Marten Transport Announces Second Quarter Results

MONDOVI, Wis., July 22, 2008 (PRIME NEWSWIRE) – Marten Transport, Ltd. (Nasdaq/GS:MRTN) announced today its financial and operating results for the quarter ended June 30, 2008.

Operating revenue, consisting of revenue from truckload and logistics operations, increased 15.3% to $160.0 million in the second quarter of 2008 from $138.8 million in the 2007 quarter. For the six-month period of 2008, operating revenue increased 12.3% to $303.4 million from $270.2 million for the 2007 period. Truckload revenue increased 8.4% to $134.1 million from $123.7 million in the 2007 quarter. For the six-month period of 2008, truckload revenue increased 5.5% to $255.2 million from $241.9 million for the 2007 period. Logistics revenue, which consists of revenue from brokerage and intermodal operations, increased 71.5% to $25.9 million from $15.1 million in the 2007 quarter. For the six-month period of 2008, logistics revenue increased 69.7% to $48.2 million from $28.4 million for the 2007 period.

Operating revenue included fuel surcharges of $40.1 million and $68.1 million for the second quarter and six-month period of 2008, compared with $21.1 million and $38.5 million for the second quarter and six-month period of 2007. Operating revenue, net of fuel surcharges, increased 1.8% to $119.9 million in the 2008 quarter and 1.5% to $235.2 million in the 2008 six-month period.

For the second quarter ended June 30, 2008, net income was $3.5 million, or 16 cents per diluted share, compared with $4.3 million, or 20 cents per diluted share, for the same quarter of 2007. For the six-month period of 2008, net income was $6.1 million, or 28 cents per diluted share, compared with $8.9 million, or 41 cents per diluted share, for the 2007 period.

Chairman and Chief Executive Officer Randolph L. Marten said, “During the second quarter we continued the disciplined execution of our business model by focusing on freight selection in our asset-based truckload operations and increasing the scope and penetration of our asset-light logistics and intermodal operations. As a result, operating revenue increased 15.3% compared with the same quarter of 2007 (1.8% increase excluding fuel surcharge revenue) despite a decrease in the average size of our truckload fleet. Our average fleet size decreased by 185 tractors compared with the second quarter of 2007, but remained essentially the same as the end of 2007. As with the first quarter, we are not satisfied with our results; however, we are confident that Marten is well-positioned to grow and improve in our markets.

“In our truckload operations, we improved our average truckload revenue per tractor per week, net of fuel surcharges, to $3,128 in the 2008 quarter from $3,108 in the 2007 quarter. The combination of our freight mix, reduced average length of haul, and an apparent reduction in overall truckload industry capacity contributed to an approximately 2.7 cents per total mile increase in average truckload revenue, net of fuel surcharges. This increase in freight rates more than offset a 1.2% reduction in average miles per tractor.

“The changes in our operating statistics are consistent with growth of our regional temperature-controlled operations. By focusing on shorter lengths of haul in certain defined areas, we are addressing customer trends toward regional distribution to lower their transportation expense, furthering our own objectives of reducing fuel consumption per load, and matching some of our drivers’ desires to stay closer to home. The concentration of a portion of our fleet in these markets is evident in a 5.0% reduction in average length of haul to 865 miles. As evidence to our tight operating controls and contrary to normal assumptions, we were able to combine a shorter length of haul with a slight reduction in non-revenue miles percentage, to 7.7% for the quarter.

"Our logistics operations expanded to nearly 20% of our total operating revenue, excluding fuel surcharge revenue from both truckload and intermodal operations. Logistics revenue, net of intermodal fuel surcharges, grew to $23.4 million in the second quarter, an increase of 62.4% over the 2007 quarter. Logistics revenue consists of revenue from our internal brokerage and intermodal operations and from revenue associated with our 45% interest in MW Logistics, LLC, a third-party provider of logistics services. Consistent with the growth of our logistics business, purchased transportation expense increased 26.8% in the 2008 quarter compared with the 2007 quarter, as growth in our logistics business more than offset a decrease in the percentage of our fleet provided by independent contractors.

"The cost of fuel soared to record levels during the second quarter. Our average cost per gallon was $4.21, compared with $2.73 in the second quarter of 2007. Our gross cost of fuel increased approximately $14.7 million, or 39.5%, compared with the same quarter of 2007. We addressed this unprecedented challenge by investing nearly $15.0 million in auxiliary power units (APUs), improving our volume purchasing arrangements with national fuel centers, focusing on shorter lengths of haul, and tightly managing non-revenue miles. At the end of the second quarter of 2008, we had installed APUs in nearly 87% of our company-owned tractors. These units provide heat, air conditioning and electrical power for our drivers without running the tractor engine. By managing the use of APUs, we reduced idling time for the 2008 quarter beyond our original expectations and beyond the lowest level projected by the manufacturers. Together with an effective fuel surcharge program, these initiatives allowed us to reduce our net fuel expense (fuel and fuel taxes less fuel surcharges, net of surcharges passed through to independent contractors) to 15.5% of truckload and intermodal revenue, net of fuel surcharges, in the second quarter of 2008, compared with 17.7% in the 2007 quarter.

"Our progress on fuel expense was partially offset by increases in depreciation, supplies and maintenance and insurance and claims expense, which were primarily due to the additional depreciation costs associated with our investment in APUs, the increased percentage of company-owned tractors in our fleet, an increase in the average age of our tractor and trailer fleets, and an increase in the cost of self-insured accident claims.

"Salaries, wages and benefits expense decreased 2.1% in the 2008 quarter compared with the 2007 quarter, which primarily resulted from a reduction in our fleet size and the adoption of a per diem expense reimbursement program for our drivers in the first quarter of 2008. These savings were partially offset by a $746,000 increase in our self-insured medical claims and a decrease in our ratio of tractors to non-driver personnel associated with growth in our logistics business.

"As expected, a softer market for used equipment, which we believe was driven by capacity reductions in the industry, led to a decrease of $341,000 in gain on disposition of revenue equipment compared with the second quarter of 2007 despite an increase in the number of tractors sold.

"Our operating ratio (operating expenses as a percentage of operating revenue) was 96.0% for the second quarter of 2008 compared with 94.2% for the second quarter of 2007. Our operating ratio improved, however, from 96.2% for the first quarter of 2008, despite the rapid run-up in fuel prices.

“Our effective tax rate increased to 41.6% in the 2008 quarter from 38.3% in the 2007 quarter due to the nondeductible effect of the per diem pay structure in 2008.

“At June 30, 2008, our balance sheet reflected approximately $242.8 million in stockholders’ equity and $18.2 million in debt, for a debt-to-capitalization ratio of approximately 7.0%. In the first half of 2008, we retired approximately $26.4 million in debt. We recently negotiated additional equipment purchase agreements with our tractor and trailer suppliers, most of which will be for replacement equipment. With anticipated net capital expenditures of approximately $35 million for the remainder of 2008, we expect to finish the year with a well-maintained fleet and a very strong balance sheet.

“In addition to the Company’s financial and operating results, we were also pleased to receive the Temperature Controlled Carrier of the Year Award from General Mills, our largest customer. This award recognizes us for our service and innovation and is the result of our employees’ commitment to excellence and customer satisfaction.”

Looking forward at the balance of 2008, Mr. Marten offered the following comments: “For the second half of 2008, we expect freight demand to continue to improve somewhat but to remain less than robust. We also expect industry-wide equipment capacity to remain flat or decrease as poorly capitalized and poorly operated trucking companies shrink their fleets or fail in a difficult environment. In light of those general economic assumptions, our goals are to improve our rate structure by focusing on profitable freight and providing superior service, to maintain our fleet at or modestly above our current size, and to aggressively control our costs. Assuming fuel does not spike rapidly in the second half of the year, we expect to continue to improve our operating results sequentially in the third and fourth quarters.”

Marten Transport, with headquarters in Mondovi, Wis., is one of the leading temperature-sensitive truckload carriers in the United States. Marten specializes in transporting food and other consumer packaged goods that require a temperature-sensitive or insulated environment. Marten offers nationwide service, concentrating on expedited movements for high-volume customers. Marten’s common stock is traded on the Nasdaq Global Select Market under the symbol MRTN.

This press release contains certain statements that may be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may be identified by their use of terms or phrases such as "expects," "estimates," "projects," "believes," "anticipates," "plans," "intends," and similar terms and phrases. Forward-looking statements are based upon the current beliefs and expectations of our management and are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, which could cause future events and actual results to differ materially from those set forth in, contemplated by, or underlying the forward-looking statements. In this release, forward-looking statements involve, among other things, our expectations concerning our position in the industry and ability to grow and improve in our markets, freight demand, industry-wide capacity of tractors and trailers, net capital expenditures, the condition of our fleet, the strength of our balance sheet, and improvements in operating results. The following factors, among others, could cause actual results to differ materially from those in the forward-looking statements: the risk that our perception of the cyclicality of the markets we primarily serve is incorrect or there are recessionary economic cycles and downturns in customers' business cycles; increases in the prices paid for new revenue equipment and changes in the resale value of our used equipment causing our gain on disposition to fluctuate; excess tractor or trailer capacity in the trucking *industry; decreased demand for our services or loss of one or more of our major customers; our ability to maintain profitability in or continue to grow our logistics business; surplus inventories; recessionary economic cycles and downturns in customers' business cycles; strikes, work slow downs, or work stoppages at the company, customers, ports, or other shipping related facilities; increases or rapid fluctuations in fuel prices as well as fluctuations in surcharge collection, including, but not limited to, changes in customer fuel surcharge policies and increases in fuel surcharge bases by customers; the volume and terms of diesel purchase commitments; interest rates, fuel taxes, tolls, and license and registration fees; increased indebtedness, and associated interest expense, arising from upgrading our fleet of equipment; shortages in supply of new equipment from manufacturers; changes in management's estimates of the need for new tractors and trailers; increases in compensation for and difficulty in attracting and retaining qualified drivers and independent contractors; elevated experience in the frequency and severity of claims relating to accident, cargo, workers' compensation, health, and other claims; changes in management's estimates of liability based upon such experience and development factors; increases in insurance premiums and deductible amounts; seasonal factors such as harsh weather conditions that increase operating costs; decreases in productivity that may offset or eliminate potential savings from the installation of auxiliary power units, unexpected maintenance or other costs associated with such units, or our inability to continue to maintain idle time at the recent level; competition from trucking, rail, and intermodal competitors; and regulatory requirements that increase costs or decrease efficiency, including new emissions standards for engines, the adoption of ultra-low sulfur diesel fuel and revised hours-of-service requirements for drivers, or changes in tax treatment with respect to our per diem program. Readers should review and consider these factors along with the various disclosures by the Company in its press releases, stockholder reports and filings with the Securities and Exchange Commission. The Company does not assume, and specifically disclaims, any obligation to update or revise any forward-looking statements to reflect actual results or changes in the factors affecting the forward-looking information.*

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MARTEN TRANSPORT, LTD.
CONSOLIDATED CONDENSED BALANCE SHEETS

(Unaudited)

(In thousands, except share information)	June 30, 2008	December 31, 2007
ASSETS		
Current assets:		
Cash	$ 1,074	$ 3,618
Marketable securities	320	350
Receivables:		
Trade, net	63,477	51,539
Other	11,366	6,175
Prepaid expenses and other	12,646	13,823
Deferred income taxes	5,629	4,653
Total current assets	94,512	80,158
Property and equipment:		
Revenue equipment, buildings and land, office equipment and other	429,350	447,430
Accumulated depreciation	(129,938)	(122,246)
Net property and equipment	299,412	325,184
Other assets	1,131	2,048
TOTAL ASSETS	$ 395,055	$ 407,390
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Checks issued in excess of cash balances	$ 11	$ -
Accounts payable and accrued liabilities	35,353	32,384
Insurance and claims accruals	19,183	17,431
Current maturities of long-term debt	5,000	5,000
Total current liabilities	59,547	54,815
Long-term debt, less current maturities	13,239	39,643
Deferred income taxes	77,631	74,719
Total liabilities	150,417	169,177
Minority interest	1,849	1,283
Stockholders' equity:		
Preferred stock, $.01 par value per share; 2,000,000 shares authorized; no shares issued and outstanding	-	-
Common stock, $.01 par value per share; 48,000,000 shares authorized; 21,765,289 shares at June 30, 2008, and 21,811,837 shares at December 31, 2007, issued and outstanding	218	218
Additional paid-in capital	74,307	74,570
Retained earnings	168,264	162,142
Total stockholders' equity	242,789	236,930
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 395,055	$ 407,390

MARTEN TRANSPORT, LTD.
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

(In thousands, except per share information)	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
OPERATING REVENUE	$ 159,994	$ 138,821	$ 303,368	$ 270,237
OPERATING EXPENSES (INCOME):				
Salaries, wages and benefits	37,755	38,565	74,437	76,978
Purchased transportation	31,285	24,679	59,289	46,499
Fuel and fuel taxes	51,785	37,126	93,714	69,938
Supplies and maintenance	9,378	8,966	18,710	17,916
Depreciation	12,346	11,727	24,308	23,450
Operating taxes and licenses	1,762	1,726	3,474	3,425
Insurance and claims	6,653	5,376	12,218	10,846
Communications and utilities	909	970	1,870	1,910
Gain on disposition of revenue equipment	(927)	(1,268)	(1,986)	(2,448)
Other	2,620	2,913	5,424	5,292
Total operating expenses	153,566	130,780	291,458	253,806
OPERATING INCOME	6,428	8,041	11,910	16,431
OTHER EXPENSES (INCOME):				
Interest expense	302	1,042	836	2,121
Interest income and other	(37)	(126)	(114)	(345)
Minority interest	225	79	605	229
	490	995	1,327	2,005
INCOME BEFORE INCOME TAXES	5,938	7,046	10,583	14,426
PROVISION FOR INCOME TAXES	2,469	2,702	4,461	5,488
NET INCOME	$ 3,469	$ 4,344	$ 6,122	$ 8,938
BASIC EARNINGS PER COMMON SHARE	$ 0.16	$ 0.20	$ 0.28	$ 0.41
DILUTED EARNINGS PER COMMON SHARE	$ 0.16	$ 0.20	$ 0.28	$ 0.41

MARTEN TRANSPORT, LTD.
SEGMENT INFORMATION

(Dollars in thousands)	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Dollar Change Three Months Ended June 30, 2008 vs. 2007	Percentage Change Three Months Ended June 30, 2008 vs. 2007
Operating revenue:				
Truckload revenue, net of fuel surcharge revenue	$ 96,506	$103,354	$ (6,848)	(6.6) %
Truckload fuel surcharge revenue	37,568	20,357	17,211	84.5
Total Truckload revenue	134,074	123,711	10,363	8.4
Logistics revenue, net of intermodal fuel surcharge revenue	23,366	14,388	8,978	62.4
Intermodal fuel surcharge revenue	2,554	722	1,832	253.7
Total Logistics revenue	25,920	15,110	10,810	71.5
Total operating revenue	$159,994	$138,821	$ 21,173	15.3 %
Operating income:				
Truckload	$ 4,634	$ 7,065	$ (2,431)	(34.4) %
Logistics	1,794	976	818	83.8
Total operating income	$ 6,428	$ 8,041	$ (1,613)	(20.1) %
Operating ratio:				
Truckload	96.5 %	94.3 %		(2.3) %
Logistics	93.1	93.5		0.4
Consolidated operating ratio	96.0 %	94.2 %		(1.9) %

MARTEN TRANSPORT, LTD.
SEGMENT INFORMATION

(Dollars in thousands)	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007	Dollar Change Six Months Ended June 30, 2008 vs. 2007	Percentage Change Six Months Ended June 30, 2008 vs. 2007
Operating revenue:				
Truckload revenue, net of fuel surcharge revenue	$ 191,137	$ 204,631	$ (13,494)	(6.6) %
Truckload fuel surcharge revenue	64,066	37,227	26,839	72.1
Total Truckload revenue	255,203	241,858	13,345	5.5
Logistics revenue, net of intermodal fuel surcharge revenue	44,111	27,100	17,011	62.8
Intermodal fuel surcharge revenue	4,054	1,279	2,775	217.0
Total Logistics revenue	48,165	28,379	19,786	69.7
Total operating revenue	$ 303,368	$ 270,237	$ 33,131	12.3 %
Operating income:				
Truckload	$ 8,361	$ 14,412	$ (6,051)	(42.0) %
Logistics	3,549	2,019	1,530	75.8
Total operating income	$ 11,910	$ 16,431	$ (4,521)	(27.5) %
Operating ratio:				
Truckload	96.7 %	94.0 %		(2.9) %
Logistics	92.6	92.9		0.3
Consolidated operating ratio	96.1 %	93.9 %		(2.3) %

MARTEN TRANSPORT, LTD.
OPERATING STATISTICS
(Unaudited)

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
Truckload Segment:				
Average truckload revenue, net of fuel surcharges, per total mile	$ 1.497	$ 1.470	$ 1.488	$ 1.474
Average miles per tractor[1]	27,162	27,494	54,245	54,081
Average truckload revenue, net of fuel surcharges, per tractor per week[1]	$ 3,128	$ 3,108	$ 3,105	$ 3,083
Average tractors [1]	2,373	2,558	2,368	2,567
Average miles per trip	865	911	878	926
Non-revenue miles percentage[2]	7.7 %	7.8 %	7.9 %	7.7 %
Total miles – company-employed drivers (in thousands)	55,587	58,361	109,897	115,529
Total miles – independent contractors (in thousands)	8,877	11,968	18,548	23,297
Logistics Segment:				
Brokerage:				
Revenue (in thousands)	$16,487	$10,376	$ 31,711	$19,425
Loads	7,978	5,657	15,591	10,405
Intermodal:				
Revenue (in thousands)	$ 9,433	$ 4,734	$ 16,454	$ 8,954
Loads	2,773	1,528	4,926	2,914
Average tractors	51	26	45	25
At June 30, 2008, and June 30, 2007:				
Total tractors[1]	2,392	2,552		
Average age of company tractors (in years)	2.3	1.7		
Total trailers	4,086	3,934		
Average age of company trailers (in years)	2.7	2.3		
Ratio of trailers to tractors[1]	1.7	1.5		
Ratio of tractors to non-driver personnel[1]	4.8	5.2		

(In thousands)	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
Net cash provided by operating activities	$ 6,979	$ 12,656	$ 21,718	$ 29,494
Net cash provided by (used for) investing activities	3,637	(4,447)	2,770	(32,347)
Weighted average shares outstanding:				
Basic	21,764	21,789	21,760	21,778
Diluted	21,918	21,971	21,912	21,962

(1) Includes tractors driven by both company-employed drivers and independent contractors. Independent contractors provided 246 and 368 tractors as of June 30, 2008, and 2007, respectively.

(2) Represents the percentage of miles for which the company is not compensated.