and liabilities based on the present value of lease payments over the lease term using our incremental borrowing rate applicable to the leased asset or the implicit rate in the lease if it is readily determinable. Most of our leases did not provide a readily determinable implicit rate, and therefore we estimated our incremental borrowing rate based on information available at lease commencement. The incremental borrowing rate is defined as the rate of interest that we would have to pay to borrow, on a collateralized basis and over a similar term, an amount equal to the lease payments in a similar economic environment. We elected to utilize a portfolio approach and applied the rates to a portfolio of leases with similar underlying assets and terms. Upon adoption of the new lease standard, discount rates used for existing leases were established at January 1, 2019. ASU 2016-02 was adopted as of the effective date, and as such prior period amounts are reported under the accounting standards in effect for those periods.

As of September 28, 2019, our obligations under operating lease arrangements primarily related to the rental of office space, warehouses, freight distribution centers, terminal yards and equipment. Our lease obligations typically do not include options to purchase the leased property, nor do they contain residual value guarantees or material restrictive covenants. Options to extend or terminate an agreement are included in the lease term when it becomes reasonably certain the option will be exercised. As of September 28, 2019, we were not reasonably certain of exercising any renewal or termination options, and as such, no adjustments were made to the right-of-use lease assets or corresponding liabilities.

We did not separate lease and nonlease components of contracts for purposes of determining the right-of use lease asset and corresponding liability. Variable lease components that do not depend on an index or a rate, and variable nonlease components were also not contemplated in the calculation of the right-of-use asset and corresponding liability. For facility leases, variable lease costs include the costs of common area maintenance, taxes, and insurance for which we pay the lessors an estimate that is adjusted to actual expense on a quarterly or annual basis depending on the underlying contract terms. For equipment leases, variable lease costs may include additional fees associated with using equipment in excess of estimated amounts. Leases with an initial term of 12 months or less, short-term leases, are not recorded on the balance sheet. Lease expense for short-term and long-term operating leases is recognized on a straight-line basis over the lease term.

The following table summarizes our lease costs for the thirteen weeks and thirty-nine weeks ended September 28, 2019 and related information (in thousands):

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Thirteen Weeks Ended September 28, 2019** |  |  |  |
|  |  |  |  | **With Affiliates** |  |  | **With Third Parties** |  |  | **Total** |  |  |
| **Lease cost** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Operating lease cost | $ | 2,495 | $ | 6,121 |  | $ | 8,616 |  |  |  |
|  | Short-term lease cost |  |  | 76 |  |  |  | 561 |  |  |  | 637 |  |  |  |
|  | Variable lease cost |  |  | 309 |  |  |  | 384 |  |  |  | 693 |  |  |  |
|  | Sublease income |  |  | - |  |  |  | (701) |  |  | (701) |  |  |
|  | Total lease cost |  | $ | 2,880 |  | $ | 6,365 |  |  | $ | 9,245 |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  | **Thirty-nine Weeks Ended September 28, 2019** |  |  |  |
|  |  |  |  | **With Affiliates** |  |  | **With Third Parties** |  |  | **Total** |  |  |
| **Lease cost** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Operating lease cost | $ | 8,196 | $ | 17,395 |  | $ | 25,591 |  |  |  |
|  | Short-term lease cost |  |  | 370 |  |  |  | 2,653 |  |  |  | 3,023 |  |  |  |
|  | Variable lease cost |  |  | 607 |  |  |  | 940 |  |  |  | 1,547 |  |  |  |
|  | Sublease income |  |  | - |  |  |  | (2,074) |  |  | (2,074) |  |  |
|  | Total lease cost |  | $ | 9,173 |  |  | $ | 18,914 |  |  | $ | 28,087 |  |  |  |
|  |  | 15 |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |



**UNIVERSAL LOGISTICS HOLDINGS, INC.**

Notes to Unaudited Consolidated Financial Statements - Continued

1. **Leases – continued**

The following table summarizes other lease related information as of and for the thirty-nine week period ended September 28, 2019 (in thousands):

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **With Affiliates** |  |  | **With Third Parties** |  |  | **Total** |  |
| **Other information** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Cash paid for amounts included in the measurement of operating leases | $ | 8,572 |  |  |  |  | $ | 15,711 | $ | 24,283 |  |  |
| Right-of-use assets obtained in exchange for new operating lease liabilities | $ | 3,483 |  |  |  |  | $ | 5,500 | $ | 8,983 |  |  |
| Weighted-average remaining lease term (in years) |  |  | 5.1 |  |  |  |  |  | 4.3 |  |  | 4.6 |  |  |
| Weighted-average discount rate |  |  | 5.0% |  |  |  | 5.0% |  | 5.0% |  |
|  | Future minimum lease payments under these operating leases as of September 28, 2019, are as follows (in thousands): |  |  |  |  |  |  |  |
|  |  |  |  | **With Affiliates** |  |  |  | **With Third** |  |  | **Total** |  |
|  |  |  |  |  |  |  | **Parties** |  |  |  |
|  | Year one | $ | 9,225 |  |  |  | $ |  | 18,978 |  |  | $ |  | 28,203 |  |  |  |  |
|  | Year two |  |  | 6,531 |  |  |  |  |  |  | 14,005 |  |  |  |  | 20,536 |  |  |  |  |
|  | Year three |  |  | 4,236 |  |  |  |  |  |  | 7,667 |  |  |  |  | 11,903 |  |  |  |  |
|  | Year four |  |  | 3,598 |  |  |  |  |  |  | 5,883 |  |  |  |  | 9,481 |  |  |  |  |
|  | Year five |  |  | 3,602 |  |  |  |  |  |  | 3,869 |  |  |  |  | 7,471 |  |  |  |  |
|  | Thereafter |  |  | 5,403 |  |  |  |  |  |  | 8,132 |  |  |  |  | 13,535 |  |  |  |  |
|  | Total required lease payments |  | $ | 32,595 |  |  |  |  | $ |  | 58,534 |  |  | $ |  | 91,129 |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Less amounts representing interest |  |  |  |  |  |  |  |  |  |  |  |  |  |  | (9,829) |  |  |  |
|  | Present value of lease liabilities |  |  |  |  |  |  |  |  |  |  |  |  | $ |  | 81,300 |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

1. **Transactions with Affiliates**

CenTra, Inc. (“CenTra”), an affiliate of the Company that is owned by our controlling shareholders, provides administrative support services to Universal in the ordinary course of business, including legal, human resources, tax, and IT infrastructure and related services. The cost of these services is based on the actual or estimated utilization of the specific service.

Universal also purchases other services from CenTra and other affiliates under common control with CenTra. Following is a schedule of costs incurred and included in operating expenses for services provided by affiliates for the thirteen weeks and thirty-nine weeks ended September 28, 2019 and September 29, 2018 (in thousands):

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Thirteen Weeks Ended** |  |  | **Thirty-nine Weeks Ended** |  |
|  |  |  |  | **September 28,** |  |  | **September 29,** |  |  | **September 28,** |  |  | **September 29,** |  |  |
|  |  |  |  | **2019** |  |  | **2018** |  |  | **2019** |  |  |  | **2018** |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Administrative support services | $ | 1,852 | $ | 615 | $ | 3,352 |  | $ | 2,346 |  |  |
|  | Truck fuel, tolls and maintenance |  |  | 212 |  |  | 29 |  |  | 726 |  |  |  | 910 |  |  |
|  | Real estate rent and related costs |  |  | 3,629 |  |  | 3,418 |  |  | 8,822 |  |  |  | 10,999 |  |  |
|  | Insurance and employee benefit plans |  |  | 8,685 |  |  | 16,394 |  |  | 34,097 |  |  |  | 39,907 |  |  |
|  | Purchased transportation and equipment rent |  |  | 11 |  |  | 92 |  |  | 29 |  |  |  | 1,164 |  |  |
| Total |  | $ | 14,389 |  | $ | 20,548 |  | $ | 47,026 |  |  | $ | 55,326 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

We pay CenTra the direct variable cost of maintenance, fueling and other operational support costs for services delivered at our affiliate’s trucking terminals that are geographically remote from our own facilities. Such costs are billed when incurred, paid on a routine basis, and reflect actual labor utilization, repair parts costs or quantities of fuel purchased. In connection with our transportation services, we also pay tolls and other fees for international bridge crossings to certain related entities that are under common control with CenTra.

16



**UNIVERSAL LOGISTICS HOLDINGS, INC.**

Notes to Unaudited Consolidated Financial Statements - Continued

1. **Transactions with Affiliates – continued**

A significant number of our operating locations are located in facilities leased from affiliates. At 30 facilities, occupancy is based on either month-to-month or contractual, multi-year lease arrangements which are billed and paid monthly. Leasing properties provided by an affiliate that owns a substantial commercial property portfolio affords us significant operating flexibility; however, we are not limited to such arrangements.

We purchase workers’ compensation, property and casualty, cargo, warehousing and other general liability insurance from an insurance company controlled by our majority shareholders. Our employee health care benefits and 401(k) programs are also provided by this affiliate.

Other services from affiliates, including contracted transportation services, are delivered to us on a per-transaction-basis or pursuant to separate contractual arrangements provided in the ordinary course of business. At September 28, 2019 and December 31, 2018, amounts due to affiliates were $20.4 million and $17.8 million, respectively. In our Consolidated Balance Sheets, we record our insured claims liability and the related recovery from an affiliate insurance provider in insurance and claims, and other receivables. At September 28, 2019 and December 31, 2018, there were $9.0 million and $10.5 million, respectively, included in each of these accounts for insured claims.

We made purchases of used equipment from an affiliate during the thirty-nine weeks ended September 29, 2018 totaling $8,300, and purchased wheels and tires from an affiliate for new trailering equipment totaling $23,000 during the same period. There were no such purchases made during the thirty-nine weeks ended September 28, 2019.

*Services provided by Universal to Affiliates*

We periodically assist our affiliates by providing selected transportation and logistics services in connection with their specific customer contracts or purchase orders. Following is a schedule of services provided to affiliates for the thirteen weeks and thirty-nine weeks ended September 28, 2019 and September 29, 2018 (in thousands):

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | **Thirteen Weeks Ended** |  |  | **Thirty-nine Weeks Ended** |
|  |  | **September 28,** |  |  | **September 29,** |  |  | **September 28,** |  |  | **September 29,** |  |
|  |  | **2019** |  |  | **2018** |  |  | **2019** |  |  |  | **2018** |  |
| Purchased transportation and equipment rent | $ | 404 |  | $ | 342 |  | $ | 1,136 |  |  | $ | 679 |  |
| Total | $ | 404 |  | $ | 342 |  | $ | 1,136 |  |  | $ | 679 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |

At September 28, 2019 and December 31, 2018, amounts due from affiliates were $3.4 million and $5.2 million, respectively.

During the thirty-nine weeks ended September 28, 2019, we also sold a vacant parcel of land to an affiliate for $2.5 million. The sales price was established by an independent third party appraisal. The Company’s basis in the land was $2.4 million, resulting in a gain of $0.1 million.

In August 2019, our Board of Directors authorized the repurchase of up to 600,000 shares of our common stock through a “Dutch auction” tender offer. Subject to certain limitations and legal requirements, we could repurchase up to an additional 2% of our outstanding shares. Following the expiration of the tender offer, we accepted 1,101,597 shares tendered through this offer for purchase at a final purchase price of $22.50 per share, for a total purchase price of approximately $24.8 million. The tender offer expired on September 13, 2019. The total amount of shares purchased in the tender offer includes 600,000 shares tendered by a director of the Company, Mr. Manuel J. Moroun, and 10,000 shares tendered by the Company’s Chief Financial Officer, Mr. Jude Beres. We used funds borrowed under our existing line of credit and from our available cash and cash equivalents to fund the purchase of the accepted shares.

1. **Stock Based Compensation**

On April 23, 2014, our Board of Directors adopted the 2014 Amended and Restated Stock Incentive Plan, or the Plan. The Plan was approved by our shareholders at the 2014 Annual Meeting and became effective as of the date it was adopted by the Board of Directors. The Plan replaced our 2004 Stock Incentive Plan and carried forward the shares of common stock that remained available for issuance under the 2004 Stock Incentive Plan. The grants may be made in the form of stock options, restricted stock bonuses, restricted stock purchase rights, stock appreciation rights, phantom stock units, restricted stock units or unrestricted common stock. Restricted stock awards currently outstanding under the 2004 Stock Incentive Plan will remain outstanding in accordance with the terms of that plan.

17



**UNIVERSAL LOGISTICS HOLDINGS, INC.**

Notes to Unaudited Consolidated Financial Statements - Continued

1. **Stock Based Compensation - continued**

On February 22, 2017 and February 24, 2016, the Company granted 10,000 and 10,000 shares, respectively, of restricted stock to our Chief Executive Officer. The restricted stock grants have fair values of $13.45 per share and $15.55 per share, respectively, based on the closing price of the Company’s stock on each grant date. For each award, 25% of the shares vested immediately on the grant dates, and the remaining shares vest in three equal installments with the final vesting of the 2017 award to occur on March 5, 2020, in each case subject to continued employment with the Company.

On February 20, 2019, the Company granted 44,500 shares of restricted stock to certain of its employees, including 12,000 shares to our Chief Executive Officer and 10,000 shares to our Chief Financial Officer. The restricted stock grants have a grant date fair value of $23.56 per share, based on the closing price of the Company’s stock, and will vest in four equal increments on each February 20 in 2020, 2021, 2022 and 2023, in each case subject to continued employment with the Company.

A grantee’s vesting of restricted stock awards may be accelerated under certain conditions, including retirement.

The following table summarizes the status of the Company’s non-vested shares and related information for the period indicated:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **Weighted** |  |
|  | **Shares** |  |  | **Average Grant** |  |
|  |  | **Date Fair Value** |  |
| Non-vested at January 1, 2019 | 7,500 |  |  | $ | 14.15 |  |  |
| Granted | 44,500 |  | $ | 23.56 |  |  |
| Vested | (5,000) | $ | 14.50 |  |  |
| Forfeited | — | $ | — |  |
| Balance at September 28, 2019 | 47,000 |  | $ | 23.02 |  |  |
|  |  |  |  |  |  |  |  |

In the thirty-nine week periods ended September 28, 2019 and September 29, 2018, the total grant date fair value of vested shares recognized as compensation costs was $0.1 million and $0.2 million, respectively. As of September 28, 2019, there was approximately $1.2 million of total unrecognized compensation cost related to non-vested share-based compensation arrangements. That cost is expected to be recognized on a straight-line basis over the remaining vesting period. As a result, the Company expects to recognize stock-based compensation expense of $0.3 million in each year of 2020, 2021, 2022 and 2023.

1. **Earnings Per Share**

Basic earnings per common share amounts are based on the weighted average number of common shares outstanding, excluding outstanding non-vested restricted stock. Diluted earnings per common share include dilutive common stock equivalents determined by the treasury stock method. For the thirteen weeks and thirty-nine weeks ended September 28, 2019, there were 943 and 917 weighted average non-vested shares of restricted stock, respectively, included in the denominator for the calculation of diluted earnings per share. For the thirteen weeks and thirty-nine weeks ended September 29, 2018, there were 10,499 and 8,446 weighted average non-vested shares of restricted stock, respectively, included in the denominator for the calculation of diluted earnings per share

In each of the thirteen weeks and thirty-nine weeks ended September 28, 2019, 44,500 shares of non-vested restricted stock were excluded from the calculation of diluted earnings per share because such shares were anti-dilutive. No shares were excluded from the calculation of diluted earnings per share for the thirteen weeks or thirty-nine weeks ended September 29, 2018.

1. **Dividends**

On July 25, 2019, our Board of Directors declared the second quarter regular cash dividend of $0.105 per share of common stock, payable to shareholders of record at the close of business on August 5, 2019 and paid on August 12, 2019. The Board of Directors also declared the Company’s the third quarter regular cash dividend of $0.105 per share of common stock, payable to shareholders of record at the close of business on September 2, 2019 and paid on October 1, 2019. Declaration of future cash dividends is subject to final determination by the Board of Directors each quarter after its review of our financial condition, results of operations, capital requirements, any legal or contractual restrictions on the payment of dividends and other factors the Board of Directors deems relevant.

18



**UNIVERSAL LOGISTICS HOLDINGS, INC.**

Notes to Unaudited Consolidated Financial Statements - Continued

1. **Segment Reporting**

We report our financial results in two reportable segments, the transportation segment and the logistics segment, based on the nature of the underlying customer commitment and the types of investments required to support these commitments. This presentation reflects the manner in which management evaluates our operating segments, including an evaluation of economic characteristics and applicable aggregation criteria.

Operations aggregated in our transportation segment are associated with individual freight shipments coordinated by our agents, company-managed terminals and specialized services operations. In contrast, operations aggregated in our logistics segment deliver value-added services or transportation services to specific customers on a dedicated basis, generally pursuant to contract terms of one year or longer. Other non-reportable operating segments are comprised of the Company’s subsidiaries that provide support services to other subsidiaries and to owner-operators, including shop maintenance and equipment leasing.

The following tables summarize information about our reportable segments as of and for the thirteen week and thirty-nine week periods ended September 28, 2019 and September 29, 2018 (in thousands):

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **Thirteen Weeks Ended September 28, 2019** |  |  |  |  |  |  |
|  |  |  | **Transportation** |  |  |  | **Logistics** |  |  |  | **Other** |  |  | **Total** |  |  |
|  | Operating revenues |  | $ | 254,129 |  |  |  | $ | 120,981 |  |  |  | $ | 375 |  |  |  | $ | 375,485 |  |  |  |
|  | Eliminated inter-segment revenues |  |  | (283) |  |  |  | (126) |  |  |  | - |  |  |  |  | (409) |  |
|  | Income from operations |  |  | (17,224) |  |  |  | 9,796 |  |  |  |  | 75 |  |  |  |  | (7,353) |  |
|  | Total assets |  |  | 572,238 |  |  |  |  | 332,904 |  |  |  |  | 29,587 |  |  |  |  | 934,729 |  |  |  |
|  |  |  |  |  | **Thirteen Weeks Ended September 29, 2018** |  |  |  |  |  |  |
|  |  |  | **Transportation** |  |  |  | **Logistics** |  |  |  | **Other** |  |  | **Total** |  |  |
|  | Operating revenues |  | $ | 248,529 |  |  |  | $ | 125,385 |  |  |  | $ | 378 |  |  |  | $ | 374,292 |  |  |  |
|  | Eliminated inter-segment revenues |  |  | (406) |  |  |  | (3,188) |  |  |  | - |  |  |  |  | (3,594) |  |
|  | Income from operations |  |  | 11,885 |  |  |  |  | 10,503 |  |  |  |  | 142 |  |  |  |  | 22,530 |  |  |  |
|  | Total assets |  |  | 456,638 |  |  |  |  | 292,054 |  |  |  |  | 20,268 |  |  |  |  | 768,960 |  |  |  |
|  |  |  |  | **Thirty-nine Weeks Ended September 28, 2019** |  |  |  |  |
|  |  |  | **Transportation** |  |  |  | **Logistics** |  |  |  | **Other** |  |  | **Total** |  |  |
|  | Operating revenues |  | $ | 752,610 |  |  | $ | 382,541 |  |  | $ | 916 |  |  | $ | 1,136,067 |  |  |  |
|  | Eliminated inter-segment revenues |  |  | (1,208) |  |  |  | (751) |  |  |  | - |  |  |  |  | (1,959) |  |
|  | Income from operations |  |  | 8,601 |  |  |  |  | 40,955 |  |  |  |  | 320 |  |  |  |  | 49,876 |  |  |  |
|  | Total assets |  |  | 572,238 |  |  |  |  | 332,904 |  |  |  |  | 29,587 |  |  |  |  | 934,729 |  |  |  |
|  |  |  |  | **Thirty-nine Weeks Ended September 29, 2018** |  |  |  |  |
|  |  |  | **Transportation** |  |  |  | **Logistics** |  |  |  | **Other** |  |  | **Total** |  |  |
|  | Operating revenues |  | $ | 688,794 |  |  | $ | 385,431 |  |  | $ | 1,105 |  |  | $ | 1,075,330 |  |  |  |
|  | Eliminated inter-segment revenues |  |  | (1,336) |  |  |  | (8,935) |  |  |  | — |  |  | (10,271) |  |
|  | Income from operations |  |  | 32,273 |  |  |  |  | 32,950 |  |  |  |  | 663 |  |  |  |  | 65,886 |  |  |  |
|  | Total assets |  |  | 456,638 |  |  |  |  | 292,054 |  |  |  |  | 20,268 |  |  |  |  | 768,960 |  |  |  |
|  |  | 19 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |



**UNIVERSAL LOGISTICS HOLDINGS, INC.**

Notes to Unaudited Consolidated Financial Statements - Continued

1. **Commitments and Contingencies**

Our principal commitments relate to long-term real estate leases and payment obligations to equipment vendors.

The Company was plaintiff in a lawsuit that was filed on June 11, 2015 against, among others, Dalton Logistics, Inc. (“Dalton”) in the United States District Court for the Southern District of Texas. The Company was seeking approximately $1.9 million in damages from a debtor relating to unpaid freight charges. In response to the filing of the complaint, the shareholders of Dalton filed a counterclaim against the Company alleging that the Company, in connection with certain unrelated negotiations with the defendant, breached an alleged agreement to acquire Dalton. The respective claims proceeded to trial and, on July 21, 2017, a jury returned two separate verdicts: One in favor of Universal for $1.9 million, and a second in favor of the defendant for approximately $5.7 million. On October 30, 2017, the court entered a judgment against Universal for the $5.7 million, but ignored the $1.9 million jury award in favor of Universal. The Company has filed an appeal with the United States Court of Appeals for the Fifth Circuit to overturn the verdict and the judgment. Enforcement of the judgment has been stayed pending the outcome of the appeal. The Company currently estimates the possible range of financial exposure in the matter to be between $0 and $5.7 million. Based on the Company’s best estimate of the liability at this time, the Company has recorded an accrued liability for this matter of $4.0 million. While we cannot predict with any certainty the outcome of this litigation, management does not believe the outcome will have a material adverse effect on our business, financial condition, results of operations or cash flows.

As previously disclosed, a predecessor to a subsidiary of the Company was a party to a legal proceeding captioned Denton v. UACL, et al. (the “Denton Litigation”). The Company resolved the Denton Litigation on September 24, 2019 (the “Final Denton Settlement”). Under the terms of the Final Denton Settlement, the Company agreed to pay plaintiffs $36 million in cash, exclusive of amounts previously paid, based on an opinion issued by the Appellate Court of Illinois First Judicial District on September 24, 2019 affirming the trial court judgment. In connection with the Final Denton Settlement, the Company recorded a pre-tax charge to net income of $24.8 million in the third quarter of 2019. On October 23, 2019, the Company funded the $36.0 million payment.

The Company is involved in certain other claims and pending litigation arising from the ordinary conduct of business. We also provide accruals for claims within our self-insured retention amounts. Based on the knowledge of the facts, and in certain cases, opinions of outside counsel, in the Company’s opinion the resolution of these claims and pending litigation will not have a material effect on our financial position, results of operations or cash flows. However, if we experience claims that are not covered by our insurance or that exceed our estimated claim reserve, it could increase the volatility of our earnings and have a materially adverse effect on our financial condition, results of operations or cash flows.

At September 28, 2019, approximately 30% of our employees in the United States, Canada and Colombia, and 85% of our employees in Mexico are subject to collective bargaining agreements that are renegotiated periodically, less than 10% of which are subject to contracts that expire in 2019.

1. **Subsequent Events**

On October 24, 2019, our Board of Directors declared Universal’s fourth quarter cash dividend of $0.105 per share of common stock, payable to shareholders of record at the close of business on December 2, 2019 and is expected to be paid on January 2, 2020. Declaration of future cash dividends is subject to final determination by the Board of Directors each quarter after its review of our financial condition, results of operations, capital requirements, any legal or contractual restrictions on the payment of dividends and other factors the Board of Directors deems relevant.

On November 5, 2019, the Company acquired Roadrunner Intermodal Services, LLC, Morgan Southern, Inc., Wando Trucking, LLC, and Central Cal Transportation, LLC (collectively, “Roadrunner Intermodal”) from Roadrunner Transportation Systems, Inc. Roadrunner Intermodal is a nationwide drayage provider, servicing major port and rail locations throughout the United States. The total cash purchase price was $54.9 million, subject to post-closing adjustments. The Company used available cash and borrowings on its revolving credit facility to finance the acquisition, and is in the process of finalizing the purchase accounting for this transaction.

20



**ITEM 2: MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*Some of the statements and assumptions in this Form 10-Q are forward-looking statements. These statements identify prospective information. Important factors could cause actual results to differ, possibly materially, from those in the forward-looking statements. In some cases you can identify forward-looking statements by words such as “anticipate,” “believe,” “could,” “estimate,” “plan,” “intend,” “may,” “should,” “will” and “would” or other similar words. You should read statements that contain these words carefully because they discuss our future expectations, contain projections of our future results of operations or of our financial position or state other “forward-looking” information. Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by which, such performance or results will be achieved. Forward-looking information is based on information available at the time and/or management’s good faith belief with respect to future events, and is subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the statements. The factors listed in the section captioned “Risk Factors” in Item 1A in our Form 10-K for the year ended December 31, 2018, as well as any other cautionary language in that Form 10-K, provide examples of risks, uncertainties and events that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements.*

*Forward-looking statements speak only as of the date the statements are made. We assume 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. If we do update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect thereto or with respect to other forward-looking statements.*

**Overview**

We are a leading asset-light provider of customized transportation and logistics solutions throughout the United States and in Mexico, Canada and Colombia. We offer our customers a broad array of services across their entire supply chain, including truckload, brokerage, intermodal, dedicated and value-added services.

We provide a comprehensive suite of transportation and logistics solutions that allow our customers and clients to reduce costs and manage their global supply chains more efficiently. We market our services through a direct sales and marketing network focused on selling our portfolio of services to large customers in specific industry sectors, through a network of agents who solicit freight business directly from shippers, and through company-managed facilities and full-service freight forwarding and customs house brokerage offices. We believe our asset-light business model is highly scalable and will continue to support our growth with comparatively modest capital expenditure requirements. Our asset-light model, combined with a disciplined approach to contract structuring and pricing, creates a highly flexible cost structure that allows us to expand and contract quickly in response to changes in demand from our customers.

We generate substantially all of our revenues through fees charged to customers for the transportation of freight and for the customized logistics services we provide. We also derive revenue from fuel surcharges, where separately identifiable, loading and unloading activities, equipment detention, container management and storage and other related services. Operations aggregated in our transportation segment are associated with individual freight shipments coordinated by our agents, company-managed terminals and specialized services operations. In contrast, operations aggregated in our logistics segment deliver value-added services and transportation services to specific customers on a dedicated basis, generally pursuant to contract terms of one year or longer. Our segments are distinguished by the amount of forward visibility we have in regards to pricing and volumes, and also by the extent to which we dedicate resources and Company-owned equipment.

The following discussion of the Company’s financial condition and results of operations should be read in conjunction with Management’s Discussion and Analysis of Financial Condition and Results of Operations and Consolidated Financial Statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2018 and the unaudited Consolidated Financial Statements and related notes contained in this Quarterly Report on Form 10-Q.

21



**Operating Revenues**

We broadly group our services into the following categories: truckload services, brokerage services, intermodal services, dedicated services and value-added services. Our truckload, brokerage and intermodal services associated with individual freight shipments coordinated by our agents and Company-managed terminals are generally aggregated into our reportable transportation segment, while our dedicated and value-added services to specific customers on a contractual basis make up our logistics segment. The following table sets forth operating revenues resulting from each of these categories for the thirteen weeks and thirty-nine weeks ended September 28, 2019 and September 29, 2018, presented as a percentage of total operating revenues:

|  |  |  |
| --- | --- | --- |
|  | **Thirteen Weeks Ended** | **Thirty-nine Weeks Ended** |
|  | **September 28,** | **September 29,** |  | **September 28,** | **September 29,** |  |
|  | **2019** |  | **2018** |  | **2019** |  | **2018** |  |
| Operating revenues: |  |  |  |  |  |  |  |  |
| Truckload services | 16.7% | 21.4% | 17.0% | 22.3% |
| Brokerage services | 25.2 |  | 26.4 |  | 23.7 |  | 25.1 |  |
| Intermodal services | 24.8 |  | 17.6 |  | 24.5 |  | 15.5 |  |
| Dedicated services | 8.7 |  | 9.7 |  | 9.3 |  | 9.9 |  |
| Value-added services | 24.6 |  | 24.9 |  | 25.5 |  | 27.2 |  |
| Total operating revenues | 100.0% | 100.0% | 100.0% | 100.0% |
|  |  |  |  |  |  |  |  |  |

**Results of Operations**

The following table sets forth items derived from our consolidated statements of income for the thirteen weeks and thirty-nine weeks ended September 28,

2019 and September 29, 2018, presented as a percentage of operating revenues:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Thirteen Weeks Ended** | **Thirty-nine Weeks Ended** |  |
|  | **September 28,** | **September 29,** |  | **September 28,** | **September 29,** |  |  |
|  | **2019** |  | **2018** |  | **2019** |  | **2018** |  |  |
| Operating revenues: | 100.0% | 100.0% | 100.0% | 100.0% |  |
| Operating expenses: |  |  |  |  |  |  |  |  |  |
| Purchased transportation and equipment rent | 49.0 |  | 49.8 |  | 47.5 |  | 49.0 |  |  |
| Direct personnel and related benefits | 24.5 |  | 23.3 |  | 24.5 |  | 24.2 |  |  |
| Operating supplies and expenses | 8.1 |  | 8.6 |  | 2.1 |  | 2.6 |  |  |
| Commission expense | 2.1 |  | 2.6 |  | 8.1 |  | 8.4 |  |  |
| Occupancy expense | 2.2 |  | 2.0 |  | 2.4 |  | 2.1 |  |  |
| General and administrative | 3.0 |  | 2.1 |  | 2.7 |  | 2.2 |  |  |
| Insurance and claims | 8.0 |  | 2.0 |  | 3.6 |  | 1.7 |  |  |
| Depreciation and amortization | 5.0 |  | 3.7 |  | 4.7 |  | 3.7 |  |  |
| Total operating expenses | 102.0 |  | 94.0 |  | 95.6 |  | 93.9 |  |  |
| Loss (income) from operations | (2.0) |  | 6.0 |  | 4.4 |  | 6.1 |  |  |
| Interest and other non-operating expense, net | (1.0) | (0.7) | (1.0) | (0.8) |  |
| Loss (income) before income taxes | (3.0) |  | 5.3 |  | 3.4 |  | 5.4 |  |  |
| Provision for income taxes | (0.8) | 1.3 |  | 0.9 |  | 1.4 |  |  |
| Net (loss) income |  |  |  |  |  |  |  |  |  |
| -2.2% | 4.0% | 2.5% | 4.0% |  |
|  |  |  |  |  |  |  |  |  |  |

***Thirteen Weeks Ended September 28, 2019 Compared to Thirteen Weeks Ended September 29, 2018***

*Operating revenues*. Operating revenues for the thirteen weeks ended September 28, 2019 increased $1.2 million, or 0.3%, to $375.5 million from $374.3million for the thirteen weeks ended September 29, 2018. Operating revenues increased mainly due to $34.6 million of incremental revenue from Universal’s recent acquisitions. The increase was partially offset by a decrease in truckload services, brokerage services, dedicated services, and value-added services revenues. Included in operating revenues are separately-identified fuel surcharges of $21.5 million for the thirteen weeks ended September 28, 2019 compared to $22.1 million for the thirteen weeks ended September 29, 2018. Consolidated income from operations decreased $29.9 million to an operating loss of $7.4 million during the thirteen week period ended September 28, 2019 compared to operating income of $22.5 million during the same period last year. Revenues from our transportation segment increased $5.6 million, or 2.3%, while income from operations decreased $29.1 million compared to the same period last year. The decrease in income was primarily attributable to $27.0 million in litigation charges. In our logistics segment, revenues decreased $4.4 million, or 3.5%, over the same period last year and income from operations decreased $0.7 million, or 6.7%. The decreases in revenue and operating income were primarily attributable to the impact of the

22



United Auto Workers (UAW) labor strike against General Motors. The impact of the UAW labor strike is estimated to have reduced revenue by $5.1 million and operating income by $4.0 million.

Operating revenues from truckload services decreased $17.6 million to $62.6 million during the thirteen weeks ended September 28, 2019, compared to $80.2 million for the same period last year. Included in truckload revenues for the recently completed quarter were $6.4 million in separately identified fuel surcharges compared to $8.7 million during the same period last year. The decrease in truckload services reflects a 22.7% decrease in the number of loads hauled, which was partially offset by a 1.6% increase in average operating revenue per load, excluding fuel surcharges. During the quarter ended September 28, 2019, Universal moved 56,510 loads compared to 73,117 during the same period last year.

Revenues during the thirteen weeks ended September 28, 2019 from brokerage services decreased $4.4 million, or 4.4%, to $94.4 million compared to $98.8 million one year earlier. The decrease in brokerage services reflects a 9.1% decrease in the average operating revenue per load, which was partially offset by a 5.0% increase in the number of brokerage loads moved. During the third quarter of 2019, Universal brokered 61,072 loads, compared to 58,147 loads during the same period last year.

Intermodal services revenues increased $27.3 million to $93.0 million during the thirteen weeks ended September 28, 2019, up from $65.7 million during the same period last year. Included in intermodal revenues were $34.6 million of incremental revenue from acquired companies. Intermodal revenues during the thirteen weeks ended September 28, 2019 also included $11.4 million in separately identified fuel surcharges, compared to $8.4 million during the same period last year. The growth is also due to increases in the average operating revenue per load, excluding fuel surcharges, and in the number of loads hauled. During the thirteen weeks ended September 28, 2019, Universal moved 154,600 intermodal loads, compared to 119,410 loads during the same period last year, an increase of 29.5%, while also increasing its average operating revenue per load, excluding fuel surcharges, by 7.3%.

Operating revenues from dedicated services during the thirteen weeks ended September 28, 2019 decreased to $32.7 million compared to $36.2 million one year earlier. Dedicated services revenues included $3.6 million in separately identified fuel surcharges in the thirteen weeks ended September 28, 2019 compared to $4.4 million during the same period last year. The decrease in operating revenues was primarily attributable to the impact the labor strike had on operations supporting General Motors.

Value-added services revenues decreased $0.7 million to $92.7 million in the thirteen weeks ended September 28, 2019. This compares to $93.4 million from value-added services one year earlier. Value-added operations supporting heavy-truck production were relatively flat on a year-over-year basis, growing $0.1 million in the thirteen weeks ended September 28, 2019 compared to the same period last year. The overall decline in value-added revenues was primarily attributable to the halt in production at operations supporting passenger vehicles from the UAW labor strike.

*Purchased transportation and equipment rent*. Purchased transportation and equipment rental costs for the thirteen weeks ended September 28, 2019decreased by $2.3 million, or 1.3%, to $183.9 million from $186.2 million for the thirteen weeks ended September 29, 2018. Purchased transportation and equipment rent generally increases or decreases in proportion to the revenues generated through owner-operators and other third party providers, and is correlated with changes in demand for transportation-related services, which includes truckload, brokerage, intermodal and dedicated services. As a percentage of operating revenues, purchased transportation and equipment rent expense decreased to 49.0% for the thirteen weeks ended September 28, 2019 from 49.8% during the same period last year. The decrease was primarily attributable to an increase in the mix of intermodal revenues, where the cost of transportation is typically lower than our other transportation businesses. As a percentage of revenues, intermodal services increased to 24.8% in the third quarter of 2019 compared to 17.6% in the third quarter of 2018.

*Direct personnel and related benefits*. Direct personnel and related benefits expenses for the thirteen weeks ended September 28, 2019 increased by $4.8million, or 5.5%, to $91.9 million compared to $87.2 million for the thirteen weeks ended September 29, 2018. Trends in these expenses are generally correlated with changes in operating facilities and headcount requirements and, therefore, increase and decrease with the level of demand for our value-added services and staffing needs of our operations. Included in the thirteen weeks ended September 28, 2019 were $4.5 million of incremental costs attributable to recently completed acquisitions. Additional increases in direct personnel and related benefits were the result of increases in labor costs in our dedicated transportation businesses, value-added operations supporting heavy-truck production, as well as company-managed brokerage operations. As a percentage of operating revenues, personnel and related benefits expenses increased to 24.5% for the thirteen weeks ended September 28, 2019, compared to 23.3% during the same period last year. The percentage of direct personnel and related benefit expenses is derived on an aggregate basis from both existing and new programs, and from customer operations at various stages in their lifecycles. Individual operations may be impacted by additional production shifts or by overtime at selected operations. While generalizations about the impact of personnel and related benefits costs as a percentage of total revenue are difficult, we manage compensation and staffing levels, including the use of contract labor, to maintain target economics based on near-term projections of demand for our services.

23



*Operating supplies and expenses*. Operating supplies and expenses decreased by $1.7 million, or 5.1%, to $30.5 million for the thirteen weeks endedSeptember 28, 2019 compared to $32.1 million for the thirteen weeks ended September 29, 2018. These expenses include items such as fuel, maintenance, cost of materials, communications, utilities and other operating expenses, and generally relate to fluctuations in customer demand. The primary elements of the decrease included decreases of $1.2 million in fuel expense on company tractors, $0.9 million in operating supplies and material costs in operations supporting heavy-truck programs, and $0.3 million in plate expenses. These decreases were partially offset by increases of $0.9 million in bad debt expense and $0.4 million in office supplies.

*Commission expense*. Commission expense for the thirteen weeks ended September 28, 2019 decreased by $1.7 million, or 17.2%, to $8.0 million from $9.7million for the thirteen weeks ended September 29, 2018. Commission expense decreased due to decreased revenue in the agency based truckload business. As a percentage of operating revenues, commission expense decreased to 2.1% compared to 2.6% for the thirteen weeks ended September 29, 2018.

*Occupancy expense*. Occupancy expenses increased by $1.0 million, or 13.1%, to $8.4 million for the thirteen weeks ended September 28, 2019 compared to$7.4 million for the thirteen weeks ended September 29, 2018. The increase was primarily attributable to an increase in building rents due to new locations added from the acquisitions made in 2018 and 2019.

*General and administrative*. General and administrative expense increased by $3.7 million, or 47.5%, to $11.4 million from $7.8 million in the thirteen weeksended September 29, 2018. The increase was attributable to a $2.8 million increase in professional fees as well as a $1.4 million increase in salaries and wages. Included in the increase in professional fees was a $2.2 million charge for ongoing litigation. The remaining portion of the increase was primarily attributable to general and administrative expense from recent acquisitions. As a percentage of operating revenues, general and administrative expense increased to 3.0% compared to 2.1% for the thirteen weeks ended September 29, 2018.

*Insurance and claims*. Insurance and claims expense for the thirteen weeks ended September 28, 2019 increased by $22.5 million to $29.9 million from $7.4million for the thirteen weeks ended September 29, 2018. The increase was primarily attributable to a $24.8 million charge for a previously disclosed legal settlement. This was partially offset by a decrease in cargo claims. As a percentage of operating revenues, insurance and claims increased to 8.0% for the thirteen weeks ended September 28, 2019 compared to 2.0% for the thirteen weeks ended September 29, 2018.

*Depreciation and amortization*. Depreciation and amortization expense for the thirteen weeks ended September 28, 2019 increased by $4.8 million, or 34.5%,to $18.8 million from $14.0 million for the thirteen weeks ended September 29, 2018. During the thirteen weeks ended September 28, 2019, depreciation expense increased $2.0 million and amortization expense increased $2.8 million. The increase in depreciation expense is attributable to continued recapitalization of our fleet, while the increase in amortization expense is attributable to amortization of intangible assets acquired in connection with Universal’s 2018 and 2019 acquisitions.

*Interest expense, net*. Net interest expense was $4.1 million for the thirteen weeks ended September 28, 2019 compared to $4.3 million for the thirteen weeksended September 29, 2018. The decrease of net interest expense reflects a decrease in the interest rate on our outstanding borrowings. As of September 28, 2019, our outstanding borrowings were $388.8 million compared to $330.4 million at September 29, 2018.

*Other non-operating income*. Other non-operating income for the thirteen weeks ended September 28, 2019 was $0.2 million compared to $1.7 million for thethirteen weeks ended September 29, 2018. There were $0.1 million of gains on the sales of marketable securities during the thirteen weeks ended September 28, 2019 compared to $0.6 million in the thirteen weeks ended September 29, 2018. Additionally, included in the thirteen weeks ended September 29, 2018 were gains of $1.0 million from life insurance policies compared to none in the same period this year.

*Income tax expense*. Income tax benefit for the thirteen weeks ended September 28, 2019 was $2.8 million compared to a $4.9 million expense for the thirteenweeks ended September 29, 2018, based on an effective tax rate of 25.3% and 24.6%, respectively. The decrease in income tax expense is attributable to a decrease in taxable earnings.

***Thirty-nine Weeks Ended September 28, 2019 Compared to Thirty-nine Weeks Ended September 29, 2018***

*Operating revenues*. Operating revenues for the thirty-nine weeks ended September 28, 2019 increased $60.7 million, or 5.6%, to $1,136.1 million from$1,075.3 million for the thirty-nine weeks ended September 29, 2018. Operating revenues increased mainly due to $114.6 million of incremental revenue from Universal’s recent acquisitions. This increase was partially offset by decreases in truckload services, value-added services, and dedicated services revenues. Included in operating revenues are separately-identified fuel surcharges of $66.6 million for the thirty-nine weeks ended September 28, 2019 compared to $60.5 million for the thirty-nine weeks ended September 29, 2018. Consolidated income from operations decreased $16.0 million, or 24.3%, to $49.9 million during

24



the thirty-nine week period ended September 28, 2019 compared to $65.9 million during the same period last year. Revenues from our transportation segment increased $63.8 million, or 9.3%, while income from operations decreased $23.7 million, or 73.3%, compared to the same period last year. The decrease in income was primarily attributable to $27.0 million in litigation charges. In our logistics segment, revenues decreased $2.9 million, or 0.7%, over the same period last year and income from operations increased $8.0 million, or 24.3%. The increase in operating income was primarily attributable to improved operating performance in our dedicated transportation businesses as well as our operations supporting Class 8 heavy-truck production, partially offset by the impact of the UAW labor strike against General Motors. The impact of the UAW labor strike is estimated to have reduced revenue by $5.1 million and operating income by $4.0 million.

Operating revenues from truckload services decreased $46.9 million to $193.1 million during the thirty-nine weeks ended September 28, 2019, compared to $240.1 million for the same period last year. Included in truckload revenues for the recently completed thirty-nine week period were $20.3 million in separately identified fuel surcharges compared to $26.2 million during the same period last year. The decrease in truckload services reflects a 19.0% decrease in the number of loads hauled and a 0.6% decrease in average operating revenue per load, excluding fuel surcharges. During the thirty-nine weeks ended September 28, 2019, Universal moved 179,025 loads compared to 220,961 during the same period last year.

Revenues during the thirty-nine weeks ended September 28, 2019 from brokerage services increased $0.2 million, or 0.1%, to $269.7 million compared to $269.4 million one year earlier. The growth is primarily due to a 9.6% increase in the number of brokerage loads moved, which was partially offset by a 9.2% decrease in the average operating revenue per load. During the thirty-nine weeks ended September 28, 2019, Universal moved 172,391 loads, compared to 157,246 loads during the same period last year.

Intermodal services revenues increased $110.9 million, or 66.3%, to $278.0 million during the thirty-nine weeks ended September 28, 2019, up from $167.2 million during the same period last year. Intermodal revenues included $114.6 million of incremental acquisition related revenue. Intermodal revenues during the thirty-nine weeks ended September 28, 2019 also included $33.6 million in separately identified fuel surcharges, compared to $19.3 million during the same period last year. The growth is also due to increases in the average operating revenue per load, excluding fuel surcharges, and in the number of loads hauled. During the thirty-nine weeks ended September 28, 2019, Universal moved 484,539 intermodal loads, compared to 311,907 loads during the same period last year, an increase of 55.3%, while also increasing its average operating revenue per load, excluding fuel surcharges, by 6.3%.

Operating revenues from dedicated services during the thirty-nine weeks ended September 28, 2019 decreased to $105.6 million compared to $106.9 million one year earlier. Dedicated services revenues included $12.5 million in separately identified fuel surcharges in the thirty-nine weeks ended September 28, 2019 compared to $13.2 million during the same period last year. The decrease in operating revenues was primarily attributable to the impact the labor strike had on operations supporting General Motors.

Value-added services revenues decreased $2.1 million to $289.6 million in the thirty-nine weeks ended September 28, 2019. This compares to $291.7 million from value-added services one year earlier. Operations supporting passenger vehicle programs declined during the period due to extended plant shut-downs and reduced production during ramp up as well as the halt in production due to the UAW labor strike, while those supporting heavy-truck production continued to record strong growth. Value-added operations supporting heavy-truck production grew $9.0 million in the thirty-nine weeks ending September 28, 2019 compared to the same period in the previous year.

*Purchased transportation and equipment rent*. Purchased transportation and equipment rental costs for the thirty-nine weeks ended September 28, 2019increased by $13.1 million, or 2.5%, to $539.6 million from $526.5 million for the thirty-nine weeks ended September 29, 2018. Purchased transportation and equipment rent generally increases or decreases in proportion to the revenues generated through owner-operators and other third party providers, and is correlated with changes in demand for transportation-related services, which includes truckload, brokerage, intermodal and dedicated services. The absolute increase in purchased transportation and equipment rental costs was primarily the result of an increase in transportation-related service revenues. For the thirty-nine weeks ended September 28, 2019, transportation-related services revenues increased 8.0% compared to the same period last year. As a percentage of operating revenues, purchased transportation and equipment rent expense decreased to 47.5% for the thirty-nine weeks ended September 28, 2019 from 49.0% during the same period last year. The decrease was primarily attributable to an increase in the mix of intermodal revenues, where the cost of transportation is typically lower than our other transportation businesses. As a percentage of revenues, intermodal services increased to 24.5% in the thirty-nine weeks ended September 28, 2019 compared to 15.5% in the same period last year.

*Direct personnel and related benefits*. Direct personnel and related benefits expenses for the thirty-nine weeks ended September 28, 2019 increased by $18.2million, or 7.0%, to $278.8 million compared to $260.5 million for the thirty-nine weeks ended September 29, 2018. Trends in these expenses are generally correlated with changes in operating facilities and headcount requirements and, therefore, increase and decrease with the level of demand for our value-added services and staffing needs of our operations. However, in the first thirty-nine weeks of 2019, we experienced extended plant shutdowns in operations supporting passenger vehicles, and thus

25



value-added revenues associated with those operations were lower compared to the prior year. Included in the thirty-nine weeks ended September 28, 2019 were $14.3 million of incremental costs attributable to recently completed acquisitions. Additional increases in direct personnel and related benefits were the result of increases in labor costs in our dedicated transportation businesses, value-added operations supporting heavy-truck production, as well as company-managed brokerage operations. As a percentage of operating revenues, personnel and related benefits expenses increased to 24.5% for the thirty-nine weeks ended September 28, 2019, compared to 24.2% during the same period last year, reflecting a decrease in the mix of value-added services revenue as a percentage of total operating revenues. The percentage of direct personnel and related benefit expenses is derived on an aggregate basis from both existing and new programs, and from customer operations at various stages in their lifecycles. Individual operations may be impacted by additional production shifts or by overtime at selected operations. While generalizations about the impact of personnel and related benefits costs as a percentage of total revenue are difficult, we manage compensation and staffing levels, including the use of contract labor, to maintain target economics based on near-term projections of demand for our services.

*Operating supplies and expenses*. Operating supplies and expenses increased by $1.4 million, or 1.6%, to $92.0 million for the thirty-nine weeks endedSeptember 28, 2019 compared to $90.5 million for the thirty-nine weeks ended September 29, 2018. These expenses include items such as fuel, maintenance, cost of materials, communications, utilities and other operating expenses, and generally relate to fluctuations in customer demand. The main elements of the increase included increases of $1.9 million in vehicle maintenance, $1.6 million in bad debt expense, $0.6 million in permit expense, and $0.7 million in travel and entertainment. These increases were partially offset by decreases of $2.7 million in operating supplies and material costs in operations supporting heavy-truck programs and $0.7 million in fuel expense on company tractors.

*Commission expense*. Commission expense for the thirty-nine weeks ended September 28, 2019 decreased by $4.6 million, or 16.3%, to $23.7 million from$28.3 million for the thirty-nine weeks ended September 29, 2018. Commission expense decreased due to decreased revenue in the agency based truckload business. As a percentage of operating revenues, commission expense decreased to 2.1% compared to 2.6% for the thirty-nine weeks ended September 29, 2018.

*Occupancy expense*. Occupancy expenses increased by $4.9 million, or 21.9%, to $27.5 million for the thirty-nine weeks ended September 28, 2019compared to $22.6 million for the thirty-nine weeks ended September 29, 2018. The increase was primarily attributable to an increase in building rents due to new locations added from the acquisitions made in 2018 and 2019.

*General and administrative*. General and administrative expense increased by $7.0 million, or 29.8%, to $30.3 million from $23.4 million in the thirty-nineweeks ended September 29, 2018. The increase was attributable to a $4.1 million increase in salaries and wages as well as a $3.6 million increase in professional fees. Included in the increase in professional fees was a $2.2 million charge for ongoing litigation. The remaining portion of the increase was primarily attributable to general and administrative expense from recent acquisitions. As a percentage of operating revenues, general and administrative expense increased to 2.7% for the thirty-nine weeks ended September 28, 2019 compared to 2.2% for the thirty-nine weeks ended September 29, 2018.

*Insurance and claims*. Insurance and claims expense for the thirty-nine weeks ended September 28, 2019 increased by $23.0 million to $41.2 million from$18.2 million for the thirty-nine weeks ended September 29, 2018. The increase was primarily attributable to a $24.8 million charge for a previously disclosed legal settlement. As a percentage of operating revenues, insurance and claims increased to 3.6% for the thirty-nine weeks ended September 28, 2019 compared to 1.7% for the thirty-nine weeks ended September 29, 2018.

*Depreciation and amortization*. Depreciation and amortization expense for the thirty-nine weeks ended September 28, 2019 increased by $13.7 million, or34.7%, to $53.1 million from $39.4 million for the thirty-nine weeks ended September 29, 2018. During the thirty-nine weeks ended September 28, 2019, depreciation expense increased $4.4 million and amortization expense increased $9.3 million. The increase in depreciation expense is attributable to continued recapitalization of our fleet, while the increase in amortization expense is attributable to amortization of intangible assets acquired in connection with Universal’s 2018 and 2019 acquisitions.

*Interest expense, net*. Net interest expense was $12.5 million for the thirty-nine weeks ended September 28, 2019 compared to $9.8 million for the thirty-nineweeks ended September 29, 2018. The increase of net interest expense reflects an increase in outstanding borrowings. As of September 28, 2019, our outstanding borrowings were $388.8 million compared to $330.4 million at September 29, 2018.

*Other non-operating income*. Other non-operating income for the thirty-nine weeks ended September 28, 2019 was $1.2 million compared to $1.7 million forthe thirty-nine weeks ended September 29, 2018. Included in other non-operating income in the thirty-nine weeks ended September 28, 2019 were $1.0 million of gains on marketable securities compared to $0.3 million in gains in the thirty-nine weeks ended September 29, 2018. Additionally, included in the thirty-nine weeks ended September 29, 2018 were gains of $1.0 million from life insurance policies compared to none in the same period this year.

26



*Income tax expense*. Income tax expense for the thirty-nine weeks ended September 28, 2019 was $9.7 million compared to $14.6 million for the thirty-nineweeks ended September 29, 2018, based on an effective tax rate of 25.2% and 25.3%, respectively. The decrease in income tax expense is attributable to a decrease in taxable earnings as well as a slight decrease in the effective tax rate.

**Liquidity and Capital Resources**

Our primary sources of liquidity are funds generated by operations, loans and extensions of credit under our credit facilities, on margin against our marketable securities and from installment notes, and proceeds from the sales of marketable securities. We use secured, asset lending to fund a substantial portion of purchases of tractors, trailers and material handling equipment.

We employ an asset-light operating strategy which we believe lowers our capital expenditure requirements. In general, our facilities used in our value-added services are leased on terms that are either substantially matched to our customer’s contracts, are month-to-month or are provided to us by our customers. We also utilize owner-operators and third-party carriers to provide a significant portion of our transportation and specialized services. A significant portion of the tractors and trailers used in our business are provided by our owner-operators. In addition, our use of agents reduces our overall need for large terminals. As a result, our capital expenditure requirements are limited in comparison to most large transportation and logistics service providers, which maintain significant properties and sizable fleets of owned tractors and trailers.

During the thirty-nine weeks ended September 28, 2019, our capital expenditures totaled $60.8 million. These expenditures primarily consisted of transportation equipment and investments in support of our value-added service operations. Our asset-light business model depends somewhat on the customized solutions we implement for specific customers. As a result, our capital expenditures will depend on specific new contracts and the overall age and condition of our owned transportation equipment. Through the remainder of 2019, exclusive of any acquisitions of businesses, we expect our capital expenditures to be in the range of 4% to 5% of operating revenues. We expect to make these capital expenditures for the acquisition of transportation equipment, to support our new and existing value-added service operations, and for the acquisition of real property and improvements to our existing terminal yard and container facilities.

We have a cash dividend policy that anticipates a regular dividend of $0.42 per share of common stock, payable in quarterly increments of $0.105 per share of common stock. After taking into account the regular quarterly dividends made during the year, the Board of Directors also evaluates the potential declaration of an annual special dividend payable in the first quarter of each year. On October 24, 2019, our Board of Directors declared Universal’s fourth quarter cash dividend of $0.105 per share of common stock, payable to shareholders of record at the close of business on December 2, 2019 and expected to be paid on January 2, 2020. Declaration of future cash dividends is subject to final determination by the Board of Directors each quarter after its review of our financial condition, results of operations, capital requirements, any legal or contractual restrictions on the payment of dividends and other factors the Board of Directors deems relevant. During the year ended December 31, 2018, we paid a total of $0.385 per common share, or $10.9 million. Future dividend policy and the payment of dividends, if any, will be determined by the Board of Directors in light of circumstances then existing, including our earnings, financial condition and other factors deemed relevant by the Board of Directors.

In August 2019, our Board of Directors authorized the repurchase of up to 600,000 shares of our common stock through a “Dutch auction” tender offer. Subject to certain limitations and legal requirements, we could repurchase up to an additional 2% of our outstanding shares. Following the expiration of the tender offer, we accepted 1,101,597 shares tendered through this offer for purchase at a final purchase price of $22.50 per share, for a total purchase price of approximately $24.8 million. The tender offer expired on September 13, 2019. We used funds borrowed under our existing line of credit and from our available cash and cash equivalents to fund the purchase of the accepted shares.

A predecessor to a subsidiary of the Company was a party to a legal proceeding captioned Denton v. UACL, et al. (the “Denton Litigation”). The Company resolved the Denton Litigation on September 24, 2019 (the “Final Denton Settlement”). Under the terms of the Final Denton Settlement, the Company agreed to pay plaintiffs $36 million in cash, exclusive of amounts previously paid. The settlement was funded on October 23, 2019 using funds borrowed under our existing line of credit and from our available cash and cash equivalents.

We expect that our cash flow from operations, working capital and available borrowings will be sufficient to meet our capital commitments, to fund our operational needs for at least the next twelve months, and to fund mandatory debt repayments. Based on the availability of borrowings under our credit facilities, against our marketable security portfolio and other financing sources, and assuming the continuation of our current level of profitability, we do not expect that we will experience any liquidity constraints in the foreseeable future.

27



We continue to evaluate business development opportunities, including potential acquisitions that fit our strategic plans. There can be no assurance that we will identify any opportunities that fit our strategic plans or will be able to execute any such opportunities on terms acceptable to us. Depending on the prospective consideration to be paid for an acquisition, any such opportunities would be financed first from available cash and cash equivalents and availability of borrowings under our credit facilities.

***Revolving Credit, Promissory Notes and Term Loan Agreements***

Our secured credit facility (the “Credit Facility”) provides for maximum borrowings of $350 million in the form of a $150 million term loan and a $200 million revolver at a variable rate of interest based on LIBOR or a base rate and matures on November 26, 2023. The Credit Facility, which is secured by cash, deposits, accounts receivable, and selected other assets of the applicable borrowers, includes customary affirmative and negative covenants and events of default, as well as financial covenants requiring minimum fixed charge coverage and leverage ratios, and customary mandatory prepayments provisions. Our Credit Facility includes an accordion feature which allows us to increase availability by up to $100 million upon our request. At September 28, 2019, we were in compliance with all covenants under the Credit Facility, and $134.4 million was available for borrowing.

A wholly-owned subsidiary issued a series of promissory notes in order to finance transportation equipment (the “Equipment Financing”). The notes issued in connection with the Equipment Financing, which are secured by liens on selected titled vehicles, include certain affirmative and negative covenants, are generally payable in 60 monthly installments and bear interest at fixed rates ranging from 3.18% to 5.13%. At September 28, 2019, we were in compliance with all covenants.

A wholly-owned subsidiary issued a series of promissory notes in order to finance certain purchases of real property (the “Real Estate Financing”). The promissory notes, which are secured by first mortgages and assignment of leases on specific parcels of real estate and improvements, include certain affirmative and negative covenants and are generally payable in 120 monthly installments. Each of the notes bears interest at LIBOR plus 2.25%. At September 28, 2019, we were in compliance with all covenants.

We also maintain a short-term line of credit secured by our portfolio of marketable securities (the “Margin Facility”). It bears interest at LIBOR plus 1.10%. The amount available under the Margin Facility is based on a percentage of the market value of the underlying securities. We did not have any amounts advanced against the line as of September 28, 2019, and the maximum available borrowings were $5.0 million.

***Discussion of Cash Flows***

At September 28, 2019, we had cash and cash equivalents of $6.5 million compared to $5.7 million at December 31, 2018. Operating activities provided $132.0 million in net cash, and we used $77.1 million in investing activities and $54.2 million in financing activities.

The $132.0 million in net cash provided by operations was primarily attributed to $28.8 million of net income, which reflects non-cash depreciation and amortization, noncash lease expense, gains on marketable equity securities and equipment sales, amortization of debt issuance costs, stock-based compensation, provisions for doubtful accounts and a change in deferred income taxes totaling $75.3 million, net. Net cash provided by operating activities also reflects an aggregate decrease in net working capital totaling $27.8 million. The primary drivers behind the decrease in working capital were increases in accruals for insurance and claims, trade accounts payable, accrued expenses and other current liabilities and affiliated transactions, as well as decreases in trade accounts receivables and prepaid expenses and other asses. These were partially offset by principal reductions in operating lease liabilities during the period. Affiliate transactions increased net cash provided by operating activities by $4.5 million. This increase in net cash resulted from a decrease in accounts receivable to affiliates of $1.9 million and an increase in accounts payable from affiliates of $2.6 million.

The $77.1 million in net cash used in investing activities consisted of $60.8 million in capital expenditures and $22.5 million for the acquisition of Michael’s Cartage and payment of acquisition related liabilities. These uses were partially offset by $5.0 million in proceeds from the sale of equipment and $1.2 million in proceeds from the sale of marketable securities.

We used $54.2 million in financing activities during the thirty-nine weeks ended September 28, 2019. We paid $24.8 million for purchases of common stock through a “Dutch auction” tender offer and cash dividends of $15.0 million. At September 28, 2019, we had outstanding borrowings totaling $388.8 million compared to $403.2 million at December 31, 2018. During the period, we made net repayments on our revolving lines of credit and margin facility totaling $15.5 million and borrowed an additional $45.4 million for new equipment. We also made term loan, and equipment and real estate note payments totaling $44.2 million during the period.

**Off Balance Sheet Arrangements**

None.

28



**Critical Accounting Policies**

We adopted Accounting Standards Codification ("ASC") Topic 842 Leases on January 1, 2019. Prior amounts were not adjusted and continue to be reported in accordance with the accounting standards in effect for those periods. Changes to our accounting for leases under the new standard are discussed in Note 10, Leases, to the Unaudited Consolidated Financial Statements included in this Quarterly Report on Form 10-Q is incorporated herein by reference.

**Seasonality**

Generally, demand for our value-added services delivered to existing customers increases during the second calendar quarter of each year as a result of the automotive industry’s spring selling season and decreases during the third quarter of each year due to the impact of scheduled OEM customer plant shutdowns in July and August for vacations and changeovers in production lines for new model years. Our value-added services business is also impacted in the fourth quarter by plant shutdowns during the December holiday period. Prolonged adverse weather conditions, particularly in winter months, can also adversely impact margins due to productivity declines and related challenges meeting customer service requirements.

Additionally, our transportation services business, excluding dedicated transportation tied to specific customer supply chains, is generally impacted by decreased activity during the post-holiday winter season and, in certain states during hurricane season, because some shippers reduce their shipments and inclement weather impedes trucking operations or underlying customer demand.

**ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

There have not been any material changes to the Company’s market risk during the thirteen weeks ended September 28, 2019. For additional information, please see the Company’s Annual Report on Form 10-K for the year ended December 31, 2018.

**ITEM 4: CONTROLS AND PROCEDURES**

**Disclosure Controls and Procedures**

We carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to paragraph (b) of Rule 13a-15 or 15d-15 of the Securities Exchange Act of 1934, as amended (or the Exchange Act). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of September 28, 2019, our disclosure controls and procedures were effective in causing the material information required to be disclosed in the reports that it files or submits under the Exchange Act (i) to be recorded, processed, summarized and reported, to the extent applicable, within the time periods required for us to meet the Securities and Exchange Commission’s (or SEC) filing deadlines for these reports specified in the SEC’s rules and forms and (ii) to be accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

**Internal Controls**

There have been no changes in our internal controls over financial reporting during the thirteen weeks ended September 28, 2019 identified in connection with our evaluation that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

29



**PART II – OTHER INFORMATION**

**ITEM 1: LEGAL PROCEEDINGS**

The Company was plaintiff in a lawsuit that was filed on June 11, 2015 against, among others, Dalton Logistics, Inc. (“Dalton”) in the United States District Court for the Southern District of Texas. The Company was seeking approximately $1.9 million in damages from a debtor relating to unpaid freight charges. In response to the filing of the complaint, the shareholders of Dalton filed a counterclaim against the Company alleging that the Company, in connection with certain unrelated negotiations with the defendant, breached an alleged agreement to acquire Dalton. The respective claims proceeded to trial and, on July 21, 2017, a jury returned two separate verdicts: One in favor of Universal for $1.9 million, and a second in favor of the defendant for approximately $5.7 million. On October 30, 2017, the court entered a judgment against Universal for the $5.7 million, but ignored the $1.9 million jury award in favor of Universal. The Company believes this ruling was in error and further believes the jury erred in their findings of any damages against Universal. The Company has filed an appeal with the United States Court of Appeals for the Fifth Circuit to overturn the verdict and the judgment. Enforcement of the judgment has been stayed pending the outcome of the appeal. The Company currently estimates the possible range of financial exposure in the matter to be between $0 and $5.7 million. Based on the Company’s best estimate of the liability at this time, the Company has recorded an accrued liability for this matter of $4.0 million, which is inclusive of any interest owed on the verdict. While we cannot predict with any certainty the outcome of this litigation, management does not believe the outcome will have a material adverse effect on our business, financial condition, results of operations or cash flows.

As previously disclosed, a predecessor to a subsidiary of the Company was a party to a legal proceeding captioned Denton v. UACL, et al. (the “Denton Litigation”). The Company resolved the Denton Litigation on September 24, 2019 (the “Final Denton Settlement”). Under the terms of the Final Denton Settlement, the Company agreed to pay plaintiffs $36 million in cash, exclusive of amounts previously paid, based on an opinion issued by the Appellate Court of Illinois First Judicial District on September 24, 2019 affirming the trial court judgment. In connection with the Final Denton Settlement, the Company recorded a pre-tax charge to net income of $24.8 million in the third quarter of 2019. On October 23, 2019, the Company funded the $36.0 million payment. The Company’s participation in the Final Denton Settlement does not constitute an admission by the Company of any fault or liability, and the Company does not admit any fault or liability.

The Company is involved in certain other claims and pending litigation arising from the ordinary conduct of business. We also provide accruals for claims within our self-insured retention amounts. Based on the knowledge of the facts, and in certain cases, opinions of outside counsel, in the Company’s opinion the resolution of these claims and pending litigation will not have a material effect on our financial position, results of operations or cash flows. However, if we experience claims that are not covered by our insurance or that exceed our estimated claim reserve, it could increase the volatility of our earnings and have a materially adverse effect on our financial condition, results of operations or cash flows.

**ITEM 1A: RISK FACTORS**

There have been no material changes to our risk factors as previously disclosed in Item 1A to Part 1 of our Form 10-K for the fiscal year ended December 31, 2018.

30



**ITEM 2: UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

The following table provides information regarding the Company’s purchases of its Common Stock during the period from June 30, 2019 to September 28, 2019, the Company’s third fiscal quarter:

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  | Total Number of |  |  | Maximum Number |
|  |  |  |  |  |  |  | Shares Purchased |  |  | of Shares that May |
|  |  |  |  |  |  |  | as Part of Publicly |  |  | Yet be Purchased |
|  |  | Total Number of |  |  | Average Price | Announced |  |  | Under the Plans or |
| Fiscal Period | Shares Purchased |  |  | Paid per Share | Program |  |  | Program |
| June 30, 2019 - July 27, 2019 |  | - |  | $ | - |  |  | - |  | 751,153 |  |
| July 28, 2019 - Aug. 24, 2019 | - |  |  | - |  |  | - |  | 751,153 |  |
| Aug. 25, 2019 - Sept. 28, 2019 | 1,101,597 |  |  | 22.50 |  |  | - |  | 751,153 |  |
| Total | 1,101,597 |  | $ | 22.50 |  |  | - |  | 751,153 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

On June 30, 2014, the Company announced that it had been authorized to purchase up to 800,000 shares of its Common Stock from time to time in the open market. As of September 28, 2019, the Company may purchase 751,153 shares of its common stock under this authorization. No specific expiration date has been assigned to the authorization.

On August 5, 2019, the Company’s announced that its Board of Directors authorized the repurchase of up to 300,000 shares of common stock through a “Dutch auction” tender offer. Subject to certain limitations and legal requirements, the Company could repurchase up to an additional 2% of its outstanding shares. The tender offer began on the date of the announcement, August 5, 2019 and was set to expire September 3, 2019. On August 27, 2019, the Company’s announced an amendment to the tender offer to increase the number of shares it was authorized to repurchase up to 600,000 shares and extended the expiration to September 13, 2019. Through this tender offer, the Company’s shareholders had the opportunity to tender some or all of their shares at a price within the range of $21.00 to $24.00 per share. Following the expiration of the tender offer, 1,101,597 shares were purchased through this offer at a final purchase price of $22.50 per share for a total purchase price of approximately $24.8 million, excluding fees and commission.

**ITEM 3: DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4: MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5: OTHER INFORMATION**

None.

31



**ITEM 6: EXHIBITS**

The exhibits listed on the Exhibit Index are furnished as part of this quarterly report on Form 10-Q.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Exhibit** |  |  |  |  |  | **Description** |  |  |
| **No.** |  |  |  |  |  |  |  |
| 3.1 |  | [Amended and Restated Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the Registrant’s Registration Statement on](http://www.sec.gov/Archives/edgar/data/1308208/000095012404005715/k89144exv3w1.txt) |  |  |
|  |  | [Form S-1 filed on November 15, 2004).](http://www.sec.gov/Archives/edgar/data/1308208/000095012404005715/k89144exv3w1.txt) |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 3.2 |  | Amendment to Articles of Incorporation (incorporated by reference to Exhibit [3(i)-1](http://www.sec.gov/Archives/edgar/data/1308208/000119312512446556/d430993dex3i1.htm) and [3(i)-2](http://www.sec.gov/Archives/edgar/data/1308208/000119312512446556/d430993dex3i2.htm) to the Registrant’s Current Report on Form |  |
|  |  | 8-K filed on November 1, 2012). |  |  |  |  |  |
| 3.3 |  | [Certificate of Amendment to Restated Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the Registrant’s Current Report](http://www.sec.gov/Archives/edgar/data/1308208/000119312516572721/d190969dex31.htm) |  |  |
|  |  | [on Form 8-K filed on May 2, 2016).](http://www.sec.gov/Archives/edgar/data/1308208/000119312516572721/d190969dex31.htm) |  |
|  |  |  |  |  |  |  |  |  |  |  |
| 3.4 |  | [Fourth Amended and Restated Bylaws, as amended effective April 28, 2016 (incorporated by reference to Exhibit 3.2 to the Registrant’s](http://www.sec.gov/Archives/edgar/data/1308208/000119312516572721/d190969dex32.htm) |  |  |
|  |  | [Current Report on Form 8-K filed on May 2, 2016).](http://www.sec.gov/Archives/edgar/data/1308208/000119312516572721/d190969dex32.htm) |  |
|  |  |  |  |  |  |  |  |  |  |
| 4.1 |  | [Amended and Restated Registration Rights Agreement among the Registrant, Matthew T. Moroun, the Manuel J. Moroun Revocable Trust](http://www.sec.gov/Archives/edgar/data/1308208/000119312512315608/d385363dex41.htm) |  |  |
|  |  | [and the M.J. Moroun 2012 Annuity Trust (incorporated by reference to Exhibit 4.1 to the Registrant’s Current Report on Form 8-K filed](http://www.sec.gov/Archives/edgar/data/1308208/000119312512315608/d385363dex41.htm) |  |  |
|  |  | [July 26, 2012).](http://www.sec.gov/Archives/edgar/data/1308208/000119312512315608/d385363dex41.htm) |  |
|  |  |  |  |  |  |  |
| 31.1\* |  | Chief Executive Officer certification, as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002. |  |
|  |  |  |  |  |  |
| 31.2\* |  | Chief Financial Officer certification, as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002. |  |
|  |  |  |  |  |  |
| 32.1\*\* |  | Chief Executive Officer and Chief Financial Officer certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of |  |
|  |  | the Sarbanes-Oxley Act of 2002. |  |
| 101.INS\* | XBRL Instance Document |  |  |
| 101.SCH\* | XBRL Schema Document |  |
| 101.CAL\* | XBRL Calculation Linkbase Document |  |
| 101.DEF\* | XBRL Taxonomy Extension Definition Linkbase Document |  |
| 101.LAB\* | XBRL Labels Linkbase Document |  |
| 101.PRE\* | XBRL Presentation Linkbase Document |  |



* Filed herewith.
* Furnished herewith.

32



**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report on Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized.

**Universal Logistics Holdings, Inc.**

(Registrant)

Date: November 7, 2019 By: */s/ Jude Beres*

Jude Beres



Chief Financial Officer

Date: November 7, 2019 By: */s/ Jeff Rogers*

Jeff Rogers



Chief Executive Officer

33

**Exhibit 31.1**

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER**

**PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT**

I, Jeff Rogers, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Universal Logistics Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
	1. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
	2. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
	3. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
	4. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
	1. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
	2. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2019

*/s/ Jeff Rogers*

Jeff Rogers



Chief Executive Officer

**Exhibit 31.2**

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER**

**PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT**

I, Jude Beres, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Universal Logistics Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
	1. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
	2. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
	3. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
	4. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
	1. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
	2. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2019

*/s/ Jude Beres*

Jude Beres



Chief Financial Officer

**Exhibit 32.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND**

**CHIEF FINANCIAL OFFICER**

**PURSUANT TO 18 U.S.C. SECTION 1350,**

**AS ADOPTED PURSUANT TO**

**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report, or the Report, of Universal Logistics Holdings, Inc., or the Company, on Form 10-Q for the period ended September 28, 2019, as filed with the Securities and Exchange Commission on the date hereof, each of the undersigned, Jeff Rogers, as Chief Executive Officer of the Company, and Jude Beres, as Chief Financial Officer of the Company, each certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge, respectively, that (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 7, 2019

*/s/ Jeff Rogers*

Jeff Rogers



Chief Executive Officer

*/s/ Jude Beres*

Jude Beres



Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.