USA Truck

First Quarter 2018 Earnings Conference

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CORPORATE PARTICIPANTS

Jimmie Acklen – *Investor Relations*

James Reed – *President and CEO*

Jason Bates – *Executive Vice President and CFO*

PRESENTATION

Operator
Good morning and welcome to the USA Truck First Quarter 2018 Earnings Conference Call. All participants will be in a listen-only mode. Should you need assistance, please signal a conference specialist by pressing the start key, followed by zero. After today's presentation there will be an opportunity to ask questions. To ask a question, you may press star then one on your telephone key pad. To withdraw the question, please press star then two. Please note, that today's event is being recorded.

I would now like to turn the conference over to Jimmie Acklen, Financial Reporting Manager. Please go ahead.

Jimmie Acklen
Good morning and welcome to USA Truck's first quarter earnings conference call. Joining us this morning from the company are James Reed, President and Chief Executive Officer; and Jason Bates, Executive Vice President and Chief Financial Officer.

Please be reminded that this call will contain 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; and such statements are subject to the Safe Harbor created by those sections and are made pursuant to the provisions of the Private Securities Litigation Reform Act of 1995, as amended.

Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking statements. Please review and consider the factors that may affect future results and other disclosures by the company in its press releases, annual report on Form 10-K, and other filings with the Securities and Exchange Commission. Any forward-looking statement speaks only as of the date on which it is made.

Also, on today's call, management will be referring to certain non-GAAP financial measures, in its analysis of the results that supplement the GAAP financial statement. A reconciliation of these non-GAAP measures to GAAP is provided in the tables at the end of the slide presentation accompanying today's conference call.

I will now turn the call over to James.

James Reed
Thank you, Jimmie, I hope everyone had a chance to review our earnings release from last night. Before we begin, I want to tell you a bit more bit about our recent additions to the management team that were already disclosed. Our newest team member is Tim Hewen, who joins us just this week as our Executive Vice President and Chief Commercial Officer. Tim is a well-known and well-respected veteran of our industry who most recently served as the Executive Vice President of Sales and Marketing at Swift. His addition to the team signals clearly that we intend to develop our commercial presence in providing good service, value, and solutions to our customers.

We also welcome George Henry as our Senior Vice President of Logistics. He comes to us most recently from Knight Transportation, where we served as Vice President of Knight Dedicated and prior to that had a long tenure in logistics with Transplace. His value has been immediate, as he has brought new perspective to the table in ways our asset and asset like businesses can work together. The addition of these two leaders as the testament to what we are building here at USA Truck, that we can get people of George's and Tim's experience and reputation speaks volumes of our progress, the quality of our team and our potential.

Now moving into the first quarter results. USA Truck continued its momentum in the first quarter of 2018 by delivering a third consecutive quarter of positive EPS since bringing our team together, and only the second positive first quarter EPS result in the last 11 years. We benefited in the quarter from a tightening capacity environment and strong underlying economic drivers that resulted in the quarter that began seasonally normal but finished strong in March. April had a slow start but has ramped up in the last couple of weeks and is on a very strong seasonal trend. Despite this success and again delivering a profitable quarter, we also experienced unusually challenging weather and increasingly difficult driver recruiting environment, rising fuel prices, and correspondingly tight logistics capacity in the quarter.

By our count we experienced over 25 separate weather events that either restricted or shutdown our trucks in the quarter. All of that said, we continued to deliver improved operational and financial results throughout the quarter and believe the progress in our rate, revenue, and profit measures has outpaced market forces. This is a testament to our team's commitment to become one of the best performing companies in our sector. While we are pleased with our team's progress, we still feel that we have a long way to go. If not for the items noted above, we could have seated more trucks, run more miles, provided better service, and done it all more profitably than this result indicates. We expect more from ourselves and are committed to getting this business on stronger footing.

Let's now turn to Slide 3 for a look at our consolidated results. Operating revenues came in at $125 million for the quarter, a 23% increase year-over-year. Operating income was $2.4 million and net income was $1 million, or $0.13 per diluted share. Adjusted net income was $1.1 million, or $0.14 per diluted share.

Consolidated adjusted operating ratio for the quarter was 97.8%. This represents an overall improvement of 840 basis points year-over-year, but a 280 basis points decline sequentially. Trucking adjusted operating ratio for the quarter was 100.8, an improvement of 990 basis points year-over-year but a 560 basis point decline sequentially. And, finally, USAT Logistics adjusted operating ratio for the quarter was 92.9%, an improvement of 380 basis points year-over-year and 170 basis points sequentially.

Moving now on to our presentation of Slide Four. You will notice a couple of revised metrics we are using to measure our operational efficiency, base revenue per available truck, and loaded miles per available truck. As previously noted, in prior communications, we changed the denominator to available truck from seated trucks, which we believe better reflects our performance on all assets in the fleet. Available tractors are all those company tractors that are available to be dispatched, including available unseated tractors, and also includes our independent contractor fleet.

We have included a two year look-back as an exhibit to the earnings release that helps clarify the impact of this change on a variety of operating metrics. Base revenue per available tractor per week increased $371 or 12.9% versus the first quarter of 2017, and declined $171 or 5% versus the fourth quarter of 2017. Loaded miles per available tractor per week decreased 36 miles per tractor or 2.2%, when compared to the first quarter of last year, and decreased 6 miles per available tractor, or 0.4 of a percent sequentially versus the fourth quarter of '17.

Deadhead percentage for the first quarter of '18 decreased 50 basis points when compared to Q1 of 2017 and 100 basis points sequentially versus the fourth quarter of 2017. Our average unseated tractor percentage for the first quarter of 2018 was 7.3%, which represents an improvement of 100 basis points year-over-year and an unfavorable increase of 170 basis points sequentially versus the fourth quarter of 2017. The average seated tractor count for the first quarter of 2018 was 1,534 which is a 1.9% reduction when compared to our first quarter 2017 average of 1,563, predominately driven by a reduction in our independent contractor or owner operated program.

As we stated last quarter, our trucking focus has been, and will remain, improving our safety, increasing rates through our network's first design and targeted pricing initiatives. While we have improved several operating metrics, we will maintain our focus on improved tractor utilization and unseated tractor count to industry comparable metrics as our top priority.

I'll now turn the call over to Jason who will give you an update on our logistics business and financial position.

Jason Bates
Thank you, James. Turning to slide five, USAT Logistics generated revenues of $46.3 million. This represents a 47.4% or $14.9 million year-over-year improvement and a 17.2% or $6.8 million sequential improvements. Operating income increased $2.1 million or 291.8% year-over-year and $0.9 million or 43.1% sequentially. The year-over-year change in operating income was the result of 45.3% increase in revenue per load combined with the marginal increase in load count.

Gross margin percentage for the first quarter of 2018 was essentially flat year-over-year at 17% and decreased 90 basis points sequentially from the seasonally strong fourth quarter. Revenue per load increased 45.3% or $544 per load, year-over-year, and 5.8% or $95 per load sequentially.

Turning to Slide 6; as of March 31st, 2018, total debt and capital lease obligations was 90.9 million and net of cash was 90.8 million. Total stockholders' equity was 67.3 million. The company had 73.2 million available to borrow under its credit facility as of March 31, 2018. Net debt to adjusted EBITDA decreased sequentially to 2.6 times, compared to 3.9 times as of December 31, 2017. This represents a 380 basis point reduction from our peak of 6.4 times at the end of the second quarter of 2017.

As previously discussed, we will be reinvesting in our fleet in 2018, with the expectation of replacing between 350 and 400 tractors this year. We anticipate full year net capex of 40 million to 50 million. We will continue to target a leverage ratio goal of 2.5 to 3 times as we invest in the fleet going forward. With that, I'll go ahead and pass the call back to James.

James Reeds
Thanks Jason. Now I'm going to move to Slide 7. As we mentioned previously, we will report quarterly on a few key strategic targets. Safety remains and will always remain our highest priority in the business, period. The first measure we discussed is improvement in base revenue per available tractor per week, with the goal of an additional 5% to 7% over 2017's full-year averages. As of the first quarter of 2018, we are already 6.6% better than the 2017 average and remain committed to a range of 5% to 7% throughout the remainder of 2018.

Note, that this measure has been updated per our prior discussions to be based on available trucks, whereas we originally calculate in terms of seated trucks. The change makes us more accountable for the entire fleet, and we believe gives a clear basis of understanding the business.

Another metric we managed closely is our unseated tractor percentage. With a goal to keep it at or below 5%, as of the first quarter of 2018, our unseated tractor percentage is 7.3% and reflects the challenging environment of recruiting drivers. Although we don't disclose our driver retention and turnover statistics, I can say that we are about average with other carriers our size, and we are about

10% better than we were last year in terms of retaining our drivers. Recruiting is the challenge, but I'm happy to report that, as of this morning, our unseated truck count is under a 100, a percentage term that's just about 6%; so making steady progress there.

Next is increasing our available tractor count 4% to 6% through the expansion of our independent contractor or owner-operator program. We reported last quarter that we had engaged new partners who offer leased financing and truck purchase options to independent contractors. I'm happy to report that we have been very successful in executing that program in the first quarter and now are well-positioned for growth that we believe will help us to get from 15% of the fleet in this category to a longer-term goal of 25%.

We are also targeting a $3 million to $5 million reduction in cost on a CPM comparative basis through a series of corporate initiatives. We have engaged people throughout the organization in a synchronized effort to reduce cost. Examples include the reopening of our South Holland, Illinois Terminal, as well as revisiting national agreements on over-the-road maintenance products and fuel. And, finally, USAT Logistics was 37% of consolidated revenue in the quarter, and we remain committed to our long-term goal to get this business to 50% of our consolidated revenue.

In conclusion, there is a lot for us to be proud of at USA Truck: Three consecutive quarters of profitability; the assembly of a world-class leadership team; and the improving underlying fundamental execution in each of our businesses all point to additional opportunities to improve. We've said before that we would need a couple of bid cycles to get our network where we wanted to be. While we've made solid progress on the rate, exceeding industry tailwinds in our estimation, we still have a ways to go out on improving our utilization, which will help drive continued improvement in revenue per available tractor per week.

We believe that, as we improve network densification, that one critical outcome is better utilization. We have already improved the lane density 50% since reengineering the network. We also are encouraged by recent improvements that have come as a result of concerted efforts to improve the driver experience, reduce the burden on fleet managers so they can emphasize drivers first, and are seeing marginally improved utilization already in April.

No doubt, market forces are helping on the rate front and, as a result, we maintain our prior opinion that rates will increase in the low double digits through the second quarter and then moderate to high single digits. This is not because the market is cooling but because we have tougher comps in the third quarter and beyond since we began seeing the fruits of our network and business redesign in the third and fourth quarters of last year.

Costs have been a challenge with the weather in the first quarter, a slightly older fleet, and the flow-through effect of driver pay changes we made over a year ago. On a CPM basis, we've had private costs rise over 5% year-over-year, and could see that increase further as we consider additional means to reward our drivers for the great work and hard job that they perform every day. But, as Jason noted, we will be refreshing the fleet this year and believe that to be a net positive cost that in harmony with our ongoing cost initiatives we target to yield the $3 million to $5 million in savings I just spoke about.

Add to all of the above a robust market in logistics, with the expectation to grow volumes, and we feel like we're well-positioned to continue to close the gap with our competitors in delivering acceptable sustained financial results. Brian, we'll now open the call to questions, and then, after the questions, I hope you'll stick around as I'll wrap up with a summary.

QUESTIONS AND ANSWERS

Operator
Thank you. We will now begin the question and answer session. To ask a question, you may press star then one on your touchtone phone. We do ask, if you are using a speaker phone, please pick up your handset before pressing the keys. To withdraw the question, please press star then two. Once again, if you would like to ask a question, please press star then one. And, our first question today comes from Brad Delco with Stephens, please go ahead.

Brad Delco
James, Jason, good morning.

James Reed
Good morning, Brad.

Jason Bates
Good morning, Brad.

Brad Delco
James, can you talk a little bit about the truck load performance in the first quarter, or maybe where was that relative to your expectation? I don't know if we should be surprised that the OR was over a 100. So to the extent you could give us some color on—maybe it was more weather-related, but what really was the driver of that performance?

James Reed
Yes, I appreciate it Brad. I think it's important to remember kind of from whence we came when you talk about the truck load business. I mean, that business was over an 800 basis point improvement year-over-year, reflecting an improved kind of marginal structure. Our network price was very helpful in helping to accomplish that. You're right that we did have the weather, which we mentioned a couple times in the call. It’s really interesting to us, we're not going to go disclose exactly how many cents of EPS we thought that was, but we have a pretty good idea of what the impact was to us. And, you're right, that would have pushed that business into a less than 100 operating ratio in the quarter. We also had a couple of adjusted basis that we talked about and just the way we allocated dollars. They kind of paid a highest corporate tax because they're a highest percentage of our revenue.

So, those things considered, it would have been better than a 100, which we think, given that business’ historic performance is pretty reasonable. The other thing, just to go back to where you started is, what was our expectation, and while we don't disclose, our internal plan, it actually outperforms their first quarter plan. So, were pretty pleased with Warner and his team. Jason anything you want to add?

Jason Bates
No. I was just going to hit that point that you just made right there that we have our internal plans, and they were tracking to that all quarter in spite of the weather and other headwinds that they had out there, the tough driver market. And, again, we're playing the long game here, right? It's about winning contractual business with strategic partners as opposed to just chasing spot-market rates and trying to get a quick win. And, so, because we're playing that long game, we're being realistic about the turnaround there. But, keep in mind, Q1 is seasonally always going to be the toughest quarter, and we expect that, as the year unfolds, that we'll see that move back into the 90s.

Brad Delco
Gotcha. And, then, maybe on that point, is there any way you can kind of give us a cadence of when your contracts—this is again truck loads—go effective to the extent, what percent was in first quarter,

what will be in second, what will be in third, etc.?

James Reed
Yes. So, we mentioned this last quarter and, of course, re-polled the information to make sure the cadence looks that we're being consistent. We see about half of our business rebid in the first half of the year and half our business in the second half, and it really does break out to plus or minus a few points, 25ish percent each quarter. I know that's different with some other folks. But, we actually think that's a great opportunity for us to re-price business as the market goes. And, these results that we talked about for the first quarter reflect efforts from Q3 and Q4 of last year and, as we look forward in this year, our motto and our model has been to kind of under promise and over deliver, and we're trying to be conservative about what we are leading you guys to there. But, we feel pretty good about the rates going forward.

Brad Delco
Gotcha, and then maybe just more of a housekeeping one for you, Jason. Can you give us what the average owner-operator count was for first quarter?

Jason Bates
Yes. So, in the first quarter our average owner-operator count was 244, but I will say, as James I think eluded to you earlier, and we talked about in our last quarter call, with the change in some of our strategic partnerships there from those who provided leasing for our owner/operators, we had a low point in December and in that period of January. It's built throughout the quarter, we definitely exited the quarter higher than that 244.

James Reed
And, I'll just go out on a limb. I'm out of striking distance from Jason, so I'll give you some specifics there to say that number bottomed out at 231, and the last update I had as of last week it was at 287. Just to give you some sense of the momentum that's been regained there, and I'm sure it's higher this week as our classes are exiting today.

Jason Bates
Yes, to be clear, that is the current. Two-eighty-seven is in April. That's not where we were in March; it's really picked up steam here in April.

Brad Delco
Okay. Great. I'll get back in queue, guys. Thanks for the time.

Jason Bates
Thanks, Brad.

Operator
Our next question today comes from Jason Seidl with Cowen. Please go ahead.

Jason Seidl
Thank you operator. Guys, you talked a little bit about the fleet refreshing. Where do you think the age is going to go to on the tractors, and how important is that with the driver recruiting and also on your maintenance cost line item?

Jason Bates
Yes, it is something that we're watching pretty closely. We've done some pretty hefty analytics around the cost of running the older fleet and, without getting into too much of the detail, I will say it is multiple

cents per mile having aged the fleet this last year like we did on the maintenance line item. We took advantage of the opportunity to do that as everyone in the industry was. We don't regret that decision at all, but we are excited to get these new trucks into the fleet and looking forward to doing that. Over the course of the year, we've got 1,500 to 1,600 trucks, we're swapping out a quarter of that fleet. You are going to see that average age move down commensurate to that volume as the year unfolds.

James Reed
Then, Jason its James. On the importance of that, with respect to recruiting, I don't know that it is the biggest driver of recruiting, other than to say—I'm going to run this a little bit. I apologize. But, there are some structural things in this business that probably haven't been disclosed in the past, but it helps add color to how we look at this being a longer-term turnaround. A large portion of the fleet, it was a strategic decision that was made long before Jason and I were here. It remains manual transmission trucks. That's a problem from a fuel economy standpoint. It's also a problem from a recruiting standpoint, as most of the training fleets where we're getting transitioned drivers from are training automatic only drivers.

The importance of this to us is, as we transition the fleet to the automatic transmission fleet, it will help our cost structure, but it will also help our recruiting efforts because we'll be able to access a driver pool that we had a hard time tapping into. We think it's critically important. We're also adding to some of these trucks, we're doing a test on some enhanced driver amenities to see how that affects driver turnover. We think it's a critically important part of our plan. Sorry, I interrupted you, sounded like you had a follow-up.

Jason Seidl
No, no, I was just thinking about when you mentioned on the manual side—I would imagine this also is affecting some of the resale values, as well, because I know it's a little bit harder to sell manuals than it automatics?

James Reed
We do a quarterly appraisal of our entire fleet which reflect the actual spec-ing of the trucks. There are no issues there. We've got everything appropriately booked, and depreciated, and the right residual values. There is nothing for us to worry about there. But yes, it'll be helpful long term to have a contemporaneous truck that meets the needs and interests of the resale market.

Jason Bates
We've been pretty active with regard to making sure that we're appropriately valuing the asset and have some appraisal groups. As a part of our credit agreement we appraise the entire fleet twice a year and make sure that we're appropriately valuing those on our books, that we don't have any large gains or losses. Obviously, the used truck market has been picking up a little bit which is helpful. We'll take it, but we try to have zero gain on sales if we're doing our job right.

Jason Seidl
Okay, that's fair enough, Jason. James also wanted to follow-up here, you mentioned sort of getting USA Truck closer to its peers, if you will, in terms of the operating ratio that you're posting. What is the longer-term target and how should investors look at the cadence of getting there?

James Reed
Yeah, that's a fair question. What I said on these calls before is a long-term structural goal is we want to run this trucking business at kind of 90 to 92 OR space, over time, and there will be ebbs and flows to the market, where you should expect us to kind of dip down into the high 80s, like other carriers, and also ebb up a little bit in some of the tougher markets. But net-net on balance, just like our history has

shown in the first 20 plus years of the company, it's possible to do that here from Van Buren, Arkansas. That's kind of how we look at it structurally.

In terms of the cadence of getting there, we have said all along, and I'd like to reiterate to anyone that's listening, and Jason kind of touched on it earlier, this is a long-term play for us. There are other underlying structural things that we're in the process of fixing, things like, and even nuances that we rarely talk about, but I think it's instructive for you guys to understand. Our freight network is substantially more north of I-40 than it is south of I-40, but our driver domiciles are south of I-40. We've got a transition; it's part of a densification strategy. We have to transition our driver domiciles into our network. That takes years, not days and weeks.

As you think about the cadence, we have said give us a couple years, which we said is a two bid cycles. I would expect us to be, a mid-90s, maybe a little kind of 93-94 carrier, as we get into 2020; we've said that before. As we look at our results, yes, there are some tailwinds, but we're steady on the throttle right here. We feel like we're pretty much on track with what we have guided before.

Jason Seidl
That's some great colors. Gentlemen I appreciate the time as always.

James Reed
Thanks Jason.

Operator
Again, if you'd like to ask a question, please press star then one. And our next question today comes from David Ross with Stifel. Please go ahead.

David Ross
Thanks. Good morning, gentlemen.

James Reed
Welcome to the party, Dave.

David Ross
Thanks. Good to be here. Can you talk a little bit—you gave some good color on what's going on in the equipment side, but I didn't hear an actual average age of the truck fleet right now?

Jason Bates
Yes. Sorry. As of 12/31, our average age was 3.0. It's like I said, its aged a quarter; it's in that 3.2 range right now, 3.25ish. But, we didn't really bring on any trucks in Q1, and we will now be bringing trucks in. You are going to see that come down each quarter as we move on throughout the year.

David Ross
And as you replace the fleet and drive the average fleet age down, are you doing anything different on the OEM side, going to a new vendor or trying any other specs out?

James Reed
That's a really interesting question Dave, because one of the strategic missteps I would say at USA Truck is we have been a multiple nameplate company for many years. We're not trying any new nameplate that we didn't already have in the fleet. Now with that said, we are moving toward a two brand fleet long-term. What we've invested in this year, or will be investing in I should say, reflects that strategy going forward. We think there is a lot of benefit to it. You and I have talked. I'm an old

manufacturing guy. I like the idea of training my guys one time on one set of specs. I like the idea from an inventory standpoint and not having to carry specialized multiple versions of the same kind of componentry for different brands. The nameplate strategy is to narrow that down. And, yes, the actions were taken this year to help get us to that strategy.

Jason Bates
Yes, and I would just add to that, we, as James and others have eluded to, we brought on a new leader of our maintenance this year, and he is a very well respected—he is actually the chair of TMC. He has a lot of knowledge on this front and was very involved in the inspecting of our equipment this year, and that's Jeff Harris. We're bringing on a couple of nameplates this year so that we have kind of good representation of the three big ones in our fleet, and then we are going to make some decisions about what we want do over the next couple of years and who those two are that we are going to go to. But we're spec-ing all the trucks very similarly, almost identically. We are outfitting them with collision avoidance mitigation systems, and James will talk more about that here in a second. But, we want to make sure that no matter whether you are stepping into a Freightliner, or an International, or a Kenworth, our drivers have a similarly spec truck, and that's the idea and the goal going forward.

James Reed
Yes, I would just add to that. Jason kind of took my thunder there a little bit on the collision mitigation. I actually I have it in front of me. We've done a study in-house about what we think that it takes for us to run the business consistently at a 90 OR, and one of the areas where we are more expensive than our public competitors is on the insurance front. And part of that is because we, prior management did not adopt the forward collision mitigation as quickly as the rest of the industry. About a third of our trucks have that on. And, to Jason's point, that will be on every truck's spec hence forth and forever at USA Truck, and it's not just in the name of cost; it's in the name of, what we call, our God-given responsibility to get our people home safely and to protect the motoring public. Thanks for the opportunity for me to do that little advertisement.

David Ross
Well, it just leads me right into my next question, with insurance and claims falling 33%, miles driven is only down 5%. How much would be related to new collision mitigation technology versus other safety programs and training you are putting into place?

Jason Bates
Yes, I wish I can say it was all a function of the collision avoidance, and Dave I know this was before you were on the name here at USA Truck, but last year, in the first quarter, we actually took a $4.5 million IBNR reserve adjustment associated with prior period claims. It was actually 3.5 of prior year and then 4.5 total that we took in the period to be at work comp in there as well. There was—I don't want to say non-operational because obviously insurance and claims expense is operational—but there were some unusually large expenses in insurance last year. I don't want to discount the amount of—we've got a safety team led by James—I'm being strategic a little bit, but he is pounding on the pulpit regularly about safety and the importance of safety and taking care of the motoring public and our employees, quite frankly. That has been a huge initiative here over the last year. I would be remiss to say that some of the improvement that we've seen on the insurance and claims wasn't related to that. But, in full transparency, I wanted to make sure you were aware of that large prior period item that we took as well.

James Reed
Yes, and the operating metric, again, it's not one that we report, but what I can talk about is we look at our crashes per million miles internally, and we've seen over a 20% improvement in that year-over-year. The way premiums and reserving works, I mean, there is a long tail on these things. This will

manifest itself in better performance overtime and we're counting on that.

David Ross
Yes, as frequency improves, as in your over 20% comment, then severity should also go down at the same time. Just quickly on the maintenance side, you mentioned up reopened a maintenance facility in the quarter, why did you do that? Is that because you are shifting to a dual fleet structure and it's going to be easier to do the maintenance in-house, or was there something else going on?

James Reed
Yes, there is a couple of reasons for that. The first one is we are a really analytically driven team now in terms of what we've assembled, my background and Jason's experience and others, and we did a heat map analysis of our over-the-road expenses, coupled with the domicile of our drivers and where the fleet just runs, and we now have enough density in the right parts of our network to understand where we can gain a significant ROI on bringing repair expenses in-house rather than over-the-road. Now, a few years ago, prior management made the decision actually to close down this facility in particular and some others, and we've seen that analysis. It was the right analysis at the time, as the company had a much more diffuse, not concentrated, network and they weren't getting enough volume through the in-house repair facilities to cost justified them.

But, as we've done the analysis, it's abundantly clear to us that the right thing to do is to reopen these facilities as we've changed the network. Totally, commensurate with the network. We now have enough volume and throughput and density of the network in that location, and there will be others. I mean, this analysis was comprehensive, and we are actively looking for some locations in our network to further reduce our maintenance cost by kicking in from over-the-road and putting it in-house. It makes a lot of sense, just as we often say around here, it's just math.

David Ross
Excellent. Well, thank you, and I'll get back in queue.

James Reed
Thanks Dave.

Operator
Again, if you'd like to ask a question, please press star then one. The next question is a follow-up from Brad Delco with Stephens. Please go ahead.

Brad Delco
Hi, guys. Thanks for taking a follow up. There's been a lot of questions on truck, so I feel like we have to ask something about strategic capacity solutions. Really good growth in the quarter. I think, obviously, revenue per load was a big driver of that, but with new leadership there, what really is different about the strategy or what really is the expectation for revenue and profitability in that business for the year?

James Reed
That's a great question, Brad. I'm glad we didn't say you could only have one question. I'm teasing you by the way.

Brad Delco
I managed to get like four questions in on that one.

James Read

Yes, let me tackle these in a couple of phases, and ask Jason to chime in if I missed anything. From a new leadership standpoint, we really aren't changing our strategy. We are just reiterating our strategy, which we've said before and continues. We've got to go do a land grab right now. We're in a unique position in our company's history where, collectively, our OR is higher than the industry. It gives us an opportunity to kind of underprice some other people and thereby get volume from those customers. That's a strategy that were pursuing.

What then does that mean to the margin and the expectations long-term, which is kind of what your follow-up was, and that is we do expect margin compression. We expect to go a little deeper to gain a lot more volume with our customers. We're playing on and expecting the customers' psychology of not liking change, right? People don't like change. If we can get this business, and we've been pretty successful at right now, and we started some recent initiatives to really push deeper and harder and some of the more interesting ones that differentiates us from some of our competitors is that our logistics group is working side by side with our trucking groups to identify opportunities. This is way off base, but I'm going to say it anyway. I walk downstairs this week and for the first time I saw multiple logistics people who I normally see in logistics bidding in trucking, working with our customer service group in trucking to field loads that our trucking team couldn't handle but logistics might be able to find capacity for. Were actively doing stuff like that to build the volume base. It is going to hurt margins over time but, if you look at what we put up in margins this last quarter, it's exceptionally rich compared to the industry. We think we have, in summary, some room to take a little bit less margin in the name of a lot more volume.

And, long-term, we think that bodes well, and we think return on invested capital is pretty important. In some of the earlier questions from the other sell-side guys, I didn't really address this, but yes we expect to drive better OR performance in the trucking business, but we also think we can drive much better return on invested capital in this very capital-light business by enhancing the margin contribution there too. We just think it's a really copasetic, really symbiotic relationship between these two businesses, and we think we do it uniquely well compared to other.

Brad Delco
Gotcha, but maybe to try to get a little bit more specific thoughts from you, the kind of 47% to 50% type growth, is that something you think is sustainable throughout the year, or do you think that sort of moderates as either you hit tougher comps or maybe the spot market cools off a little bit? What's sort of the expectation?

James Reed
Great question, two-part answer. The first part is, in Q2, yeah, it's pretty reasonable. You remember we had a really tough Q1, Q2 last year and so the comps are considerably easier in the first half of the year. We really picked it up in the back half of the year last year. I would expect it not to be quite as robust in the second half. That said, and you eluded to this, this all depends on the temperature of the market, right? Much of the growth, not just from us but from others as well, is coming from—you naturally get revenue growth when you have this hot market. It's going to be our job, and George was in the room with us yesterday talking through this, it's our job to kind of capitalize on this market right now, build the revenues, while building the volume such that when it cools down, and it will at some point, we don't see that happening this year, but it will cool down at some point, that we have enough volume that we don't take a big backslide on a revenue top line.

Brad Delco
Gotcha, that makes sense. appreciate the time, and appreciate the follow up.

James Reed

Great, thanks, Brad.

Jason Bates
Anytime, Brad.

Operator
The next question is a follow-up question from David Ross with Stifel. Please go ahead.

David Ross
Yes, thank you. Just back to the truck side, if you look at the end of the year, you've given what's coming out on the capex side, you did address the owner-operators and how that's been growing some, but we do expect the company trucks to be flat up or down at the end of the year versus where they are now?

Jason Bates
Our plan right now is to keep the fleet pretty much flat on the company owned truck side. That said, we're capitalist, and we will be opportunistic if there are opportunities where the ROI makes sense.

David Ross
And, of course you have to get that unseated truck down into 5% before you're start adding.

Jason Bates
That's right. It's almost like you've been sitting in our meetings. I mean the reality of this market, Dave, is that Jason said that I'm pounding the pulpit—my head's about to explode with the opportunities that we walked past because we don't have drivers and trucks, and you're exactly right. We've doubled down on that recruitment effort. We have had great recent success in getting that number under a hundred. Warner and his team are working to get it down kind of, 5% on this fleet. It's about 80 unseated trucks, so that's where we need to be. When we're seating there, it's really easy for me to make decisions or go to the board to ask for more capital to get more truck because there's lots of opportunities out there.

David Ross
Back to the logistics, but on the same theme, everybody is competing for trucks in this market, your customers are, the other brokers, some of which you're much larger, a lot of which are much smaller. How do you get trucks and keep them and make sure they commit and haul loads in this environment?

James Reed
It's a fair question. I often will tell investors and others this industry is best understood from the seat of your Econ 101 class your freshman year in college. It is a supply and demand business and on the capacity side, you have to have competitive rates; that's the name of the game in terms of getting the capacity to commit. We're not going to underprice other people on the capacity side, because you just won't get the capacity.

We also have some specific initiatives around our carrier program where we are seeking to get more reliably consistent logistic volumes to specific carriers on a consistent basis so they can rely on it. The deepening of those relationships leads to more reliability in their performance. And, I apologize, I think I used the word reliability about 12 times there, but it really is the ultimate manifestation of relationship building is when we can take those customer contracts, identify lanes that run consistently, and drive from density on an outside carrier. They're going to be reliable on that performance. I mentioned the customer contracts but that's where, again, we think we have a distinct advantage over some of the fully non-asset carriers. We go to our customers, and this is one of the things that George has really brought to the table. We've had some experiences in the quarter where we went to some asset customers and just said, “Look. You’ve got to use our logistics business or we will take these trucks somewhere else.” And it hasn’t been punitive per say, but it sure has changed the tonality of the relationship a little bit for people to understand there we’re serious about growing this logistics business.

I guess the more positive way to see that is, assets win in this business long-term. We've always said that even in markets when there was a challenging economic environment, I've always said that at the end of the day if you play out in your head kind of a five forces model about what happens to increasing barriers to entry, particularly regulatory barriers, the guys that have the trucks win. We believe in that, we use our customer relationships to help bolster our logistics business, and, in summary, we've got a capacity initiative where we are working to push more volume consistently to fewer partners that helps them to be more reliable. I think that was the tone of your question.

David Ross
Yes. I’ve heard reliable or reliably enough for the next week. On a serious note, a lot of other truckers are talking dedicated and shippers are talking dedicated in this market. Is that something that customers ask you about and you think about internally, or is there just so much opportunity in the one-way over-the-road network that dedicated is just a distraction and not worth your time.

James Reed
No. We have some very specific dedicated initiatives in our dedicated business. We manage it as part of the overall trucking segment because we do look at those resources, sometimes interchangeably, and frankly, to run a well-run dedicated business you've got to have a good truckload business that can offer sustaining support when needed. But, yes, our dedicated business has been very healthy in the last year, and it runs it at a substantially positive operating ratio.

David Ross
Roughly, what percent of the fleet would be dedicated, or how many trucks? Would you talk about that?

Jason Bates
We don't talk about it separately, but when we talk about the owner-operator program for example, we've got ambitious to get that to 25%, I would say our dedicated owner-operator fleets are kind of roughly the same size. We do have the ambitions to grow that, and my accounting guys we're constantly talking about at what point does that grow enough where we start talking about it separately; it's not there yet.

David Ross
Okay. Thank you, very much.

James Reed
Thank you, Dave.

Operator
This will conclude our question-and-answer session. I would like to turn the conference back over to James Reed for any closing remarks.

James Reed
Great. Thanks, Brian, and thank you all for joining us. USA Truck celebrates its 35th anniversary next week. For most of those 35 years, this has been a highly profitable business with steady results at the

hands of our founder, the incomparable, Bob Powell. This has been and we believe will be a great business. As the incredibly talented Satchel Page once said when asked if he could play in the major leagues after 40 years old, he said how old would you be if you didn't know how old he was.

Well, let me tell you that USA Truck feels like a very young company with an enviable history. We lost a decade, but now we have new leaders and new attitudes, new results, new ideas, new processes, and a new perspective. Thirty-five isn't old by any means, but this feels like a company much more in its first decade than its fourth.

Our motto this year that reflects all of what we just said is USA is back, and we feel like truer words have never been spoken. Thanks again for joining us and for following our story. Jason and I will be in New York, May 22nd, and 23rd, and look forward to seeing many of you there and answering additional questions you may have then, thanks.

Operator
The conference is now concluded. Thank you very much for attending today's presentation. You may now disconnect your lines.