USA Truck, Inc.

Third Quarter 2017 Earnings Conference Call

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CORPORATE PARTICIPANTS

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Jason Bates – *Executive Vice President and Chief Financial Officer*

Jimmie Acklen – *Financial Reporting Manager, Investor Relations*

PRESENTATION

Operator
Good morning, and welcome to the USA Truck Third Quarter 2017 Earnings Conference Call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star (*) key followed by zero (0). After today's presentation, there will be an opportunity to ask questions. To ask a question you may press star (*) then one (1) on your telephone keypad. To withdraw your question, please press star (*) then two (2). Please note this 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 third quarter earnings conference call. Joining us this morning from the Company are James Reed, President and Chief Executive Officer; Jason Bates, Executive Vice President and Chief Financial Officer; Jim Craig, Chief Commercial Officer and President, USAT Logistics; and Werner Hugo, Senior Vice President of Trucking Operations.

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 conference 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 table at the end of the slide presentation that's accompanying today's call.

Now, I will turn the call over to James.

James Reed
Thanks Jimmie. I hope everyone had a chance to review our earnings release from last night. The third quarter of 2017 was an important quarter for our business as it marks the first quarter since 2015 that we've reported unadjusted positive earnings and the first quarter with our senior team fully assembled. It's remarkable to see what a group of people equally yoked in a common cause with a shared vision and purpose can accomplish in a short period of time.

Several of our team joined us just in May, so as I think through process of getting them on board, getting their families moved, aligning them with our direction and progress, getting their insights into the business, and devising and executing plans that have immediate impact, it's clear to me and I hope to you that this journey is just beginning. As we discuss our results this morning, it would be easy to be jubilant in the fact that we finally became profitable. I, of course, am pleased for our employees, our shareholders, and our community; they all deserve the rewards that come with being part of a winning team. But just being profitable does not constitute victory for us. In our results, we continue to see opportunity for growth, we continue to see gaps to close with our peer group, and we continue to see a business that is poised to continue on the path and plans just as we have laid out in the past.

Before we begin, I want to welcome and recognize that we added the final piece to our management team in the third quarter with the addition of Jeff Harris as our Maintenance leader. This vitally important contributor to our success rounds out the full leadership team, covering all of our functional bases. I encourage you to review our earlier press release about Jeff; he represents the best of the best and is an MVP-level addition to our outstanding leadership team.

Now let's turn to Slide 3 for a look at our consolidated results on the slide presentation we provided. Freight demand in third quarter on a seasonally adjusted basis was relatively average when compared to the same period in prior years. While the natural disasters in Texas and Florida increased demand during the quarter, they negatively impacted utilization but had a slight upward effect on rate. Indicative of the Company's ongoing efforts, consolidated operating revenue came in at $114.2 million for the quarter or an 8.3% increase year-over-year. This marks the first positive year-over-year change in quarterly revenues since in 2014. Consolidated operating income was $1.8 million and net income was $400,000 or $0.05 per diluted share, making this quarter the first profitable quarter for our shareholders since 2015, as I mentioned before. Additionally, consolidated adjusted operating ratio for the quarter was 98.2%. This represents an improvement of 180 basis points year-over-year and 480 basis points sequentially. Our trucking adjusted operating ratio for the quarter was 101.8%, representing an improvement of 50 basis points year-over-year and 580 basis points sequentially. And our USAT Logistics team had an adjusted operating ratio in that business for the quarter that was 91.5%. This represents an improvement of 330 basis points year-over-year and 280 basis points sequentially.

Despite the improved consolidated operating results, the trucking segment albeit improved year-over-year continued to operate at a loss, generating a loss of $1.2 million for the quarter versus a loss of $1.5 million for the third quarter of 2016. This loss was primarily driven by the combination of higher driver wages and owner-operator expense stemming from our second quarter increases, elevated driver recruiting expenses associated with seating our unmanned trucks, and the general underutilization of tractors relative to our desired levels, which was partially offset by our improving yield as we continue to work on refining the network.

During the third quarter, USAT Logistics operating revenue increased 17.7% versus the third quarter and 5.5% versus the second quarter of '17. And I should clarify that 17.7% was versus the third quarter of 2016. This represents the second consecutive quarter of revenue growth and the highest year-over-year increase since the third quarter of 2014. USAT Logistics generated operating income of $3 million for the quarter, up $1.5 million versus the third quarter of 2016 and $1.1 million versus the second quarter of this year.

Moving now to Slide 4, base rate per loaded mile in the trucking segment increased $0.13 a mile or 7.6% versus the third quarter of 2016 and $0.09 or 5.3% versus the second quarter of 2017. This increase in rates was driven by the ongoing review of pricing and network strategies, customers, markets and lanes that are central to our ongoing efforts to turn around the trucking business. Freight was further aided by the hurricane-related effects, which contributed approximately $0.01 to rates during the quarter. Miles per seated truck per week decreased 4.1% versus the third quarter of 2016, down 82 miles per tractor per week year-over-year and down 63 miles per tractor per week sequentially. However, the unseated tractor percentage was 6.5% in the quarter, an increase over the third quarter of 2016 by 1.1% but a marked improvement over the second quarter of 2017, which came in at 8%. This was a focus for us as the quarter developed, and I'm happy to report that our September average unseated tractor percentage was 5%, in line with our previously stated target. Base revenue per seated tractor per week among our most critical measures improved for the fifth consecutive quarter to $3,127, up $130 or 4.3% versus the third quarter of 2016 and up $81 or 2.7% versus the second quarter of 2017. The focus in our trucking business has been and will remain improving our safety, increasing rate through further densification of the network and disciplined pricing, and improving our utilization. This last point of utilization has become an area of intense focus for the business, as it is central to the ongoing transformation of USA Truck.

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

Jason Bates
Great. Thank you, James. If we turn to Slide 5, as noted previously, in the third quarter USAT Logistics generated revenues of $37.8 million; that's up 17.7% year-over-year and 5.5% sequentially, as James alluded to. Gross margin came in at $7.6 million for the quarter, reflecting a $1.6 million or 25.9% year-over-year improvement and a 14.6% improvement sequentially. Stronger demand drove margin levels higher, improving to 20.2%. This represents 130 basis-point improvement year-over-year and 170 basis-point improvement sequentially.

We are pleased to report that the team has successfully increased load counts during the third quarter of 2017 by approximately 1,000 loads when compared to the prior year. Year-to-date revenue for USAT Logistics has grown $3.6 million or 3.5% over the 2016 levels, reflecting annual growth in the business. During the third quarter the margins in our Logistics business benefited from a capacity demand imbalance in the marketplace, which was bolstered by the hurricanes and other natural disasters. We saw margins expand sequentially during the quarter, peaking in September. However, we expect to see both margin and volume return to more normalized levels in the fourth quarter and beyond.

If we turn to Slide 6, you'll note that as of September 30, 2017, our total debt and capital lease obligations net of cash, or net debt, was $120.7 million and our stockholders' equity was $51.5 million. Net debt-to-adjusted EBITDA decreased sequentially to 5.8 times compared with 6.4 times as of the end of the second quarter. The Company had approximately $45.4 million of liquidity available under its credit facility as of the end of the third quarter. As discussed last quarter, we have a modest Capex plan for the remainder of the year. Any free cash flow will be directed towards the repayment of debt, with the goal of further reducing our leverage ratio to more comfortable levels. Our long-term goal is to continue to reduce our leverage ratio into the 2.5 to 3 times range. We expect to make progress on this goal in the fourth quarter with additional progress throughout 2018.

With that, I'll pass the call back to James.

James Reed
Thanks Jason. We've previously provided a range of operating improvements that we expected would be accretive to result this year, and we've largely delivered on those. Slide 7 shows the focus areas we said were most critical to our success: Raising price and seating trucks. We said we would, by our pricing and network reengineering, raise base revenue per seated truck by 3% to 5% by the end of the year. But we accomplished that one quarter early with the

revenue per seated truck measure of $3,127 in the quarter or 4.3% higher than the baseline. And as we look to the fourth quarter, we expect to surpass the top end of our range on that measure alone. We said we would increase seated tractor counts 5% to 7% versus the fourth quarter 2016 average truck count, and we're now exiting the third quarter with 1,628 seated tractors or 5.2% over the baseline. We expect this is where we will be through the end of the year.

While recruiting has absolutely become more difficult and retention remains a concern, we believe our unique insights into our driver turnover and more importantly the way we engage our drivers every day makes our ability to recruit and retain an important capability in our business. One area of concern is with our owner-operator program. Earlier this year, we deployed an innovative best-in-class automated freight selection and dispatch tool that gives our independent owner-operators more say in their freight opportunities and that has been a great success. However, during the quarter two of our key partners who are important to our recruitment and placement of owner operators in our fleet changed their financing programs in meaningful ways that negatively impacted our fleet. We've identified new industry partners, who we believe are even better than the prior options and we are ramping them up. In the third quarter, our owner-operator fleet was approximately 20% of the fleet and right now it's close to 17% of the fleet, about where we exited the second quarter and will be so through the end of the year.

Moving now to Slide 9, cost reduction is fundamental to who we are. Fixed controllable costs are down $4.1 million year-over-year and in the high end of the $3 [million] to $4.5 million cost savings range we had initially indicated a year ago. With the addition of our new Maintenance leader and with the full leadership now assembled, we intend to, as Andy Grove wrote, "fight like the devil" on our costs. Expect to hear more from us about that in our future earnings calls. As Jason said, we expect improved cash flow and EBITDA versus 2016 sufficient to cover future Capex requirements going into 2018 and maintaining our fleet strategy. We reiterate an expectation of consistent performance and another quarter of positive net income in the fourth quarter.

We already touched on unseated trucks, but as an area of focus and to emphasize this, I'm happy to report that as of just this morning our unseated percentage is below 5% at 4.8%, among the best we've ever seen in our Company's recent history and a clear indication that this team can deliver on its commitments. We still expect USAT Logistics to generate approximately 35% of consolidated revenue by the end of 2017. In the third quarter it represented just north of 33% of consolidated revenues for the second consecutive quarter, but on an excluding-fuel basis it is 35% of operating revenues. Our Logistics business grew revenues quarter-over-quarter for the second consecutive quarter and the second time in just 11 quarter. It was a fantastic result.

In summary, our Logistics business is a great new story; consistently producing healthy margins and a growing base of business with limited invested capital required to run it. Our long-term focus remains on running a well-executing Trucking business paired with this profitable Logistics business. It is a powerful combination and we believe we have the business, the people, and the customers to deliver on that. While this is a time for our team to have some pride in signs of positive progress, we still see significant opportunity, particularly in our trucking business. And so our focus is now squarely on taking the consistent improvements we've seen in the trucking business operating metrics and translating that into profitability. I don't want anyone to expect monthly detail in the future, but in the third quarter we had our first profitable month in trucking in over a year and only the third profitable month since 2015. We are making progress in the business. With the capable leadership team we now have in place, we are making difference every day. This team has made a habit out of exceeding our expectations. I'm not willing to commit the fourth quarter profitability in trucking right now, but you can bet that's what this team is focused on. The results for this quarter are reflective of a willful and intentional plan that we set forth three quarters ago with specific actions that we have implemented, and it's working. One regret is that this quarter, and to a lesser extent the fourth quarter, are the last real opportunities to see the fruits of our plan and labor coming to bear without the market tailwinds, which will drive upside in 2018. Don't get us wrong, we'll take the tailwinds, but we will continue to measure our relative performance to our competitors as a measure of our progress as we close the performance gap with them.

As I noted last quarter, our response to these improved results is to raise the bar higher and higher until we take our place as one of the best names in the business. Our team is now in place and finally had a quarter together to show what we are capable of and this is just the beginning. I can't wait to see what happens as our network strategy gets to run its course through the bid cycle in 2018 as our operations team drives utilization to greater height than USA Truck has recently seen and as our USAT Logistics team continues to refine and strengthen its position as a market leader.

Brandon, with that, we'll now open the call to questions. Thank you.

QUESTIONS AND ANSWERS

Operator
We will now begin the question-and-answer session. To ask a question you may press star (*) then one (1) on your touchtone phone. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press star (*) then two (2). At this time we will pause momentarily to assemble our roster.

Our first question comes from Brad Delco with Stephens. Please go ahead.

Brad Delco
Good morning James, Jason. How are you guys?

James Reed
Good, Brad. How are you?

Brad Delco
Wonderful. James, I just want to ask a couple of question specifically on truckload. Really good rate progress in the quarter, I know you got a little help from the hurricane that you called out. Length of haul did shrink, which I know helps rate but it also hurts utilization. Is there any way to parse out how hard utilization was hit maybe from storm disruption versus -- I'm assuming a conscious decision to shorten the length of haul get some greater density in some of those lanes?

James Reed
Yeah, I mean that's a question that we've had leading us that we've been working on. I mean, there's an interesting dynamic in the quarter. Our actual utilization drop-off came actually in July, more than it did in August and September. And part of that, and I want to say -- and I want everyone to listen carefully, was because of a change in how we reported it. The prior management had included some miles in our number that we just decided as a team, we don't

think are, they're more outer route miles than they really are miles that should be attributed to our utilization. So we made a little bit of adjustment, and Jason, do you know what the impact was of that?

Jason Bates
Yeah. I don't have the exact number, but I think it's important to note that it was a combination of that, but the greater impact to the utilization in the month of July was the fact that we were -- that's when we were really onboarding a lot of these trucks. We had a lot of unseated trucks, as we disclosed previously, and at the end of the second quarter, and so there was a concerted effort to seat those trucks. And anytime you seat a bunch of trucks it disrupts the network a little bit, which caused some utilization headwinds in the month of July. Then a lot of the more active work that Warner and the team have been doing really started to take hold in the month of August and September. We – essentially, we were running some analyses because we anticipated a question about the utilization impacts of the hurricanes, and we were looking at the average hours under load in the Florida and in the Houston markets and we're still working on calculating the weighted impact. But I can tell you that there were loads that historically would have been in the 40 hour -- 30 hour, 40 hour range that ended up taking up to 150 hours. And so we know that there was definitely an impact, but we haven't quantified exactly what the mathematical piece was.

James Reed
And let me just address the length of haul question. So I actually talked to Rick Hainlen, who's our network guy, last week about this very question. Our length of haul is declining; one of things I said two quarters ago is that we had some latent untapped opportunity in our network. And so we've really just kind of been reshuffling what we've got to maximize our opportunity to make sure that we're running lanes where we can be more dense, and as we've been reshuffling the deck, so to speak, we've shortened the length of haul. We expect as we get through our bid process and actually have our intentional network implications run through the system in 2018, the length of haul will pop back up a bit going into next year. So, sorry that we don't have specific numbers on those. As Jason said, we're working on it, we generally understand the dynamics to be -- we changed a little bit of how we report it internally. That affected us a little, you know, call it 25 to 30 miles. Jason and his team are doing the analysis on what the exact impact is. But unlike some others, and I'm not here to opine on their results, we don't really think that the hurricanes affected our utilization that much. And then finally our length of haul is down because we've been kind of rearranging our existing network. But through our efforts, we actually expect it to climb up a little bit more next year. So I hope that's directionally helpful.

Brad Delco
Yeah, that's very, very helpful. I really was curious as to how much of that length of haul was intentional because I would imagine Warner would have come through and you probably cut out a bunch of lanes and shuffled a lot of the network around. And I just wanted to get a sense of how much of that was intentional.

Jason Bates
That's right. Brad, sorry to interrupt you, I don't mean to ask a question on your behalf. But I'll just preemptively say, and we're less concerned about that right now because we did see revenue per tractor per week go up yet again, a lot of that's attributable to pricing but also the network changes that we're making. So that gives us confidence that we're headed the right direction, so.

Brad Delco
And then I like seeing the seated truck count, under 5% I typically think of as “full employment”. Is that a fair way to be thinking about it? Could you really be better on percentage of your fleet that’s seated, just because of natural attrition and churn?

James Reed
So there’s two factors in play there, one is the one that you pointed out, which is you’ve got some natural attrition and you’ve got to balance or recruiting efforts, which I mentioned had gotten more expensive during the quarter compared to prior quarters and so that’s that challenge. The other one is just inherently in trucking, you have long-term racks that are being repaired, you have trucks that have a blown engine that are in the shop for long periods of time. There’s a portion of your fleet that just isn’t available to you because it’s being fixed or otherwise isn’t available to be assigned to a driver. So we really think of 5% as the consistent target that we want to be at. I would be quite surprised if we operated below 5% versus the same period of time. Our goal is to operate at that 5%, because of the point you made. It’s kind of as low as you can naturally go without having luck on your side and not having trucks down for long-term maintenance and long-term repairs.

Brad Delco
Yeah, that makes sense. And then final question and I’ll jump back in queue. Some information came out yesterday afternoon with truck orders for the month of October. It seemed like everybody in the country decided they wanted to order trucks in October. Can you give us any insight is to what your plans are for next year? Is it bringing down the age, trying to grow the fleet? Just generally speaking, what’s kind of, you think the preliminary thoughts there?

Jason Bates
Yeah. So, it’s funny. We were at the ATA last week and you could tell that’s everyone orders everything in October because everyone’s all together at the ATA and they’re all talking about who is buying what and with who. What we can tell you is that we haven’t made any firm decisions yet on exactly what we’re going to be ordering. But I can tell you that our goal is to keep our fleet age right around 3 or a little bit above 3 next year. We exited the quarter at right around 2.7, 2.8, and we’re not looking to add any trucks in the fourth quarter. And so going into next year, we’ll get onto a normal replacement cycle. And that will necessitate roughly let’s call it approximately 300 trucks next year that we’ll be buying to keep that fleet age right around that level. And so, again, we haven’t made any firm decisions on whom or who we’ll be purchasing those from, but that’s the plan right now.

Brad Delco
Okay. Great. Thanks guys. I’ll jump back in queue.

James Reed
Thanks, Brad.

Operator
Our next question comes from John Engstrom with Stiefel. Please go ahead.

John Engstrom
Yeah, good morning guys. Thank you for your time.

James Reed
Hey, John.

John Engstrom
So I think there's a lot of awesome metrics here, and I was hoping to first ask you a question around the one that's perhaps most discussed in the industry and that's how since 1Q '17 to this report, you've increased your driver count by, I think, it's 65 drivers, even more since 4Q '16. What levers are you guys pulling? Is it more miles on the tractor to have more effective compensation without actually needing to pay higher wages per mile, or can you talk to us a little bit about what your driver retention and recruiting strategy is?

James Reed
Yeah, for sure. So this is an area where we spend a lot of time and effort and it's not perfected, that's for sure. But we think we've got some good things going on. So, on the recruitment and let's say pay front, let's talk about those together. We did have to spend more money than we had hoped to recruit in the quarter. It's getting harder to recruit, which we believe when we look at our turnover reason, we saw a spike in the quarter for people that are taking local jobs, which for us was code for going to the construction industry. So we've got some competitive challenges there just because of where the economy is and we're not complaining about it, it's just is what it is. From a pay standpoint, we had announced previously that we made a pay increase in April that got us more on par with our competitors. And then one of the tactical things we did last Q4, this actually predates all of our management team, we had changed – actually Jim was here. We had changed our driver bonus program, which is based on productivity, safety, and fuel compliance from a quarterly payout to a monthly payout. And so, those things combined suggest an environment where we're making sure that we're competitive on pay and it's a bit harder to recruit people, but we're doing, we're carrying the water there.

On the retention side, we're very excited about what we're doing there. This is – Werner is in the room with us today, and it's one of his passions and it's frankly one of the differentiated things that he brought to the job as, you know, as a former driver himself, he kind of gets the dignity and respect angle of being a driver, just like we all do, but he gets it in his bones, and so he's developed a comprehensive program where we have consistent outreach to drivers. We proactively address issues that they have either via push information that they send to us or via their scorecards where we can see that their miles or their pay is falling off. Werner and his team are doing proactive outreach to go connect with those drivers, and we think that's having a good impact.

And then the other thing I mentioned once before, and we don't want to go into a lot of details on this, but we have a really robust analytical logistic regression model we developed in-house to help us understand the cause of drivers departing. And Werner and his team are using that analysis to help inform their consciousness about how to do the outreach, but that all sounds kind of sexy and cool, but at the end of the day, it really is about how you treat them, about consistent touches, and more than anything, our internal dogma, if you will, is the best way we can give drivers a meaningful work and pay increases is to give them more miles. And so we are just totally focused right now on increasing utilization and we won't go into the details here. But what Werner is doing, his approach is consistent with what you've heard from us on everything else in the business. They're setting goals, they are measuring performance for those goals, they're coaching kneecap-to-kneecap and nose-to-nose with people to improve that. And we've seen, particularly recently, some pretty fantastic improvement -- and fantastic is a relative word, right, but they're getting utilization improvements week-over-week and we're excited to see where that takes us. But that's a big, John, utilization impact, or excuse me, a retention impact.

Jason Bates
Yes, John. We get this question a lot, because there are a lot of people anticipating rate increase needs going into next year with the market the way it is, but right, wrong, or otherwise, our loaded miles per truck per week lags many people in the industry. And so, as long as our pay is right where it needs to be on an average mileage basis, then it's just a matter of getting those drivers more miles. And so as we do that, coming from a lower base, our drivers will feel the rate increase in terms of take-home pay without us having to actually incur headwinds on that front.

John Engstrom
Yeah, I think that all make sense. And that's great. You can clearly see it in the numbers. There are two core phrases that you guys mentioned which I was hoping to build on, it's a really good parlay. The first was treatment and touches and the second was utilization. To start with the first, treatment and touches, circa a year ago, a component of the strategy was to outsource a lot of the maintenance and I want to say divest from some of the real estate as it pertains to the maintenance facilities. And one thing we hear tangentially around the space is that one of the big touches is when a driver has some sort of event on the road, being able to go to a maintenance facility or have a branded touch there, is a big deal. And I know that's something that you guys have been in sort of reverse course on. I was wondering if you could give us an update on your sort of maintenance strategy; I know you had a new hire, how you're thinking about managing that across the enterprise? Any color on that's appreciated.

James Reed
Yeah, so let me take that. And I'm going to keep it at strategic levels. We're are not going to make any announcement on this call and you didn't ask us to about new facilities or anything like that, but I think what you pointed out is very astute. The best operators in our business, for cost reasons but also for driver interaction reasons, have multiple facilities and if you look at our facilities, we don't really have anything east of Dayton, Ohio, but a lot of our operation is east of Dayton, Ohio. And so we are actively – we've already done the analysis and made the decision that we're going to begin expanding our facilities. We'll tell you more about the footprint and the schedule and stuff like that in future calls, but strategically, we do want to touch the drivers more frequently. We want them to get that touch and feel of a concerned organization that cares about them. And that's more important really than anything else I'm going to say after this. The after this part is – there's a cost element to that, too. Bringing OTR spend in-house is a great way for us to reduce our variable costs and our analysis supports that, and so that's something we're working on.

And then just something tactically that Jeff has already implemented in the very short period of time that he's been here, we've put inspection lanes back into our facilities at two of our four facilities. And what that means to a lay person is when a truck comes in, his guys look at it top to bottom to see if there are any issues. And he shared a stat with our board this week that just blew my mind, that over 50% of the tires that are coming on these trucks and trailers into the yard have some sort of issue, underinflation, overinflation, tread depth, something that could be a safety issue or not as important as a safety issue, but a maintenance issue over the road, down the road. And so we think by those proactive activities, we are increasing the touch points that we're having with them, we're increasing our, improving our safety and we firmly believe that we're lowering our long-term maintenance costs through that. There's an initial burst right now. It costs a lot of money to replace those tires that we didn't know were bad in the past. But I think that a one-time thing, we get through that, and we expect great things from Jeff down the road. So a comprehensive answer, but that's all a long-winded way to say you're right, and we agree with that and that is our strategy.

John Engstrom
Yeah, that's tremendous and I appreciate that depth. And I would imagine that that could have a lever on reducing your turnover as well, but perhaps it's very difficult to measure, I don't how I would measure that even if I had all the numbers in front of me. So the other element pertained to utilization and to some extent, price. And given that you guys have so much going on internally with route and lane selection, and reallocation and utilization, and also renegotiation of contracts, I'm just going to take the highroad here, instead of getting bogged down in a lot of details. I'm just gonna keep this really simple and just, the question I'm going to ask you is, of your total book of business, how much did you go to market with in this past quarter?

James Reed
That's a really interesting question, and I'm going to dodge it a little bit. I don't know the answer off the top of my head. I was more forward-looking. I can tell you, between now and June, 53% of our business goes to market from a bidding standpoint and we like that dynamic, given where the marketplace is. More of what you saw in our pricing, just to lever off your question, was just that, I mean, Rick came in May, he hasn't even had time to rebid price and get it through the network. What you've seen is almost exclusively network management and better use of our existing network. And then on the utilization front, I think that, as I said on the call, that's just an intense focus area for us that we're seeking to improve. So, sorry to dodge your question. I don't know the answer right off the top of my head. Do you know?

Jason Bates
Yeah, it's roughly 24% that we had in the fourth -- in the third quarter, so.

John Engstrom
Yeah, that's very helpful. And to James's point, which I'm conscious of and didn't want to get stuck in, obviously there's a lot of things going on internally on the operations side, which plays into what's being called price on the release, but could also just be an element of route selection, so.

James Reed
That's really a very good point.

John Engstrom
Okay, those are all my questions. Thank you very much for the detail. That's very helpful.

Jason Bates
Thanks John.

Operator
Again, if you have a question please press star (*) then one (1).

Our next our next question comes from Barry Haimes with Sage Asset Management. Please go ahead.

Barry Haimes
Good morning, guys. Thanks for taking the question. Just to follow-up on that last point, the 24% that repriced, I think you said in the third quarter, can you give us any metrics around that mean median range in terms of the price increases? And just following up on the 53% of the business to bid between now and June, if we were to say percent of your capacity, you know,

kind of price for 2018 versus percent that still needs to get rebid, any flavor on that? And then I just had one more follow-up. Thanks.

James Reed
So in terms of how much the increase was, here's what we've said in past quarters and it was true in this quarter as well. We've been in the 3% to 5% range on average in what we've repriced through the bid process. So that kind of addresses your first question. As you look forward, it's interesting. We've heard all kinds of irrational stuff in the marketplace, but we take our bid award and we forward-test it against the volume and the mix, and there's a little bit of a guess, right, because it's not really yours until you move the freight. But we anticipate that being kind of in the 5% range going forward. So that's how the 53%, that's where I expect that to fall in line where we expect it. And then your final question was the percentage of the capacity that's priced in and through 2018. I would just tell you that, you know, if you think about that 53%, that stuff then will ultimately go into play in the second half of the year. So I guess if we're going to be super analytical about it, I'd say it's about 50-50. Half of what we've got for next year is, kind of, call it on the books, not in terms of it's in a pipeline or anything, but it's been priced through a bid process and we feel really good about that. And then the remainder of it, as I just said, I think it's about 5% increase is what we're expecting and that is what is the other half of the book. Jason, you want to add to that?

Jason Bates
Yeah, the only thing I would add to that is that what James is addressing specifically is the rate action associated with going to customers through the bid process. But I don't want you to lose sight, Barry, of the work that Rick Hainlen and Werner Hugo and the teams are doing as it relates to mix and freight selection as we're densifying the network. And that there will be -- we anticipate, and it's hard to quantify because there's so many moving pieces, but a lot of the work that we've done to realize the 7.6% rate increase you saw this quarter was not a direct result of price action with customers as much as it was being smarter and more disciplined about the freight that we're hauling and the mix component. So there will be a mix component as well, I just don't want that to be lost.

Barry Haimes
Right. And this final question is, is it your guys' intention to run pretty much 100% contract or do you have a strategy to keep some capacity for the spot market? Thanks.

James Reed
Great. So there's a couple ways answer that. On the truckload side, we run call it less than 5% of our business in the spot market. We really rely on our contract work and Jason used the word that we used in the scripts, the densification of our network, to drive our profitably long term. One of the things we're really focused on is getting consistent, somewhat predictable returns over time, and we've been talking a lot about this topic, and it's the old, the pigs get fat and hogs get slaughtered. We're trying to be extremely disciplined about that. The other side of this though, we've mostly been talking about truckload is in the logistics business, and in the logistics business we have had some exposure just by the nature of the business in a good way to the upside that comes from playing in the spot market. And Jim in particular got together with what we call the customer load board desk, which is a desk that just looked at missed opportunities in the marketplace and is inherently a spot-type operation. And I think it's still less than 20% of our business, but that's kind of the mix in our business. So less than 5% on the trucking side and, you know, call it 20% on the logistics side. Would you agree with that, Jason?

Jason Bates
Yeah, that's fair.

Barry Haimes
Great, thanks so much guys. Appreciate it.

Jason Bates
Thanks, Barry.

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

CONCLUSION

James Reed
Great. Thanks, Brandon. Thanks everybody for participating in our call. Consistency and focus have been important factors in our efforts at USA Truck, and so I'll close by saying exactly what I did last quarter. Companywide, we have been consistent and steady in our focus on execution and accountability. Our team has really come together and it's an exciting time to be here. Like all great teams, we have appropriate tension when we disagree, but we also have long stretches of unified and committed effort that leads to improved results like we've discussed here today. We still have a long way to go. But I want to thank all of our employees, drivers and driver-supporting roles alike, for their continued commitment to our shared vision that has moved us further along on this continuum. We aim to be a company that makes a difference in the lives of everyone who works with us or interacts with us and that vision is only accomplished through our people.

A couple of weeks ago we had a driver show up to our all-hands company meeting unannounced with eight plaques. He had decided on his own that he wanted to publicly recognize the fleet managers who had helped him in his 13 years as a driver by presenting certificates of appreciation to each of them. He called them to the podium by name so they could be recognized by him and the Company in a very public setting. I was so proud that one of our team members felt so compelled by his experience to do something like this of his own freewill and choice. It was a sure sign to us all that our culture has turned a corner. Winners recognize the contributions of those who helped them in their journey, and here USA Truck we are creating a culture of winners. Bob Powell, the trucking legend and Co-Founder of USA Truck, was in our building several weeks ago. It's the first time he's been here in years. We are proud of our past, we are proud to be associated with such a man as Mr. Powell, and we are increasingly proud of what this Company is becoming.

We have had a mantra here that we "win together". I'd like to modify that to say "we're winning together". Jason I will be in New York on an industry conference next week. You can find the details in our recent advisory announcement. We look forward to meeting with you and discussing our plans for the business at that time. Thanks again for your attendance and questions today. We're just getting started and hope you'll continue to be part of this journey with us. Thank you.

Operator
The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.