

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-05-10** | Period of Report: **1995-03-31**
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FILER

KENAN TRANSPORT CO

CIK: **745379** | IRS No.: **560516485** | State of Incorpor.: **NC** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-12058** | Film No.: **95536176**
SIC: **4213** Trucking (no local)

Mailing Address	Business Address
<i>UNIVERSITY SQUARE WEST</i>	<i>143 W FRANKLIN ST</i>
<i>143 W FRANKLIN ST P O BOX</i>	<i>UNIVERSITY SQ WEST POST</i>
<i>2729</i>	<i>OFFICE BOX 2729</i>
<i>CHAPEL HILL NC 27515-2729</i>	<i>CHAPEL HILL NC 27516-3910</i>
	<i>9199678221</i>

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

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

For the quarterly period ended March 31, 1995

OR

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

Commission File Number 0-12058

KENAN TRANSPORT COMPANY

(Exact name of registrant as specified in its charter)

North Carolina

56-0516485

(State or other jurisdiction of
incorporation or organization)

(IRS Employer
Identification No.)

University Square - West, 143 W. Franklin Street
Chapel Hill, North Carolina, 27516-3910

(Address of principal executive offices, including Zip Code)

(919) 967-8221

(Registrant's telephone number, including Area Code)

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 X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at April 30, 1995
-----	-----
Common stock, no par value	2,389,497

KENAN TRANSPORT COMPANY

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PART I - FINANCIAL INFORMATION

KENAN TRANSPORT COMPANY
CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

<TABLE>
<CAPTION>

	March 31, 1995 (Unaudited)	December 31, 1994 (Note 1)
ASSETS		

<S>	<C>	<C>
Current Assets		
Cash and cash equivalents	\$15,993	\$12,759
Short-term investments	--	1,000
Accounts receivable	3,497	4,249
Operating supplies and parts	598	574
Prepayments --		
Tires	1,093	1,295
Insurance, licenses and other	1,028	602
Deferred income taxes	1,660	1,660
	-----	-----
Total Current Assets	23,869	22,139
Operating Property		
Land	3,205	3,201
Buildings and leasehold improvements	4,981	4,972
Revenue equipment	47,571	47,434
Other equipment	3,732	3,667
	-----	-----
	59,489	59,274
Accumulated depreciation	(25,524)	(24,259)
	-----	-----
Net Operating Property	33,965	35,015
Other Assets	475	471
	-----	-----
	\$58,309	\$57,625
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities		
Accounts payable	\$ 1,134	\$ 1,257
Wages and employee benefits payable	3,834	4,603
Claims payable	3,785	3,866
Other accrued expenses	79	153
Income taxes payable	581	--
	-----	-----
Total Current Liabilities	9,413	9,879
Deferred Income Taxes	8,052	7,975
Stockholders' Equity		

Common stock; no par; 20,000,000 shares authorized; 2,389,497 and 2,378,339 shares issued and outstanding	2,996	2,798
Retained earnings	37,848	36,973
	-----	-----
	40,844	39,771
	-----	-----
	\$58,309	\$57,625
	=====	=====

The Notes to Consolidated Financial Statements are an integral part of these balance sheets.

</TABLE>

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KENAN TRANSPORT COMPANY
CONSOLIDATED STATEMENTS OF INCOME
For the Three Months Ended March 31, 1995 and 1994
(Unaudited and dollars in thousands except per share amounts)

<TABLE>

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	1995	1994
	-----	-----
<S>	<C>	<C>
Operating Revenue	\$15,397	\$15,550
Operating Expenses		
Wages and employee benefits	7,916	7,838
Fuel, parts, tires and other	2,739	2,891
Taxes and licenses	987	1,039
Claims and insurance	522	529
Communications, utilities and rent	348	287
Depreciation	1,349	1,326
	-----	-----
	13,861	13,910
	-----	-----
Operating Income	1,536	1,640
Interest income and other expenses, net	171	75
	-----	-----
Income before Provision for Income Taxes	1,707	1,715
Provision for income taxes	683	695
	-----	-----
Net Income	\$ 1,024	\$ 1,020
	=====	=====

Weighted average number of shares outstanding (in thousands)	2,380	2,372
---	-------	-------

Earnings per share	\$.43	\$.43
Operating ratio	90.0%	89.5%
Dividends paid per share	\$.0625	\$.0600

The Notes to Consolidated Financial Statements are an integral part of these statements.

</TABLE>

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KENAN TRANSPORT COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 1995 and 1994
(Unaudited and dollars in thousands)

<TABLE>

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	1995	1994

<S>	<C>	<C>
Cash Provided by (Applied to):		
Operations	\$ 2,682	\$ 2,675
Purchases of operating property, net	(299)	(691)
Short-term investments, net	1,000	(1,500)
Dividends	(149)	(143)

Net Increase in Cash and Cash Equivalents	3,234	341
Beginning Cash and Cash Equivalents	12,759	9,046

Ending Cash and Cash Equivalents	\$15,993	\$ 9,387
	=====	

The Notes to Consolidated Financial Statements are an integral part of these statements.

</TABLE>

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KENAN TRANSPORT COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The financial information included herein is unaudited; however, such information reflects all adjustments (consisting solely of normal recurring adjustments) that are, in the opinion of management, necessary for a fair statement of results for the interim periods.

The balance sheet at December 31, 1994 has been taken from the audited financial statements at that date.

The results of operations for the three months ended March 31, 1995 and 1994 are not necessarily indicative of the results to be expected for the full year.

KENAN TRANSPORT COMPANY

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

The following is management's discussion and analysis of certain significant factors that have affected the Company's financial position and operating results during the periods included in the accompanying financial statements.

Results of Operations

Revenue for the first quarter of 1995 was \$15,397,000, a decrease of \$153,000 and 1% from the first quarter of 1994. Net income was \$1,024,000 compared to \$1,020,000 in 1994. Earnings per share were \$.43 for both quarters. Warmer weather, compared to historical averages and the first quarter of 1994, affected demand for heating fuels and our revenue from transportation of those products. Miles operated decreased 1% to 10,334,000 in 1995 while average freight rates remained unchanged.

Operating expenses for the first quarter of 1995 were \$13,861,000 compared to \$13,910,000 in 1994. Operating expenses decreased during the quarter as a result of effective cost control, operating efficiencies and lower demand. Our operating ratio for the quarter was 90.0% compared to

89.5% for 1994.

The Company is pursuing expansion into new operating territories in the Southeast by taking advantage of the opportunities presented by Federal preemption of state regulation of trucking entry, rates and routes.

Liquidity and Capital Resources

The Company's financial condition at March 31, 1995 was strong. Working capital was \$14,456,000 compared to \$12,499,000 at March 31, 1994 and the current ratios were 2.5 and 2.3, respectively. Cash and cash equivalents totaled \$15,993,000 at March 31, 1995, and the Company had no debt outstanding under its \$7,000,000 bank line of credit.

Cash flows for the first three months of 1995 totaled \$3,234,000 compared to \$341,000 during the first quarter of 1994. The \$2,893,000 increase in cash flows for the quarter is due largely to shifts in cash and investments from short-term investments to cash equivalent investments. Cash flows from operations for the first quarter of 1995 were \$2,682,000 compared to \$2,675,000 in 1994.

The Company has second quarter cash commitments of approximately \$4,000,000 for tractor and trailer replacements. It is expected that capital expenditure requirements will be met with internal cash resources.

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PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

- (a) The Exhibits to this Form 10-Q are listed on the accompanying Index to Exhibits.
- (b) No reports on Form 8-K have been filed during the quarter ended March 31, 1995.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by

the undersigned thereunto duly authorized.

KENAN TRANSPORT COMPANY
(Registrant)

DATE: May 10, 1995

BY:/s/ William L. Boone

Vice President-Finance and
Chief Financial Officer

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INDEX TO EXHIBITS

The exhibits filed as part of this report are listed below:

Exhibit Number	Description
10(a)	Supplemental Executive Retirement Plan, effective January 1, 1990, filed as Exhibit 10(e) to the Registrant's Form 10-K for the year ended December 31, 1990, which is incorporated herein by reference to such Form 10-K.
10(b)	Employee Stock Bonus Plan effective January 1, 1985, filed as Exhibit 10(c) to the Registrant's Form 10-K for the year ended December 31, 1984, which is incorporated herein by reference to such Form 10-K.
10(c)	Amendment to Employee Stock Bonus Plan dated January 6, 1987, filed as Exhibit 10(d) to the Registrant's Form 10-K for the year ended December 31, 1986, which is incorporated herein by reference to such Form 10-K.
10(d)	1994 Stock Bonus Plan effective January 1, 1994, filed as Exhibit 10(b) to the Registrant's Form 10-Q Quarterly Report for the quarter ended June 30, 1994, which is incorporated herein by reference to such Form 10-Q.
27	Financial Data Schedule for the 1st Quarter 10-Q

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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