UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

# FORM 10-Q/A
AMENDMENT NO. 1

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 1997

OR

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

For the transition period from __________________ to ________________________

Commission file number 0-20797

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

| | |
|---|---|
| Texas | 74-1733016 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

8810 I.H. 10 East
San Antonio, Texas 78219
(Address of principal executive offices)
(Zip Code)

(210) 661-4511
(Registrant's telephone number, including area code)

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

Yes X No

Indicated below is the number of shares outstanding of the registrant's only class of common stock, as of May 7, 1997.

| Title of Class | Number of Shares Outstanding |
|---|---|
| Common Stock, $.01 Par Value | 6,643,730 |

The undersigned registrant hereby amends the facing page and Item 2, as set forth in the pages attached hereto.

1. PART I

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Certain statements contained in this quarterly report on Form 10-Q, including statements regarding the anticipated development and expansion of the Company's business, expenditures, the intent, belief or current expectations of the Company, its directors or its officers, primarily with respect to the future operating performance of the Company and other statements contained herein regarding matters that are not historical facts, are "forward-looking" statements (as such term is defined in the Private Securities Litigation Reform Act of 1995). Because such statements include risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements include, but are not limited to, those discussed in other filings made by the Company with the Securities and Exchange Commission, including the factors set forth in the Company's registration statement on Form S-1 (registration statement #333-03346).

The following comments should be read in conjunction with the Company's consolidated financial statements and related notes included elsewhere in this quarterly report on Form 10-Q.

GENERAL

Rush Enterprises operates a regional network of truck centers that provide an integrated one-stop source for the trucking needs of its customers, including retail sales of new Peterbilt and used heavy-duty trucks; parts, service and body shop facilities; and a wide array of financial services, including the financing of new and used truck purchases, insurance products and truck leasing and rentals.

In February 1994, the Company purchased the assets of Engs Motor Truck Company ("Engs"), which consisted of three full-service Peterbilt dealerships located in Pico Rivera, Fontana and Ventura, California, and a parts store located in Sun Valley, California. As part of the Company's acquisition strategy, the Company closed the Ventura facility in August 1994, consolidating its operations into the remaining facilities.

In December 1995, the Company acquired the assets of Kerr Consolidated, Inc., which consisted of a full-service Peterbilt dealership and stand-alone leasing facility in Oklahoma City, Oklahoma, and a full-service Peterbilt dealership in Tulsa, Oklahoma.

In March 1997, the Company acquired the assets of Denver Peterbilt, Inc., which consisted of full service Peterbilt dealerships in Denver and Greeley, Colorado.

RESULTS OF OPERATIONS

The following discussion and analysis includes the Company's historical results of operations for the three months ended March 31, 1996 and 1997.

The following table sets forth for the periods indicated certain financial data as a percentage of total revenues:

| | Three Months Ended March 31, 1997 | 1996 |
|---|---|---|
| New and used truck sales | 74.5% | 74.2% |
| Parts and service | 19.6 | 19.2 |
| Lease and rental | 3.9 | 3.9 |
| Finance and insurance | 1.2 | 1.9 |
| Other | .8 | .4 |
| Total revenues | 100.0 | 100.0 |
| Cost of products sold | 84.1 | 81.1 |
| Gross profit | 15.9 | 18.9 |
| Selling, general and administrative expenses | 13.0 | 15.1 |
| Depreciation and amortization | .8 | .7 |
| Operating income | 2.1 | 3.1 |
| Interest expense | .5 | 1.2 |
| Income before income taxes | 1.6 | 1.9 |
| Provision for income taxes(1) | .7 | .7 |
| Net income(1) | .9% | 1.2% |

(1) Pro forma income assuming the Company had been taxed as a C corporation during 1996.

THREE MONTHS ENDED MARCH 31, 1997 COMPARED TO THREE MONTHS ENDED MARCH 31, 1996

Revenues

Revenues increased by approximately $4.6 million, or 5.9%, from $78.3 million to $82.9 million from the first quarter of 1996 to the first quarter of 1997. Sales of new and used trucks increased by approximately $3.7 million, or 6.3%, from $58.1 million to $61.8 million from the first quarter of 1996 to the first quarter of 1997. Unit sales of new and used trucks increased by 6.5% and 27.5%, respectively, from the first quarter of 1996 to the first quarter of 1997, while new truck average revenue per unit decreased by 5.1% and used truck average revenue per unit increased by 4.3%. Average new truck prices and used truck prices increased due to a change in product mix.

Parts and service sales increased by approximately $950,000, or 6.1%, from $15.4 million to $16.3 million. The increase was due to growth ranging from 12.4% to 14.1% at the Company's Texas, Oklahoma and Louisiana dealerships, offset by an 8.5% decrease at the Company's California dealerships.

Lease and rental revenues increased by approximately $192,000, or 6.4% from $3.0 million to $3.2 million. The increase was due to growth of 21.0% at the Company's California operations, offset by a decrease of 13.0% at the Texas locations. The Company's Oklahoma location grew 4.0%

Finance and insurance revenues decreased by approximately $461,000, or 31.0%, from $1.5 million to $1.0 million from the first quarter of 1996 to the first quarter of 1997. The majority of the decrease resulted from increased competition coupled with higher borrowing costs. Finance and insurance revenues have limited direct costs and, therefore, contribute a disproportionate share of operating profits.

Gross Profit

Gross profit decreased by approximately $1.6 million, or 10.9%, from $14.8 million to $13.2 million from the first quarter of 1996 to the first quarter of 1997. Gross profit as a percentage of sales decreased from 18.9% to 15.9% from the first quarter of 1996 to the first quarter of 1997. The net decrease in gross margins resulted from lower gross margins on truck sales and less finance and insurance revenues, offset by higher gross margins from parts, service and body shop operations.

### Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased by approximately $1.0 million, from $11.8 million to $10.8 million, or 8.7%, from the first quarter of 1996 to the first quarter of 1997. The majority of the decrease resulted from a decrease in truck sales commissions. Selling, general and administrative expenses as a percent of revenue were 15.1% for the first quarter of 1996 and 13.0% for the same quarter of 1996.

### Interest Expense

Interest expense decreased by approximately $483,000 from $973,000 to $490,000, or 49.6%, from the first quarter of 1996 to the first quarter of 1997, primarily as the result of decreased levels of indebtedness due to the Company's initial public offering on June 7, 1996.

### Income before Income Taxes

Income before income taxes decreased by $184,000, or 12.7% from $1.5 million to $1.3 million from the first quarter of 1996 to the first quarter of 1997, as a result of the factors described above.

### Income Taxes

As a result of the Company's initial public offering and termination of its subchapter S tax status, the Company incurred $482,000 of income taxes during the first quarter of 1997. The Company has provided for taxes at a 38% effective rate.

## LIQUIDITY AND CAPITAL RESOURCES

The Company's short-term cash needs are primarily for working capital, including inventory requirements, expansion of existing facilities and acquisitions of new facilities. These short-term cash needs have historically been financed with retention of profits and borrowings under credit facilities available to the Company.

In June 1996, the Company completed the initial public offering of 2,875,000 shares of common stock and received net proceeds of approximately $32.1 million.

As a result of the initial public offering, working capital levels have generally increased. At March 31, 1997, the Company had working capital of approximately $22.4 million, including, among other things, $15.6 million in cash and cash equivalents, $600,000 in prepaid expenses, $14.6 million in accounts receivable and $30.2 million in inventories, less $11.1 million of accounts payable and accrued expenses, $2.1 million of current maturities on long-term debt and $25.4 million outstanding under floor plan financing. The aggregate maximum borrowing limits under working capital lines of credit with various commercial banks are approximately $6.0 million. The Company's floor plan agreements with its primary lender limit the aggregate amount of borrowings based on the number of new and used trucks.

For the first three months of 1996, operating activities resulted in net cash used in operations of approximately $886,000. The use of cash in operations was primarily due to higher levels of inventories.

During the first three months of 1996, the Company used $2.6 million of net cash in investing activities, as net capital expenditures of $2.9 million were primarily offset by the proceeds from the sale of property and equipment of $300,000.

Net cash generated from financing activities in the first three months of 1996 amounted to $3.1 million. Proceeds from additional floor plan financing and increased notes payable more than offset dividends paid to the former S corporation shareholder and principal payments on notes payable.

For the first three months of 1997, operating activities generated $16.8 million of cash. Net income of $785,000, a decrease in accounts receivable, inventories and other assets, coupled with provisions for depreciation, amortization, and deferred taxes totaling $19.4 million more than offset decreases in accounts payable and accrued liabilities of $2.7 million.

During the first three months of 1997, the Company used $8.9 million for investing activities, primarily related to the acquisition of Denver Peterbilt, Inc..

For the first three months of 1997, net cash used in financing activities amounted to $13.7 million. Payments on floor plan financing and principal payments on notes payable more than offset the increase in notes payable.

Substantially all of the Company's truck purchases from PACCAR are made on terms requiring payment within 15 days or less form the date of shipment of the trucks from the factory. The Company finances all, or substantially all, of the purchase price of its new truck inventory, and 75% of the loan value of its used truck inventory, under a floor plan arrangement with GMAC under which GMAC pays PACCAR directly with respect to new trucks. The company makes monthly interest payments on the amount financed but is not required to commence loan principal repayments prior to sale of new vehicles to GMAC for a period of 12 months and for used vehicles for a period of three months. At March 31, 1997, the Company had $25.4 million outstanding under its floor plan financing arrangement with GMAC. GMAC permits the Company to earn, for up to 75% of the amount borrowed under its floor plan financing arrangement with GMAC, interest at the prime rate on overnight funds deposited by the Company with GMAC.

Backlogs

The Company enters firm orders into its backlog at the time the order is received. Customer orders are typically filled in 75 to 90 days and customers normally place orders on that basis. However, certain customers, including fleets and governments, typically place orders six months to one year in advance of their desired delivery date. The Company in the past has typically allowed customers to cancel orders at any time prior to delivery, and the Company's level of cancellations is affected by general economic conditions, economic recessions and customer business cycles. As a percentage of orders, cancellations historically have ranged from 5% to 12% of annual order volume. The Company's backlogs as of March 31, 1996 and 1997, were approximately $95.0 million and $75.0 million, respectively.

Seasonality

The Company's business is moderately seasonal. Seasonal effects on new truck sales related to the seasonal purchasing patterns of any single customer type are mitigated by the Company's diverse customer base, including small and large fleets, governments, corporations and owner operators. However, truck, parts and service operations historically have experienced higher volumes of sales in the second and third quarters. The Company has historically received benefits from volume purchases and meeting vendor sales targets in the form of cash rebates, which are typically recognized when received. Approximately 50% of such rebates are typically received in the fourth quarter, resulting in a seasonal increase in gross profit.

Cyclicality

The Company's business, as well as the entire retail heavy-duty truck industry, is dependent on a number of factors relating to general economic conditions, including fuel prices, interest rate fluctuations, economic recessions and customer business cycles. In addition, unit sales of new trucks have historically been subject to substantial cyclical variation based on such general economic conditions. Although the Company believes that its geographic expansion and diversification into truck-related services, including financial services, leasing, rentals and service and parts, will reduce the overall impact to the Company resulting from general economic conditions affecting heavy-duty truck sales, the Company's operations may be materially and adversely affected by any continuation or renewal of general downward economic pressures or adverse cyclical trends.

Effects of Inflation

The Company believes that the relatively moderate inflation over the last few years has not had a significant impact on the Company's revenue or profitability. The company does not expect inflation to have any near-term material effect on the sales of its products, although there can be no assurance that such an effect will not occur in the future

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

RUSH ENTERPRISES, INC.

Date: June 25, 1997

By: /s/ W. MARVIN RUSH
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Name: W. Marvin Rush
Title: Chairman and Chief Executive Officer (Principal Executive Officer)

Date: June 25, 1997

By: /s/ Martin A. Naegelin, Jr.
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Name: Martin A. Naegelin, Jr.
Title: Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)