MARTEN TRANSPORT LTD
Form S-2/A
August 14, 2003

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As filed with the Securities and Exchange Commission on August 14, 2003

Registration No. 333-107367

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

Amendment No. 2
To
Form S-2

REGISTRATION STATEMENT

UNDER
THE SECURITIES ACT OF 1933

Marten Transport, Ltd.

(Exact name of registrant as specified in its charter)

Delaware	**39-1140809**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification Number)*

129 Marten Street
Mondovi, Wisconsin 54755
(715) 926-4216
(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Randolph L. Marten
Chairman and President
Marten Transport, Ltd.
129 Marten Street
Mondovi, Wisconsin 54755
(715) 926-4216
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Mark Scudder **Heidi Hornung-Scherr**	**Thomas A. Letscher**	**Seth R. Molay, P.C.** **Gemma L. Descoteaux**
Scudder Law Firm, P.C., L.L.O. 411 South 13th Street, Suite 200 Lincoln, Nebraska 68508 (402) 435-3223	Oppenheimer Wolff & Donnelly LLP 3000 Plaza VII, 45 South Seventh Street Minneapolis, Minnesota 55402 (612) 607-7000	Akin Gump Strauss Hauer & Feld LLP 1700 Pacific Avenue, Suite 4100 Dallas, Texas 75201 (214) 969-2800

Approximate date of commencement of proposed sale to the public: As soon as practical after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. [ ]

If the registrant elects to deliver its latest annual report to security holders, or a complete and legible facsimile thereof, pursuant to Item 11(a)(1) of this Form, check the following box. [ ]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ] ______

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ] ______

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ] ______

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, or until this registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities, and it is not soliciting an offer to buy these securities, in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED AUGUST 14, 2003

3,000,000 Shares

Common Stock

We are selling 2,475,000 shares of our common stock. The selling stockholders identified in this prospectus are selling an additional 525,000 shares. We will not receive any of the proceeds from the sale of shares by the selling stockholders. Our common stock is listed on the Nasdaq National Market under the symbol MRTN. The last reported sale price on August 12, 2003, was $19.68 per share.

You should consider the risks that we have described in Risk Factors beginning on page 5 before buying shares of our common stock.

	Per Share	Total
Public offering price	$	$
Underwriting discounts and commissions	$	$
Proceeds, before expenses, to us	$	$
Proceeds, before expenses, to the selling stockholders	$	$

The underwriters may purchase up to an additional 225,000 shares of common stock from us and 225,000 shares of common stock from the selling stockholders at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus to cover over-allotments.

Neither the Securities and Exchange Commission nor any state securities commissions has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares to purchasers on or before , 2003.

Stephens Inc.

BB&T Capital Markets

Legg Mason Wood Walker
Incorporated

Morgan Keegan & Company, Inc.

The date of this prospectus is , 2003.

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You should rely only on the information contained in or incorporated by reference in this prospectus. We have not, and the underwriters have not, authorized any person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate as of the date on the front cover of this prospectus only. Our business, financial condition, results of operations, and prospects may have changed since that date.

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PROSPECTUS SUMMARY

This summary highlights certain information contained elsewhere in this prospectus. Because it is a summary, it may not contain all of the information that is important to you. Before investing in our common stock, you should read this entire prospectus carefully, especially the sections entitled Risk Factors beginning on page 5 and Management s Discussion and Analysis of Financial Condition and Results of Operations beginning on page 17, as well our financial statements and related notes included elsewhere in this prospectus. All information in this prospectus reflects our three-for-two stock split effected in the form of a 50% stock dividend as of July 24, 2003, and excludes the effect of approximately 119 fractional shares paid to stockholders in cash on August 8, 2003, in connection with the stock split. See Description of Capital Stock. The terms Marten, company, we, us, our, and similar terms refer to Marten Transport, Ltd. unless the context otherwise req

Our Business

We are one of the leading temperature-sensitive truckload carriers in the United States. We specialize in transporting food and other consumer packaged goods that require a temperature-sensitive or insulated environment. We offer nationwide service, concentrating on expedited movements over an average length of haul of approximately 1,000 miles. In 2002, we generated $293.1 million in operating revenue, which made us the nation s third largest temperature-sensitive carrier measured by revenue.

We have grown substantially since going public in 1986. From 1986 through 2002, our operating revenue increased from $52.5 million to $293.1 million, a compounded annual growth rate of approximately 11%. Our growth strategy is to expand our business internally by offering shippers a high level of service and significant freight capacity. We market primarily to large shippers that offer consistent volumes of freight in the lanes we prefer and are willing to compensate us for a high level of service. With our fleet of over 2,150 company and independent contractor tractors, we are able to offer service levels that include up to 99% on-time performance and delivery within the narrow time windows often required when shipping perishable commodities. Moreover, as one of the nation s largest temperature-sensitive carriers, we can offer substantial truck capacity to shippers that desire to concentrate their freight with large, well-capitalized core carriers. Our five largest customers in 2002 were Procter & Gamble, General Mills, Kraft, Anheuser-Busch, and ConAgra.

We focus our operating strategy on asset productivity, operating efficiency, and cost control. To improve asset productivity, our operations and sales departments work together to secure and service freight that facilitates rapid turnaround times, minimizes non-revenue miles between loads, and carries a favorable rate structure. To achieve efficiency and cost control, we seek to recruit and retain safe and dependable drivers. We operate newer tractors and trailers to minimize breakdowns and repair expense. In addition, we scrutinize our expenses and tightly manage non-revenue generating personnel and asset expenditures.

We believe that the successful execution of our strategies, along with a more favorable relationship between shipping demand and industry-wide temperature-sensitive truck capacity, have contributed to a significant improvement in our financial results during 2003. For the six months ended June 30, 2003, we increased operating revenue 15.1%, to $163.5 million from $142.0 million for the same period in 2002, and our earnings per diluted share increased 39%, to $0.75 from $0.54. Some of the operational highlights of our efforts include:

- Average operating revenue per tractor per week of $2,936 for the six months ended June 30, 2003.
- A ratio of 5.4 tractors for each non-driver employee at June 30, 2003.
- A ratio of approximately 1.3 trailers for each tractor at June 30, 2003.
- Average non-revenue miles of 6.6% for the six months ended June 30, 2003.
- Average company-owned tractor age of 2.1 years and average trailer age of 3.9 years at June 30, 2003.
- Annualized driver turnover of 58% for the six months ended June 30, 2003.

We believe these measures compare favorably with the other leading truckload carriers, both dry van and temperature-sensitive.

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Market Opportunity

We operate primarily in the temperature-sensitive segment of the truckload market. The temperature-sensitive segment has estimated annual revenue of approximately $8 billion. This market is highly fragmented, with only seven temperature-sensitive carriers reporting revenues over $200 million in 2001. The main commodities shipped include meat, poultry, fish, dairy products, fruits and vegetables, pharmaceuticals, health and beauty products, film, candy, and temperature-sensitive manufacturing materials. Because of difficult operating conditions for trucking companies from 2000 to the present, many participants in the segment were forced to slow their growth, downsize, or cease operations. In addition, orders for new temperature-sensitive trailers decreased 50% between 1999 and 2002. The decrease in carrier capacity, combined with the service-sensitive nature of the segment, contributed to a 6.3% increase in average revenue per loaded mile for temperature-sensitive carriers over the twelve months ended April 30, 2003, according to the American Trucking Associations.

We believe we operate in an attractive market segment for several reasons:

- The market lacks any dominant competitor.
- The food and consumer products we transport are less cyclical than many other kinds of freight.
- The time and temperature-sensitive nature of the freight favors carriers that offer expertise in the segment and a high level of service.
- The food industry is dominated by large, consolidating shippers, many of which seek well-capitalized core carriers with significant tractor and trailer capacity.
- The exit or downsizing of competitors and reduction in refrigerated trailer production has resulted in a more favorable balance of shipper demand and truck capacity.

As one of the largest carriers focused on the temperature-sensitive segment, we believe we are well positioned and well capitalized to take advantage of future opportunities.

Company Information

We are incorporated in Delaware. Our principal executive offices are located at 129 Marten Street, Mondovi, Wisconsin 54755, and our telephone number is (715) 926-4216. Our website address is http://www.marten.com. Information contained in our website is not incorporated by reference into this prospectus, and you should not consider information contained in our website as part of this prospectus.

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The Offering

Common stock being offered by us	2,475,000 shares
Common stock offered by the selling stockholders	525,000 shares
Common stock to be outstanding after the offering(1)	8,908,342 shares
Use of proceeds	We estimate that our net proceeds from the shares of common stock that we sell in this offering, after deducting underwriting discounts and other estimated expenses, will be approximately \$44.6 million. We intend to use the net proceeds to repay all amounts outstanding under our revolving credit facility (approximately \$19.4 million as of June 30, 2003) and for other general corporate purposes, including the purchase of tractors and trailers. We will not receive any proceeds from the sale of shares by the selling stockholders.
Nasdaq National Market symbol	MRTN

Unless otherwise stated in this prospectus, we have assumed throughout this prospectus that the underwriters over-allotment option is not exercised.

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(1) Based on 6,433,342 shares outstanding as of July 24, 2003, giving effect to our three-for-two stock split effected in the form of a fifty percent (50%) stock dividend issued on such date. This number excludes approximately 1,005,750 shares of our common stock reserved for issuance under our incentive stock plans, of which options to purchase 694,125 shares of our common stock are outstanding under these plans.

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Summary Financial and Operating Data

(in thousands, except per share data, operating data, and percentages)

Our summary financial data as of and for the fiscal years ended December 31, 1998, through December 31, 2002, under the caption Statements of Operations Data are derived from our audited financial statements. Our annual financial statements were audited by KPMG LLP in 2002 and by Arthur Andersen LLP in the prior years. The summary statements of operations data and balance sheet data as of and for the six months ended June 30, 2002, and 2003, have been derived from our unaudited financial statements. The unaudited financial statements include all adjustments, consisting of normal recurring accruals that we consider necessary for a fair presentation of our financial position and our results of operations for these periods. Data for interim periods are not necessarily indicative of the results to be expected for a full year. You should read this summary data in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and related notes and other financial information included or incorporated by reference in this prospectus.

	Year Ended December 31,					Six Months Ended June 30,	
	1998	1999	2000	2001	2002	2002	2003
						(unaudited)	
Statements of Operations Data:							
Operating revenue	$193,648	$219,200	$260,797	$282,764	$293,096	$142,029	$163,527
Operating expenses	177,303	201,514	242,106	267,657	281,235	135,024	154,828
Operating income	16,345	17,686	18,691	15,107	11,861	7,005	8,699
Interest expense, net	3,721	3,822	5,904	4,601	2,227	1,312	741
Income before taxes	12,624	13,864	12,787	10,506	9,634	5,693	7,958
Income taxes	5,050	5,407	4,859	3,992	3,661	2,163	3,024
Net income	$ 7,574	$ 8,457	$ 7,928	$ 6,514	$ 5,973	$ 3,530	$ 4,934
Basic earnings per common share(1)	$ 1.13	$ 1.28	$ 1.25	$ 1.04	$ 0.94	$ 0.56	$ 0.77
Diluted earnings per common share(1)	$ 1.12	$ 1.28	$ 1.25	$ 1.02	$ 0.92	$ 0.54	$ 0.75
Weighted average common shares outstanding:							
Basic shares outstanding(1)	6,717	6,582	6,323	6,273	6,353	6,344	6,388
Diluted shares outstanding(1)	6,786	6,597	6,342	6,356	6,527	6,512	6,610
Operating Data:							
For period:							
Average operating revenue per total mile	$ 1.17	$ 1.20	$ 1.27	$ 1.25	$ 1.23	$ 1.22	$ 1.27
Average freight revenue per total mile(2)	$ 1.17	$ 1.20	$ 1.22	$ 1.21	$ 1.21	$ 1.21	$ 1.21
Average miles per tractor per period(3)	119,609	118,598	115,185	119,686	118,624	59,878	59,554
Average operating revenue per tractor per week(3)	$ 2,678	$ 2,726	$ 2,810	$ 2,870	$ 2,809	$ 2,822	$ 2,936
Average freight revenue per tractor per week(2)(3)	$ 2,685	$ 2,722	$ 2,685	$ 2,768	$ 2,756	$ 2,793	$ 2,794
Average miles per trip	1,081	1,069	982	978	968	963	1,000

Non-revenue miles percentage(4)	6.6%	6.6%	6.7%	6.6%	6.6%	6.7%	6.6%
At end of period:							
Total tractors(3)	1,460	1,633	1,844	1,956	2,078	1,969	2,153
Average age of company tractors (in years)	2.1	1.6	1.5	1.8	1.9	2.0	2.1
Total trailers	2,094	2,303	2,626	2,713	2,676	2,713	2,821
Average age of company trailers (in years)	2.2	2.0	2.6	3.3	4.1	3.8	3.9
Ratio of trailers to tractors(3)	1.4	1.4	1.4	1.4	1.3	1.4	1.3
Ratio of tractors to non-driver personnel(3)	4.6	5.2	5.6	5.4	5.6	5.4	5.4

	June 30, 2003	
	Actual	**As Adjusted(5)**
	(unaudited)	
Balance Sheet Data:		
Cash and cash equivalents	$	$ 25,178
Total assets	214,048	239,226
Long-term debt, including current portion	50,829	31,429
Total stockholders equity	84,906	129,484

(1) Restated to reflect a three-for-two stock split effected in the form of a 50% stock dividend on July 24, 2003.
(2) Freight revenue is operating revenue, less fuel surcharge revenue.
(3) Includes tractors driven by both company-employed drivers and independent contractors. Independent contractors provided 466, 549, 512, 547, and 611 tractors as of December 31, 1998, 1999, 2000, 2001, and 2002, and 599 and 601 tractors as of June 30, 2002, and 2003.
(4) Represents the percentage of miles for which we are not compensated.
(5) Gives effect to our sale of 2,475,000 shares of common stock at an assumed offering price of $19.15 per share and the application of our estimated net proceeds from such sale as described in Use of Proceeds.

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RISK FACTORS

Any investment in our common stock involves a high degree of risk. You should consider carefully the following information about these risks, together with the other information contained in this prospectus, including the financial statements and notes thereto, and the documents incorporated by reference in this prospectus, before buying shares of our common stock.

Risks Related to Our Business

Our business is subject to general economic and business factors that are largely out of our control, any of which could have a materially adverse effect on our operating results.

Our business is dependent upon a number of factors that may have a materially adverse effect on the results of our operations, many of which are beyond our control. These factors include: significant increases or rapid fluctuations in fuel prices; excess capacity in the trucking industry; strikes or other work stoppages; low prices or volatility in the market for used equipment; increases in interest rates, fuel taxes, tolls, and license and registration fees; increases in insurance premiums and our self-insurance levels; and difficulty in attracting and retaining qualified drivers and independent contractors.

We also are affected by recessionary economic cycles, changes in inventory levels, and downturns in customers business cycles, particularly in market segments and industries where we have a significant concentration of customers. Economic conditions may adversely affect our customers and their ability to pay for our services. It is not possible to predict the effects of actual or threatened armed conflicts or terrorist attacks and subsequent events on the economy or on consumer confidence in the United States, or the impact, if any, on our future results of operations. In addition, our results of operations may be affected by seasonal factors.

We operate in a highly competitive and fragmented industry, and our business may suffer if we are unable to adequately address downward pricing pressures and other factors that may impair our ability to compete with other carriers. Numerous competitive factors could impair our ability to maintain our current profitability.

These factors include:

We compete with many other truckload carriers that provide temperature-sensitive service of varying sizes and, to a lesser extent, with less-than-truckload carriers, railroads, and other transportation companies, many of which have more equipment, a wider range of services, and greater capital resources than we do or have other competitive advantages. In particular, several of the largest truckload carriers that offer primarily dry van service also offer temperature-sensitive service, and these carriers could attempt to increase their business in the temperature-sensitive market.

Many of our competitors periodically reduce their freight rates to gain business, especially during times of reduced growth rates in the economy, which may limit our ability to maintain or increase freight rates or maintain significant growth in our business.

Many customers reduce the number of carriers they use by selecting so-called core carriers as approved service providers, and in some instances we may not be selected.

Many customers periodically accept bids from multiple carriers for their shipping needs, and this process may depress freight rates or result in the loss of some business to competitors.

The trend toward consolidation in the trucking industry may create other large carriers with greater financial resources and other competitive advantages relating to their size and with whom we may have difficulty competing.

Advances in technology require increased investments to remain competitive, and our customers may not be willing to accept higher freight rates to cover the cost of these investments.

Competition from internet-based and other logistics and freight brokerage companies may adversely affect our customer relationships and freight rates.

Economies of scale that may be passed on to smaller carriers by procurement aggregation providers may improve their ability to compete with us.

We derive a significant portion of our revenue from our major customers, the loss of one or more of which could have a materially adverse effect on our business.

A significant portion of our revenue is generated from our major customers. For 2002, our top 30 customers, based on revenue, accounted for approximately 77% of our revenue; our top ten customers accounted for approximately 54% of our revenue; our top five customers accounted for approximately 40% of our revenue; and our top two customers accounted for approximately 20% of our revenue. We do not expect these percentages to change materially for 2003.

Generally, we enter into one-year contracts with our major customers, the majority of which do not contain any firm obligations to ship with us. We cannot assure you that, upon expiration of existing contracts, these customers will continue to use our services or that, if they do, they will continue at the same levels. In addition, our volumes and rates with our customers could decrease as a result of bid processes or other factors. A reduction in or termination of our services by one or more of our major customers could have a materially adverse effect on our business and operating results.

Ongoing insurance and claims expenses could significantly affect our earnings.

Our future insurance and claims expense might exceed historical levels, which could reduce our earnings. We self-insure for a portion of our claims exposure resulting from workers compensation, auto liability, general liability, cargo and property damage claims, as well as employees health insurance. We also are responsible for our legal expenses relating to such claims. We reserve currently for anticipated losses and expenses. We periodically evaluate and adjust our claims reserves to reflect our experience. However, ultimate results may differ from our estimates, which could result in losses over our reserved amounts. On January 1, 2003, we increased our self-insured retention limit for auto liability claims from $500,000 to $1,000,000 per incident and for workers compensation claims from $500,000 to $750,000 per incident. The increase in self-insured retention could increase our claims expense or make our claims expense more volatile depending on the frequency, severity, and timing of claims. Accordingly, the number or severity of claims for which we are self-insured, or the timing of such claims within a given period, could have a materially adverse effect on our operating results.

We maintain insurance above the amounts for which we self-insure with licensed insurance carriers. Although we believe the aggregate insurance limits should be sufficient to cover reasonably expected claims, it is possible that one or more claims could exceed our aggregate coverage limits. Insurance carriers recently have been raising premiums for many businesses, including trucking companies. As a result, our insurance and claims expense could increase, or we could raise our self-insured retention when our policies are renewed. If these expenses increase, or if we experience a claim in excess of our coverage limits, or we experience a claim for which coverage is not provided, results of our operations and financial condition could be materially and adversely affected.

Increases in compensation or difficulty in attracting drivers could affect our profitability and ability to grow.

Periodically, the transportation industry experiences substantial difficulty in attracting and retaining qualified drivers, including independent contractors, and competition for drivers is intense. Due in part to current economic conditions, including the cost of fuel and insurance, the available pool of independent contractor drivers is smaller than it has been historically. Accordingly, we may face difficulty increasing the number of our independent contractor drivers, which is one of our principal sources of planned growth. In addition, our industry suffers from high turnover rates of drivers. Our turnover rate requires us to recruit a substantial number of drivers. Moreover, our turnover rate could increase. If we are unable to continue to attract drivers and contract with independent contractors, we could be required to adjust our driver compensation package or let trucks sit idle. In addition, our compensation of drivers and independent contractors is subject to market forces, and we may increase their compensation in future periods. An increase in our expenses or in the number of tractors without drivers could materially and adversely affect our growth and profitability.

Fluctuations in the price or availability of fuel may increase our cost of operation, which could materially and adversely affect our profitability.

We require large amounts of diesel fuel to operate our tractors and to power the temperature-control units on our trailers. Fuel is one of our largest operating expenses. Fuel prices tend to fluctuate, and prices and availability of all petroleum products are subject to political, economic, and market factors that are beyond our control. We depend primarily on fuel surcharges, volume purchasing arrangements with truck stop chains, and bulk purchases of fuel at our terminals to control our fuel expenses. We previously used commodity swap agreements to partially hedge our exposure to diesel fuel price fluctuations, but the last remaining agreement expired on or prior to December 31, 2002. There can be no assurance that we will be able to collect fuel surcharges or enter into successful hedges in the future. Fluctuations in fuel prices, or a shortage of diesel fuel, could adversely affect our results of operations.

If we are unable to retain our senior executive officers, our business, financial condition, and results of operations could be harmed.

We are highly dependent upon the services of our four senior executive officers: Randolph L. Marten, our Chairman of the Board and President; Darrell D. Rubel, our Executive Vice President, Chief Financial Officer, and Treasurer; Robert G. Smith, our Chief Operating Officer; and Timothy P. Nash, our Executive Vice President of Sales and Marketing. Currently, we do not have employment agreements with any of these persons. The loss of any of their services could have a materially adverse effect on our operations and future profitability. In addition, we must continue to develop and retain a core group of managers if we are to realize our goal of expanding our operations and continuing our growth. We cannot assure you that we will be able to do so.

We have significant ongoing capital requirements that could affect our profitability if we are unable to generate sufficient cash from operations and obtain financing on favorable terms.

The truckload industry is very capital intensive. Historically, we have depended on cash from operations and borrowings to expand the size of our fleet and maintain modern revenue equipment. If we are unable to generate sufficient cash from operat