SAIA INC
Form 10-Q
May 01, 2007

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

FOR THE QUARTER ENDED MARCH 31, 2007

OR

o **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: 0-49983

SAIA, INC.
(Exact name of registrant as specified in its charter)

Delaware (State of incorporation)	**48-1229851** (I.R.S. Employer Identification No.)
11465 Johns Creek Parkway, Suite 400 **Duluth, GA** (Address of principal executive offices)	**30097** (Zip Code)

(770) 232-5067
(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 þ No o

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer o Accelerated filer þ Non-accelerated filer o

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No þ

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

Common Stock	Outstanding Shares at April 26, 2007
Common Stock, par value $.001 per share	14,259,272

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PART I. FINANCIAL INFORMATION

Item 1: Financial Statements

Saia, Inc.
Condensed Consolidated Balance Sheets
(in thousands, except share data)
(unaudited)

	March 31 2007	December 31, 2006
Assets		
Current Assets:		
Cash and cash equivalents	$ 6,968	$ 10,669
Accounts receivable, net	105,532	95,779
Prepaid expenses and other	30,890	27,236
Total current assets	143,390	133,684
Property and Equipment, at cost	534,658	518,052
Less-accumulated depreciation	209,569	203,220
Net property and equipment	325,089	314,832
Goodwill, net	38,688	36,406
Other Intangibles, net	1,172	1,096
Other Noncurrent Assets	1,173	1,382
Total assets	$ 509,512	$ 487,400
Liabilities and Shareholders Equity		
Current Liabilities:		
Accounts payable and checks outstanding	$ 39,551	$ 39,389
Wages, vacations and employees benefits	39,394	45,752
Other current liabilities	34,409	30,027
Current portion of long-term debt	11,356	11,356
Current liabilities of discontinued operations		117
Total current liabilities	124,710	126,641
Other Liabilities:		
Long-term debt	119,659	98,628
Deferred income taxes	46,242	45,259
Claims, insurance and other	18,061	13,717
Total other liabilities	183,962	157,604
Commitments and Contingencies		
Shareholders Equity:		
Preferred stock, $0.001 par value, 50,000 shares authorized, none issued and outstanding		
Common stock, $0.001 par value, 50,000,000 shares authorized, 14,772,422 and 14,761,072 shares issued and outstanding at March 31, 2007 and December 31,	15	15

2006, respectively		
Additional paid-in-capital	199,606	199,257
Treasury stock, 547,100 and 336,400 shares at cost at March 31, 2007 and December 31, 2006, respectively	(14,269)	(8,861)
Deferred compensation trust, 116,407 and 106,247 shares of common stock at cost at March 31, 2007 and December 31, 2006, respectively	(2,156)	(1,877)
Retained earnings	17,644	14,621
Total shareholders equity	200,840	203,155
Total liabilities and shareholders equity	$ 509,512	$ 487,400

See accompanying notes to condensed consolidated financial statements.

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Saia, Inc.
Condensed Consolidated Statements of Operations
For the quarter ended March 31, 2007 and 2006
(in thousands, except per share data)
(unaudited)

	First Quarter 2007	First Quarter 2006
Operating Revenue	$ 231,827	$ 204,646
Operating Expenses:		
Salaries, wages and employees benefits	129,804	113,066
Purchased transportation	16,167	17,008
Fuel, operating expenses and supplies	50,394	44,906
Operating taxes and licenses	8,321	7,348
Claims and insurance	8,799	6,306
Depreciation and amortization	9,020	7,584
Operating gains, net	(165)	(133)
Integration charges	2,427	
Total operating expenses	224,767	196,085
Operating Income	7,060	8,561
Nonoperating Expenses:		
Interest expense	2,204	2,474
Other, net	(152)	(185)
Nonoperating expenses, net	2,052	2,289
Income Before Income Taxes	5,008	6,272
Income Tax Provision	1,985	2,355
Income from Continuing Operations	3,023	3,917
Income (Loss) from Discontinued Operations		(1,546)
Net Income (Loss)	$ 3,023	$ 2,371
Weighted average common shares outstanding basic	14,237	14,499
Weighted average common shares outstanding diluted	14,493	14,842
Basic Earnings Per Share-Continuing Operations	$ 0.21	$ 0.27
Diluted Earnings Per Share-Continuing Operations	$ 0.21	$ 0.26
Basic Earnings (Loss) Per Share-Discontinued Operations	$	$ (0.11)

Diluted Earnings (Loss) Per Share-Discontinued Operations	$		$	(0.10)
Basic Earnings Per Share	$	0.21	$	0.16
Diluted Earnings Per Share	$	0.21	$	0.16

See accompanying notes to condensed consolidated financial statements.

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Saia, Inc.
Condensed Consolidated Statements of Cash Flows
For the quarter ended March 31, 2007 and 2006
(in thousands)
(unaudited)

	Three Months	
	2007	**2006**
Operating Activities:		
Net cash from (used in) operating activities continuing operations	$ 3,927	$ (3,541)
Net cash from (used in) operating activities discontinued operations	(117)	2,820
Net cash from (used in) operating activities	3,810	(721)
Investing Activities:		
Acquisition of property and equipment	(20,863)	(17,487)
Proceeds from disposal of property and equipment	319	262
Acquisition of business	(2,344)	
Net investment in discontinued operations		(3,990)
Net cash used in investing activities	(22,888)	(21,215)
Financing Activities:		
Repayment of long-term debt	(469)	
Proceeds from long-term debt	21,013	8,000
Repurchase of common stock	(5,408)	
Proceeds from stock option exercises	241	2,290
Net cash from financing activities	15,377	10,290
Net Decrease in Cash and Cash Equivalents	(3,701)	(11,646)
Cash and cash equivalents, beginning of period	10,669	16,865
Cash and cash equivalents, end of period	$ 6,968	$ 5,219
Supplemental Cash Flow Information:		
Income taxes paid, net	$ 192	$ 223
Interest paid	307	4,005

See accompanying notes to condensed consolidated financial statements.

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Saia, Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)
(1) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of Saia, Inc. and its wholly owned regional transportation subsidiary, Saia Motor Freight Line, LLC (together the Company or Saia). The financial statements include the financial position and results of operations of The Connection Company (the Connection) since its acquisition date of November 18, 2006 and Madison Freight Systems, Inc. (Madison Freight) since its acquisition date of February 1, 2007 (See Note 3).

The condensed consolidated financial statements have been prepared by the Company, without audit by independent registered public accountants. In the opinion of management, all normal recurring adjustments necessary for a fair presentation of the statement of the financial position, results of operations and cash flows for the interim periods included herein have been made. 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. These interim financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information, the instructions to Quarterly Report on Form 10-Q and Rule 10-01 of Regulation S-X. The accompanying condensed consolidated financial statements should be read in conjunction with the Company s Annual Report on Form 10-K for the year ended December 31, 2006. Operating results for the quarter ended March 31, 2007, are not necessarily indicative of the results of operations that may be expected for the year ended December 31, 2007.

Business

The Company provides regional and interregional less-than-truckload (LTL) services and selected national LTL, truckload (TL) and time-definite services across the United States through its wholly owned subsidiary, Saia Motor Freight Line, LLC (Saia Motor Freight).

Integration Charges

Integration charges totaling $2.4 million were expensed in the three months ended March 31, 2007 in connection with the acquisition of the Connection and Madison Freight (See Note 3). These integration charges consist of employee retention and stay bonuses, training, communications, re-logoing the fleets of the Connection and Madison Freight, technology integration and other miscellaneous items.

New Accounting Pronouncements

There are no new accounting pronouncements pending adoption as of March 31, 2007, which the Company believes would have a significant impact on its consolidated financial position or results of operations.

Business Segment Information

As a result of the sale of Jevic Transportation, Inc., the subsequent relocation of the corporate headquarters to Duluth, Georgia and the move to a focus on the operations of one company, management has modified its internal reporting whereby the Company s chief operating decision maker now evaluates information on a consolidated basis and as a result, the Company will no longer report separate segment information. Jevic Transportation, Inc. has been reflected as discontinued operations. The accounting policies are the same as those described in the summary of significant accounting policies in the Company s Annual Report on Form 10-K for the year ended December 31, 2006 except as disclosed in this Form 10-Q.

Stock-based Compensation Expense

The Company amended its Amended and Restated 2003 Omnibus Incentive Plan to provide for the payment of Performance Unit Awards granted on or after January 1, 2007 in shares instead of cash. The new stock-based awards will be accounted for in accordance with Financial Accounting Standards Board Statement No. 123R with the expense amortized over the three year vesting period based on the Monte Carlo fair value at the date the awards are granted.

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(2) Computation of Earnings Per Share

The calculation of basic earnings per common share and diluted earnings per common share was as follows (in thousands, except per share amounts):

	First Quarter 2007	First Quarter 2006
Numerator:		
Income from continuing operations	$ 3,023	$ 3,917
Income (loss) from discontinued operations, net		(1,546)
Net income	$ 3,023	$ 2,371
Denominator:		
Denominator for basic earnings per share weighted average common shares	14,237	14,499
Effect of dilutive stock options	227	325
Effect of other common stock equivalents	29	18
Denominator for diluted earnings per share adjusted weighted average common shares	14,493	14,842
Basic Earnings Per Share Continuing Operations	$ 0.21	$ 0.27
Basic Earnings (Loss) Per Share Discontinued Operations		(0.11)
Basic Earnings Per Share	$ 0.21	$ 0.16
Diluted Earnings Per Share Continuing Operations	$ 0.21	$ 0.26
Diluted Earnings (Loss) Per Share Discontinued Operations		(0.10)
Diluted Earnings Per Share	$ 0.21	$ 0.16

(3) Acquisition

On February 1, 2007, the Company acquired all of the outstanding common stock of Madison Freight, an LTL carrier operating in the state of Wisconsin and parts of Illinois and Minnesota. Madison Freight was merged and its operations integrated into Saia on March 31, 2007. The results of operations of Madison Freight are included in the consolidated results of the Company since the February 1 acquisition date. The total consideration of $2.3 million includes $0.9 million for the purchase of all outstanding Madison Freight equity and the repayment of $1.4 million of existing Madison Freight debt. The transaction was financed from cash balances and existing revolving credit capacity. As a result of the preliminary allocation of the purchase price, the Company recorded approximately $2.0 million of purchase price in excess of net tangible assets; however, the Company has not yet completed the allocation of this intangible between goodwill and other identifiable intangible assets. Management does not believe the amortization of identifiable intangibles would be material to its 2007 financial results.

Integration charges from the Madison Freight acquisition totaling $0.9 million were expensed in the three months ended March 31, 2007. These integration charges consist of employee retention and stay bonuses, training, communications, re-logoing the fleet of Madison Freight, technology integration and other miscellaneous items.

(4) Commitments and Contingencies

The Company is subject to legal proceedings that arise in the ordinary course of its business. In the opinion of management, the aggregate liability, if any, with respect to these actions will not materially adversely affect our financial position, results of operations or cash flows.

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(5) Income Taxes

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes , which defines the threshold for recognizing the benefits of tax-filing positions in the financial statements as more-likely-than-not to be sustained by the taxing authority. FIN 48 also prescribes a method for computing the tax benefit of such tax positions to be recognized in the financial statements. In addition, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company adopted FIN 48 as of January 1, 2007 with no cumulative effect adjustment recorded at adoption.

The Company and its subsidiaries file income tax returns in the U.S. federal and various state jurisdictions. Our uncertain tax positions are related to tax years that remain subject to examination for the U.S. federal jurisdiction is 2003 to 2006 and the majority of the various state jurisdictions range from 2000 to 2006.

As of January 1, 2007, the Company had unrecognized tax benefits of $2.8 million. If recognized, approximately $1.8 million, net of federal tax benefits, would be recorded as a component of income tax expense. There have been no significant changes to these amounts during the quarter ended March 31, 2007. Based on the information currently available, no significant changes in these unrecognized tax benefits are expected in the next twelve months.

Estimated interest and penalties related to the underpayment of income taxes are classified as a component of income tax expense in the statement of operations. Accrued interest and penalties were $0.9 million and $1.0 million as of January 1, 2007 and March 31, 2007, respectively.

Item 2. Management s Discussion and Analysis of Results of Operations and Financial Condition

Executive Overview

The Company s business is highly correlated to the general economy and, in particular, industrial production. The Company s priorities are focused on increasing volume within existing geographies while managing both the mix and yield of business to achieve increased profitability. The Company s business is labor intensive, capital intensive and service sensitive. The Company looks for opportunities to improve cost effectiveness, safety and asset utilization (primarily tractors and trailers). Technology is important to supporting both customer service and operating management. All of the following operating information is for continuing operations unless otherwise noted. (See Discontinued Operations discussion below.) The Company grew operating revenue by 13 percent in the first quarter of 2007 over the first quarter of 2006. Revenue growth was primarily attributable to the acquisition of The Connection Company (the Connection) and Madison Freight Systems (Madison Freight) and improvement in yield (revenue per hundred weight), including the effects of fuel surcharges.

Operating income was $7.1 million for the first quarter of 2007, a decrease from $8.6 million recorded in the prior-year quarter. The Company recorded a pre-tax charge of $2.4 million related to the integration of the operations of the Connection and Madison Freight into the Company s operations during the first quarter of 2007. The Company recorded a pre-tax charge of $0.4 million in the first quarter of 2007 for equity-based compensation compared to a pre-tax charge of $2.4 million in the first quarter 2006 as a result of the significant stock price increase during the 2006 quarter. Earnings per share from continuing operations were $0.21 per share, which included integration charges of $0.10 per share. Earnings per share from continuing operations in the first quarter of 2006 were $0.26 per share. Excluding the impact of the integration charges, first quarter 2007 operating income improvement was led by LTL yield improvement and effective cost management. The operating ratio (operating expenses divided by operating revenue) of 97.0 in the first quarter of 2007 compared to 95.8 in the first quarter of 2006. However, excluding the integration charges, the first quarter 2007 operating ratio was 95.9. The first quarter of the year is generally the weakest quarter of the year due to seasonally lower volumes, additionally the first quarter of 2007 was adversely impacted by severe winter weather.

The Company generated $3.9 million in cash from operating activities of continuing operations through the first three months of the year versus using $3.5 million in the prior-year period. Cash flows used in operating activities of discontinued operations were $0.1 million for the three months ended March 31, 2007 versus $2.8 million of cash from operating activities of discontinued operations for the three months ended March 31, 2006. The Company had net cash used in investing activities from continuing operations of $22.9 million during the first three months of 2007 for the purchase of property and equipment and Madison Freight compared to $17.2 million in the first three months of 2006. The Company had a net investment in discontinued operations for the first three months of 2006 of $4.0 million. The Company s cash from financing activities during the first three months of 2007 included proceeds

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from borrowings on long-term debt of $21.0 million partially offset by $5.4 million of share repurchases. The Company had borrowings of $21.0 million on its credit agreement and a cash balance of $7.0 million as of March 31, 2007.

General

The following management s discussion and analysis describes the principal factors affecting the results of operations, liquidity and capital resources, as well as the critical accounting policies of Saia, Inc. (also referred to as Saia and the Company). This discussion should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and our 2006 audited consolidated financial statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2006. Those financial statements include additional information about our significant accounting policies, practices and the transactions that underlie our financial results.

The Company is an asset-based transportation company based in Duluth, Georgia providing regional and multi-regional LTL services and selected national LTL, truckload (TL) and guaranteed service solutions to a broad base of customers across the United States.

Our business is highly correlated to the general economy and, in particular, industrial production. It also is impacted by a number of other factors as detailed in the *Forward Looking Statements* section of this Form 10-Q. The key factors that affect our operating results are the volumes of shipments transported through our network, as measured by our average daily shipments and tonnage; the prices we obtain for our services, as measured by revenue per hundredweight (yield) and revenue per shipment; our ability to manage our cost structure for capital expenditures and operating expenses such as salaries, wages and benefits; purchased transportation; claims and insurance expense; fuel and maintenance; and our ability to match operating costs to shifting volume levels. The Company measures yield both including and excluding fuel surcharge. Fuel surcharges have remained in effect for several years and have become an increasingly significant component of revenue and pricing. Fuel surcharges are a more integral part of annual customer contract renewals, blurring the distinction between base price increases and recoveries under the fuel surcharge program.

Results of Operations

Saia, Inc.
Selected Results of Continuing Operations and Operating Statistics
For the quarters ended March 31, 2007 and 2006
(in thousands, except ratios and revenue per hundredweight)
(unaudited)

	2007	2006	Percent Variance 07 v. 06
Operating Revenue	$ 231,827	$ 204,646	13.3%
Operating Expenses:			
Salaries, wages and employees benefits	129,804	113,066	14.8
Purchased transportation	16,167	17,008	(4.9)
Depreciation and amortization	9,020	7,584	18.9
Fuel and other operating expenses	69,776	58,427	19.4
Operating Income	7,060	8,561	(17.5)
Operating Ratio	97.0%	95.8%	1.2
Nonoperating Expense	2,052	2,289	(10.4)
Working Capital	18,680	44,392	(57.9)
Cash Flow from Continuing Operations (year to date)	3,927	(3,541)	(210.9)
Net Acquisitions of Property and Equipment (year to date)	20,544	17,225	19.3
Operating Statistics:			
LTL Tonnage	955	840	13.8
Total Tonnage	1,131	1,013	11.7
LTL Shipments	1,704	1,494	14.1
Total Shipments	1,728	1,518	13.9
LTL Revenue per hundredweight	11.32	11.30	0.2
LTL Revenue per hundredweight excluding fuel surcharge	10.01	10.03	(0.2)
Total Revenue per hundredweight	10.26	10.12	1.5
Total Revenue per hundredweight excluding fuel surcharge	9.15	9.05	1.1

Quarter ended March 31, 2007 vs. quarter ended March 31, 2006

Continuing Operations

Revenue and volume

Revenue increased 13.3 percent to $231.8 million in the first quarter of 2007 from the acquisition of the Connection and Madison Freight which provided the basis for the tonnage increases. Fuel surcharge revenue, which was 10.9 percent of total revenue in the first quarter of 2007 compared to 10.6 percent of total revenue in the first quarter of 2006, is intended to mitigate the Company s exposure to rising diesel prices.

Operating revenue excluding fuel surcharge was $206.6 million in the first quarter of 2007, up 12.9 percent from $183.0 million in the first quarter of 2006. Saia s growth occurred across most regions. LTL revenue per hundredweight increased 0.2 percent to $11.32 per hundredweight for the first quarter of 2007. LTL tonnage was up 13.8 percent to 1.0 million tons and LTL shipments were up 14.1 percent to 1.7 million shipments. During the first quarter of 2007, the Company saw significant growth in tonnage due to the acquisitions. The LTL yield was essentially flat for the quarter primarily due to the acquired businesses shorter average length of haul. On a pro forma basis, including the operations of the acquired companies in the first quarter of 2006, tonnage declined due to a 4 percent drop in weight per shipment, while yield increased 6.7% due to the impact of mix changes (increasing length of haul and declining weight per shipment). Management believes that Saia continues to grow volume and increase yields through high quality service for its customers, growth in value added services, like Xtreme Guarantee® and industry consolidation. Approximately 70 percent of Saia Motor Freight s revenue is subject to individual customer price adjustment negotiations that occur intermittently throughout the year. The remaining 30 percent of revenue is subject to the annual general rate increase. On April 2, 2007, Saia implemented a 4.95 percent general rate increase for customers comprising this 30 percent of revenue compared to a 5.9 percent general rate increase on April 3, 2006. Competitive factors, customer turnover and mix changes impact the extent to which customer rate increases are retained over time.

Operating expenses and margin

Operating income was $7.1 million in the first quarter of 2007 compared to $8.6 million in the first quarter of 2006. The current quarter results include integration charges of $2.4 million due to the integration of the operations of the Connection and Madison Freight during the first quarter of 2007. The first quarter 2007 operating ratio (operating expenses divided by operating revenue) was 97.0 compared to 95.8 for the first quarter of 2006. However, excluding the integration charges, the first quarter 2007 operating ratio was 95.9. Higher fuel prices, in conjunction with volume changes, caused $3.3 million of the increase in fuel and operating expenses and supplies. Increased revenues from the fuel surcharge program offset fuel price increases. Saia improved quarter-over-quarter operating income excluding the integration charges through increased tonnage primarily as a result of the acquired companies and overall cost effectiveness. Quarter-over-quarter price and volume increases were partially offset by cost increases in wages, health care, workers compensation and claims expense. Purchased transportation expenses decreased 4.9 percent reflecting increased utilization of company drivers. Decreased purchased transportation as a percent of revenue was partially offset by increased wage and benefit expense. Saia s annual wage rate increases averaged 2.7 percent and were effective August 1, 2006. A benefit of $0.9 million recovery was recognized resulting from the national insurance broker anti-trust settlement from various insurance underwriters during the first quarter of 2007. The benefit from the settlement was more than offset by the adverse development of prior years casualty claims during the first quarter of 2007. The current quarter results include $0.4 million of equity-based compensation expense compared to a $2.4 million charge in the prior year quarter as a result of the significant stock price increase during the prior year quarter. Equity-based compensation expense includes the expense for the cash-based awards under the Company s long-term incentive plans which is a function of the Company s stock price performance versus a peer group and the deferred compensation plan s expense which is tied to changes in the Company s stock price. Equity-based compensation and integration charges totaled approximately $0.12 per share in the first quarter of 2007 compared to $0.10 per share of equity-based compensation in the first quarter of 2006.

Other

Substantially all non-operating expenses represent interest expense and the decrease in net non-operating expenses is a result of overall lower average debt balances during the first quarter of 2007 versus the first quarter of 2006. The effective tax rate was 39.6 percent for the three-months ended March 31, 2007 compared to 37.5 percent for the three-months ended March 31, 2006. The change in the effective tax rate is primarily a result of the effects of the allocation between continuing and discontinued operations in the prior year. The notes to the 2006 audited consolidated financial statements included in the Form 10-K for the year ended December 31, 2006 provide an analysis of the annual income tax provision and the effective tax rate.

Income from continuing operations was $3.0 million, or $0.21 per diluted share, in the first quarter of 2007 compared to $2.4 million or $0.26 per diluted share in the first quarter of 2006.

Discontinued Operations

On June 30, 2006, the Company completed the sale for cash of all of the outstanding stock of Jevic Transportation, Inc., its hybrid less-than-truckload and truckload trucking carrier business to an affiliate of Sun Capital Partners, Inc., a private investment firm, pursuant to a Stock Purchase Agreement dated June 30, 2006. The accompanying consolidated Statements of Operations for all periods presented have been adjusted to classify Jevic Transportation, Inc. operations as discontinued operations. The Company recorded a loss from discontinued operations for the quarter ended March 31, 2006 of $1.5 million compared to no activity for discontinued operations in the first quarter of 2007.

Working capital/capital expenditures

Working capital at March 31, 2007 was $18.7 million, which decreased from working capital at March 31, 2006 of $44.4 million primarily due to the sale of Jevic Transportation, Inc. in the second quarter of 2006 and cash used for acquisitions, capital expenditures and the stock repurchase program. Cash flows from operating activities were

$3.8 million for the three-months ended March 31, 2007 versus cash used in operations of $0.7 million for the three-months ended March 31, 2006. For the three-months ended March 31, 2007 cash used in investing activities was $22.9 million versus $21.2 million in the prior-year three-month period. The 2007 acquisition of property and equipment includes investments in real estate and in both additions and replacement of revenue equipment and

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technology equipment and software. For the three-months ended March 31, 2007, cash from financing activities was $15.4 million versus cash from financing activities of $10.3 million for the prior-year three months. Current year financing activities included $21.0 million borrowings on the revolving credit facility partially offset by $5.4 million for share repurchases.

Outlook

Our business remains highly correlated to the success of Company specific improvement initiatives as well as a variety of external factors, including the general economy. For the balance of 2007, we plan to continue to focus on providing top quality service, improving safety performance and investing in management and infrastructure for future growth and profitability improvement. Saia continues to evaluate opportunities to grow and further increase profitability. Given volume trends in the second half of 2006 and early 2007, there is present uncertainty as to the extent to which the economy is softening.

The Company plans to continue to pursue revenue and cost initiatives to improve profitability. Planned revenue initiatives include, but are not limited to, growing market share in existing geography and gaining associated density cost benefits; geographic expansion to adjacent states and positioning for synergy revenue between the old and new territory, targeted marketing initiatives to grow revenue in more profitable segments, as well as pricing and yield management. The extent of success of these revenue initiatives is impacted by what proves to be the underlying economic trends, competitor initiatives and other factors discussed under Risk Factors.

Planned cost management initiatives include, but are not limited to, seeking gains in cost management, productivity and asset utilization that collectively are designed to offset anticipated inflationary unit cost increases in salaries and wage rates, healthcare, workers compensation, fuel and all the other expense categories. If the Company builds market share, there are numerous operating leverage cost benefits. Conversely should the economy soften from present levels, the Company plans to attempt to match resources and capacity to shifting volume levels to lessen unfavorable operating leverage. The success of cost improvement initiatives is also impacted by the cost and availability of drivers and purchased transportation, fuel, insurance claims, regulatory changes, successful implementation of profit improvement initiatives and other factors discussed under Risk Factors.

See Forward-Looking Statements for a more complete discussion of potential risks and uncertainties that could materially affect our future performance.

New Accounting Pronouncements

There are no new accounting pronouncements pending adoption as of March 31, 2007, which the Company believes would have a significant impact on its consolidated financial position or results of operations.