HUNT J B TRANSPORT SERVICES INC
Form 10-Q
October 27, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2017

OR

— TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission File Number: 0-11757

J.B. HUNT TRANSPORT SERVICES, INC.

(Exact name of registrant as specified in its charter)

Arkansas	**71-0335111**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

615 J.B. Hunt Corporate Drive, Lowell, Arkansas 72745

(Address of principal executive offices)

479-820-0000

(Registrant's telephone number, including area code)

www.jbhunt.com

(Registrant's web site)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to the filing requirements for the past 90 days.

Yes _X_ No ___ _

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes _X_ No____

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer _X_ Accelerated filer ___ Non-accelerated filer ___

Smaller reporting company___ Emerging growth company___

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ____ No X

The number of shares of the registrant's $0.01 par value common stockoutstanding on September 30, 2017 was 109,751,895.

J.B. HUNT TRANSPORT SERVICES, INC.

Form 10-Q

For The Quarterly Period Ended September 30, 2017

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Part I. Financial Information

ITEM 1. FINANCIAL STATEMENTS

J.B. HUNT TRANSPORT SERVICES, INC.

Condensed Consolidated Statements of Earnings
(in thousands, except per share amounts)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Operating revenues, excluding fuel surcharge revenues	$*1,657,380*	$*1,538,701*	$*4,670,200*	$*4,448,709*
Fuel surcharge revenues	*185,954*	*151,958*	*529,208*	*385,688*
Total operating revenues	*1,843,334*	*1,690,659*	*5,199,408*	*4,834,397*
Operating expenses:				
Rents and purchased transportation	*947,145*	*846,238*	*2,624,707*	*2,381,547*
Salaries, wages and employee benefits	*408,340*	*374,517*	*1,178,524*	*1,108,997*
Depreciation and amortization	*95,959*	*91,001*	*281,198*	*269,717*
Fuel and fuel taxes	*87,006*	*74,179*	*246,725*	*205,082*
Operating supplies and expenses	*67,578*	*62,191*	*190,085*	*173,222*
Insurance and claims	*26,463*	*21,862*	*76,930*	*58,384*
General and administrative expenses, net of asset dispositions	*29,389*	*21,025*	*74,597*	*61,570*
Operating taxes and licenses	*10,744*	*11,665*	*32,329*	*34,156*
Communication and utilities	*5,738*	*5,004*	*16,337*	*15,063*
Total operating expenses	*1,678,362*	*1,507,682*	*4,721,432*	*4,307,738*
Operating income	*164,972*	*182,977*	*477,976*	*526,659*
Net interest expense	*8,310*	*6,485*	*22,521*	*19,347*
Earnings before income taxes	*156,662*	*176,492*	*455,455*	*507,312*
Income taxes	*56,277*	*67,067*	*154,499*	*192,778*
Net earnings	$*100,385*	$*109,425*	$*300,956*	$*314,534*
Weighted average basic shares outstanding	*109,703*	*112,630*	*110,066*	*112,790*
Basic earnings per share	$*0.92*	$*0.97*	$*2.73*	$*2.79*
Weighted average diluted shares outstanding	*110,628*	*113,363*	*111,154*	*113,709*
Diluted earnings per share	$*0.91*	$*0.97*	$*2.71*	$*2.77*
Dividends declared per common share	$*0.23*	$*0.22*	$*0.69*	$*0.66*

See Notes to Condensed Consolidated Financial Statements.

J.B. HUNT TRANSPORT SERVICES, INC.

Condensed Consolidated Balance Sheets
(in thousands)

	September 30, 2017 (unaudited)	**December 31, 2016**
ASSETS		
Current assets:		
Cash and cash equivalents	$ *7,707*	$ *6,377*
Trade accounts receivable, net	*858,720*	*745,288*
Prepaid expenses and other	*140,164*	*194,016*
Total current assets	*1,006,591*	*945,681*
Property and equipment, at cost	*4,507,917*	*4,258,915*
Less accumulated depreciation	*1,632,108*	*1,440,124*
Net property and equipment	*2,875,809*	*2,818,791*
Goodwill	*55,737*	-
Other intangible assets, net	*58,685*	-
Other assets	*57,101*	*64,516*
Total assets	$ *4,053,923*	$ *3,828,988*
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	$ *493,585*	$ *384,308*
Claims accruals	*117,645*	*109,745*
Accrued payroll	*47,514*	*51,929*
Other accrued expenses	*23,011*	*27,152*
Total current liabilities	*681,755*	*573,134*
Long-term debt	*1,084,801*	*986,278*
Other long-term liabilities	*68,564*	*64,881*
Deferred income taxes	*746,833*	*790,634*
Stockholders' equity	*1,471,970*	*1,414,061*
Total liabilities and stockholders' equity	$ *4,053,923*	$ *3,828,988*

See Notes to Condensed Consolidated Financial Statements.

J.B. HUNT TRANSPORT SERVICES, INC.

Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Cash flows from operating activities:		
Net earnings	$300,956	$314,534
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	281,198	269,717
Share-based compensation	30,953	30,173
(Gain)/Loss on sale of revenue equipment and other	5,716	2,357
Provision for deferred income taxes	(43,801)	(9,152)
Changes in operating assets and liabilities:		
Trade accounts receivable	(113,432)	(118,404)
Other assets	58,230	50,319
Trade accounts payable	100,020	56,827
Income taxes payable or receivable	8,350	73,512
Claims accruals	7,901	22
Accrued payroll and other accrued expenses	(7,542)	14,058
Net cash provided by operating activities	628,549	683,963
Cash flows from investing activities:		
Additions to property and equipment	(328,218)	(498,913)
Net proceeds from sale of equipment	13,380	140,159
Business acquisition	(137,630)	-
Changes in other assets	(3,641)	(17)
Net cash used in investing activities	(456,109)	(358,771)
Cash flows from financing activities:		
Proceeds from revolving lines of credit and other	2,108,891	1,087,164
Payments on revolving lines of credit and other	(2,006,001)	(1,152,465)
Purchase of treasury stock	(179,813)	(174,760)
Stock option exercises and other	1,100	1,342
Stock repurchased for payroll taxes	(19,167)	(18,613)
Tax benefit of stock options exercised	-	6,532
Dividends paid	(76,120)	(74,477)
Net cash used in financing activities	(171,110)	(325,277)
Net change in cash and cash equivalents	1,330	(85)
Cash and cash equivalents at beginning of period	6,377	5,566
Cash and cash equivalents at end of period	$7,707	$5,481

Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$*24,641*	$*21,614*
Income taxes	$*187,313*	$*118,803*

See Notes to Condensed Consolidated Financial Statements.

J.B. HUNT TRANSPORT SERVICES, INC.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

1. General

Basis of Presentation

The accompanying unaudited interim Condensed Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information. We believe such statements include all adjustments (consisting only of normal recurring adjustments) necessary for the fair presentation of our financial position, results of operations and cash flows at the dates and for the periods indicated. Pursuant to the requirements of the Securities and Exchange Commission (SEC) applicable to quarterly reports on Form *10*-Q, the accompanying financial statements do *not* include all disclosures required by GAAP for annual financial statements. While we believe the disclosures presented are adequate to make the information *not* misleading, these unaudited interim Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and related notes included in our Annual Report on Form *10*-K for the year ended *December 31, 2016.* Operating results for the periods presented in this report are *not* necessarily indicative of the results that *may* be expected for the calendar year ending *December 31, 2017,* or any other interim period. Our business is somewhat seasonal with slightly higher freight volumes typically experienced during *August* through early *November* in our full-load freight transportation business.

Goodwill and Other Intangible Assets

Goodwill represents the excess of cost over the fair value of net identifiable tangible and intangible assets acquired in a business combination. Goodwill and intangible assets with indefinite lives are *not* amortized. Goodwill is reviewed for potential impairment during the *third* quarter on an annual basis or, more frequently, if circumstances indicate a potential impairment is present. Intangible assets with definite lives are amortized on the straight-line method over the estimated useful lives of *5* to *8* years.

Recent Accounting Pronouncements

In *May 2014,* the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) *No. 2014-09,* Revenue from Contracts with Customers, which supersedes virtually all existing revenue recognition guidance. The new standard requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. This update also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract.

In *August 2015,* the FASB issued ASU *2015-14,* Revenue from Contracts with Customers: Deferral of the Effective Date, which deferred the effective date of ASU *2014-09, one* year to interim and annual periods beginning after *December 15, 2017.* Early adoption is permitted after the original effective date of *December 15, 2016.*

To date, our implementation team has completed the process of contract review and documentation in accordance with the standard. We intend to adopt this new standard in the *first* quarter *2018,* using the modified retrospective transition approach. We do *not* expect the standard to have a material impact on our financial statements.

In *February 2016,* the FASB issued ASU *2016-02,* Leases, which requires lessees to recognize a right-of-use asset and a lease liability for most leases in the balance sheet as well as other qualitative and quantitative disclosures. ASU *2016-02* is to be applied using a modified retrospective method and is effective for interim and annual periods beginning after *December 15, 2018,* but early adoption is permitted. We are currently evaluating the potential effects of the adoption of this update on our financial statements.

Accounting Pronouncement Adopted in 2017

In *March 2016,* the FASB issued ASU *2016-09,* Compensation – Stock Compensation: Improvements to Employee Share-Based Payment Accounting, which amended and simplified certain aspects of accounting for share-based payment award transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The amendments were effective for interim and annual periods beginning after *December 15, 2016.* The application methods used in adoption varied with each component of the standard. We prospectively adopted ASU *2016-09* during the *first* quarter *2017,* which, upon vesting of share-based awards, will result in the recognition of excess tax benefits or tax deficiencies from share-based compensation as a discrete item in our income tax expense. Historically, these amounts were recorded as additional paid-in capital. Effectively all of our outstanding share-based awards vest within the *third* quarter of the vesting year, and accordingly, we recognized an excess tax benefit of *$4.5* million during the *third* quarter *2017.* In addition, cash flows from excess tax benefits from share-based compensation, which historically have been reported as cash flows from financing activities are now reported, on a prospective basis, as cash flows from operating activities in our Condensed Consolidated Statement of Cash Flows. The remaining amendments within the standard had *no* impact on our Condensed Consolidated Financial Statements.

2. Earnings Per Share

We compute basic earnings per share by dividing net earnings available to common stockholders by the actual weighted average number of common shares outstanding for the reporting period. Diluted earnings per share reflects the potential dilution that could occur if holders of unvested restricted and performance share units or vested and unvested stock options exercised or converted their holdings into common stock. The dilutive effect of restricted and performance share units and stock options was *0.9* million shares during the *third* quarter *2017,* compared to *0.7* million shares during *third* quarter *2016.* During the *nine* months ended *September 30, 2017* and *2016,* the dilutive effect of restricted and performance share units and stock options was *1.1* million shares and *0.9* million shares, respectively.

3. Share-based Compensation

The following table summarizes the components of our share-based compensation program expense (in thousands):

	Three Months Ended	Nine Months Ended

	September 30,		September 30,	
	2017	2016	2017	2016
Restricted share units:				
Pretax compensation expense	$*5,977*	$*5,390*	$*22,987*	$*22,298*
Tax benefit	*2,146*	*2,048*	*7,793*	*8,473*
Restricted share unit expense, net of tax	$*3,831*	$*3,342*	$*15,194*	$*13,825*
Performance share units:				
Pretax compensation expense	$*1,867*	$*1,868*	$*7,966*	$*7,875*
Tax benefit	*670*	*710*	*2,700*	*2,992*
Performance share unit expense, net of tax	$*1,197*	$*1,158*	$*5,266*	$*4,883*

As of *September 30, 2017,* we had *$55.0* million and *$11.4* million of total unrecognized compensation expense related to restricted share units and performance share units, respectively, that is to be recognized over the remaining weighted average period of approximately *3.7* years for restricted share units and *2.3* years for performance share units. During the *nine* months ended *September 30, 2017,* we issued *379,161* shares for vested restricted share units, *155,867* shares for vested performance share units. Of these totals, *364,538* shares for vested restricted share units and *155,867* for performance share units were issued during the *third* quarter, *2017.*

4. Financing Arrangements

Outstanding borrowings, net of unamortized discount and debt issuance cost, under our current financing arrangements consist of the following (in millions):

	September 30, 2017	December 31, 2016
Senior revolving line of credit	$ *241.0*	$ *139.0*
Senior notes	*843.8*	*847.3*
Total long-term debt	$ *1,084.8*	$ *986.3*

Senior Revolving Line of Credit

At *September 30, 2017,* we were authorized to borrow up to *$500* million under a senior revolving line of credit, which is supported by a credit agreement with a group of banks and expires in *September 2020.* This senior credit facility allows us to request an increase in the total commitment by up to *$250* million and to request a *one*-year extension of the maturity date. The applicable interest rate under this agreement is based on either the Prime Rate, the Federal Funds Rate or LIBOR, depending upon the specific type of borrowing, plus an applicable margin based on our credit rating and other fees. At *September 30, 2017,* we had *$242.0* million outstanding at an average interest rate of *2.25%* under this agreement.

Senior Notes

Our senior notes consist of *three* separate issuances. The *first* and *second* issuances are *$250* million of *2.40%* senior notes due *March 2019* and *$250* million of *3.85%* senior notes due *March 2024,* respectively, both of which were issued in *March 2014.* Interest payments under both notes are due semiannually in *March* and *September* of each year, beginning *September 2014.* The *third* is *$350* million of *3.30%* senior notes due *August 2022,* issued in *August 2015.* Interest payments under this note are due semiannually in *February* and *August* of each year, beginning *February 2016.* All *three* senior notes were issued by J.B. Hunt Transport Services, Inc., a parent-level holding company with *no* significant assets or operations. The notes are guaranteed on a full and unconditional basis by a wholly-owned subsidiary. All other subsidiaries of the parent are minor. We registered these offerings and the sale of the notes under the Securities Act of *1933,* pursuant to a shelf registration statement filed in *February 2014.* All notes are unsecured obligations and rank equally with our existing and future senior unsecured debt. We *may* redeem for cash some or all of the notes based on a redemption price set forth in the note indenture. See Note *5,* Derivative Financial Instruments, for terms of interest rate swaps entered into on the *$250* million of *2.40%* senior notes due *March 2019* and the *$350* million of *3.30%* senior notes due *August 2022.*

Our financing arrangements require us to maintain certain covenants and financial ratios. We were in compliance with all covenants and financial ratios at *September 30, 2017.*

5. Derivative Financial Instruments

We periodically utilize derivative instruments for hedging and non-trading purposes to manage exposure to changes in interest rates and to maintain an appropriate mix of fixed and variable-rate debt. At inception of a derivative contract, we document relationships between derivative instruments and hedged items, as well as our risk-management objective and strategy for undertaking various derivative transactions, and assess hedge effectiveness. If it is determined that a derivative is *not* highly effective as a hedge, or if a derivative ceases to be a highly effective hedge, we discontinue hedge accounting prospectively.

We entered into receive fixed-rate and pay variable-rate interest rate swap agreements simultaneously with the issuance of our *$250* million of *2.40%* senior notes due *March 2019* and *$350* million of *3.30%* senior notes due *August 2022,* to effectively convert this fixed-rate debt to variable-rate. The notional amounts of these interest rate swap agreements equal those of the corresponding fixed-rate debt. The applicable interest rates under these agreements are based on LIBOR plus an established margin, resulting in an interest rate of *2.17%* for our *$250* million of *2.40%* senior notes and *2.67%* for our *$350* million of *3.30%* senior notes at *September 30, 2017.* The swaps expire when the corresponding senior notes are due. The fair values of these swaps are recorded in other long-term liabilities in our Condensed Consolidated Balance Sheet at *September 30, 2016.* See Note *7,* Fair Value Measurements, for disclosure of fair value. These derivatives meet the required criteria to be designated as fair value hedges, and as the specific terms and notional amounts of these derivative instruments match those of the fixed-rate debt being hedged, these derivative instruments are assumed to perfectly hedge the related debt against changes in fair value due to changes in the benchmark interest rate. Accordingly, any change in the fair value of these interest rate swaps recorded in earnings is offset by a corresponding change in the fair value of the related debt.

6. Capital Stock

On *October 22, 2015,* our Board of Directors authorized the purchase of *$500* million of our common stock. On *April 20, 2017,* our Board of Directors authorized an additional purchase of up to *$500* million of our common stock. At *September 30, 2017, $521* million of the combined authorization was remaining. We did *not* purchase any shares under our repurchase authorization during the *three* months ended *September 30, 2017.* On *July 20, 2017,* our Board of Directors declared a regular quarterly cash dividend of *$0.23,* which was paid *August 18, 2017,* to stockholders of record on *August 7, 2017.* On *October 19, 2017,* our Board of Directors declared a regular quarterly dividend of *$0.23* per common share, which will be paid on *November 17, 2017,* to stockholders of record on *November 3, 2017.*

7. Fair Value Measurements

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Our assets and liabilities measured at fair value are based on valuation techniques which consider prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. These valuation methods are based on either quoted market prices (Level *1*) or inputs, other than quoted prices in active markets, that are observable either directly or indirectly (Level *2*). The following are assets and liabilities measured at fair value on a recurring basis at *September 30, 2017 (*in millions):

	Asset/(Liability) Balance	Input Level
Trading investments	$ *15.9*	*1*
Interest rate swaps	$ *(1.5*)	*2*
Senior notes	$ *(595.3*)	*2*

The fair value of trading investments has been measured using the market approach (Level *1*) and reflect quoted market prices. The fair values of interest rate swaps and corresponding senior notes have been measured using the income approach (Level *2*), which include relevant interest rate curve inputs. Trading investments are classified in other assets and the interest rate swaps are classified in other long-term liabilities in our Condensed Consolidated Balance Sheet. The senior notes are classified in long-term debt in our Condensed Consolidated Balance Sheet.

Financial Instruments

The carrying amount and estimated fair value at *September 30, 2017,* using the income approach (Level *2*), based on their net present value, discounted at our current borrowing rate, of our senior revolving line of credit and remaining senior notes *not* measured at fair value on a recurring basis, were *$489.5* million and *$504.0* million, respectively.

The carrying amounts of all other instruments at *September 30, 2017,* approximate their fair value due to the short maturity of these instruments.

8. Income Taxes

Our effective income tax rate was *35.9%* for the *three* months ended *September 30, 2017,* compared to *38.0%* for the *three* months ended *September 30, 2016.* Our effective income tax rate was *33.9%* for the *first nine* months of *2017,* compared to *38.0%* in *2016.* In determining our quarterly provision for income taxes, we use an estimated annual effective tax rate, adjusted for discrete items. This rate is based on our expected annual income, statutory tax rates, best estimate of nontaxable and nondeductible items of income and expense, and the ultimate outcome of tax audits. Income tax expense for the *first nine* months of *2017* included a *one*-time after-tax benefit of *$13.6* million for the claiming of federal research and development tax credits and domestic production tax deductions for the *2012* through *2016* tax years, recorded in the *first* quarter of *2017.* In addition, an after-tax benefit of *$4.5* million for stock compensation tax benefits and a *one*-time after-tax cost of *$1.5* million for state income tax rate changes, were both recorded in the *third* quarter *2017.*

At *September 30, 2017,* we had a total of *$35.6* million in gross unrecognized tax benefits, which are a component of other long-term liabilities on our Condensed Consolidated Balance Sheets. Of this amount, *$23.2* million represents the amount of unrecognized tax benefits that, if recognized, would impact our effective tax rate. The total amount of accrued interest and penalties for such unrecognized tax benefits was *$5.8* million at *September 30, 2017.*

9. Legal Proceedings

We are a defendant in certain class-action lawsuits in which the plaintiffs are current and former California-based drivers who allege claims for unpaid wages, failure to provide meal and rest periods, and other items. During the *first* half of *2014,* the District Court in the lead class-action granted judgment in our favor with regard to all claims. The plaintiffs appealed the case to the United States Court of Appeals for the Ninth Circuit. On *July 31, 2017,* the Ninth Circuit issued a Memorandum decision vacating the judgment in our favor and remanding the case to the District Court for further proceedings. We filed a Petition for Rehearing En Banc with the Ninth Circuit, which is currently pending. The overlapping claims in the other lawsuits remain stayed pending final resolution of the appellate process or a final decision in the lead class-action case. We cannot reasonably estimate at this time the possible loss or range of loss, if any, that *may* arise from these lawsuits.

In *January 2017,* we exercised our right to utilize the arbitration process to review the division of revenue collected beginning *May 1, 2016,* as well as to clarify other issues, under our Joint Service Agreement with BNSF Railway Company (BNSF). BNSF has requested the same, and the arbitration process has commenced. BNSF provides a significant amount of rail transportation services to our JBI business segment. At this time, we are unable to reasonably predict the outcome of the arbitration, and, as such, *no* gain or loss contingency can be determined or recorded. Normal commercial business activity between the parties, including load tendering, load tracing, billing and payments, is expected to continue on a timely basis.

We are involved in certain other claims and pending litigation arising from the normal conduct of business. Based on present knowledge of the facts and, in certain cases, opinions of outside counsel, we believe the resolution of these claims and pending litigation will *not* have a material adverse effect on our financial condition, results of operations or liquidity.

10. Acquisition

On *July 20, 2017,* we entered into an agreement to acquire Special Logistics Dedicated, LLC (SLD), and its affiliated entities, subject to customary closing conditions. The purchase price was *$136.0* million with *no* assumption of debt. The closing of the transaction was effective on *July 31, 2017.* Total consideration paid in cash under the SLD agreement was *$137.6* million and consisted of the agreed upon purchase price adjusted for an estimated working capital adjustment and cash acquired. In addition, we incurred approximately *$3.0* million in transaction costs which are recorded in general and administrative expenses, net of asset dispositions in our Condensed Consolidated Statements of Earnings. The SLD acquisition was accounted for as a business combination. Assets acquired and liabilities assumed were recorded in our Condensed Consolidated Balance Sheet at their estimated fair values, as of the closing date, using cost, market data and valuation techniques that reflect management's judgment and estimates. As a result of the acquisition, we recorded approximately *$60* million of definite-lived intangible assets and approximately *$56* million of goodwill. Goodwill consists of acquiring and retaining the SLD existing network and expected synergies from the combination of operations. The following table outlines the consideration transferred and preliminary purchase price allocation at their respective estimated fair values as of *July 31, 2017 (*in millions):

Consideration	$*137.6*
Accounts receivable	*9.4*
Other current assets	*1.5*
Property and equipment	*14.9*
Intangibles	*60.2*
Accounts payable	*(3.9*)
Accrued Liabilities	*(0.2*)
Goodwill	$*55.7*

As of *September 30, 2017,* the purchase price allocation is considered preliminary, subject to revision, as valuation procedures and tax considerations are completed.

***11*. Goodwill and Other Intangible Assets**

As discussed in Note *10,* Acquisitions, in *third* quarter *2017,* we recorded goodwill of approximately *$56* million and definite-lived intangible assets of approximately *$60* million in connection with the SLD acquisition. All goodwill was assigned to our Dedicated Contract Services® business segment. There has been *no* change in the carrying amount or impairment losses recorded for goodwill as of *September 30, 2017.* Identifiable intangible assets consist of the following (in millions):

	September 30, 2017	Weighted Average Amortization Period
Definite-lived intangibles:		
Non-competition agreements	$ *0.2*	*5*
Customer relationships	*60.0*	*8*
Total definite-lived intangibles	*60.2*	
Less accumulated amortization	*(1.5*)	
Total identifiable intangible assets, net	$ *58.7*	

At *September 30, 2017,* accumulated amortization consists of *$1.5* million. Our definite-lived intangible assets have *no* assigned residual values.

Intangible asset amortization expense was *$1.5* million for the *three* and *nine* months ended *September 30, 2017.* Estimated amortization expense for our definite-lived intangible assets is expected to be approximately *$7.5* million annually. Actual amounts of amortization expense *may* differ from estimated amounts due to additional intangible asset acquisitions, impairment or accelerated amortization of intangible assets, and other events.

***12*. Business Segments**

We reported *four* distinct business segments during the *three* and *nine* months ended *September 30, 2017* and *2016.* These segments included Intermodal (JBI), Dedicated Contract Services® (DCS), Integrated Capacity Solutions (ICS), and Truckload (JBT). The operation of each of these businesses is described in Note *11, Segment Information*, of our Annual Report (Form *10*-K) for the year ended *December 31, 2016.* A summary of certain segment information is presented below (in millions):

	Assets (Excludes intercompany accounts)	
	As of September 30, 2017	December 31, 2016
JBI	$*2,077*	$ *2,032*
DCS	*1,138*	*951*
ICS	*182*	