MARTEN TRANSPORT LTD
Form 10-Q
May 10, 2018

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

Quarterly Report Under Section 13 or 15(d)

of the Securities Exchange Act of 1934

For the Quarter ended March 31, 2018

Commission File Number 0-15010

MARTEN TRANSPORT, LTD.

(Exact name of registrant as specified in its charter)

Delaware	39-1140809
(State of incorporation)	(I.R.S. employer identification no.)

129 Marten Street, Mondovi, Wisconsin 54755

(Address of principal executive offices)

715-926-4216

(Registrant's telephone number)

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 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 (Section 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 No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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	Accelerated filer	
Smaller reporting company	Non-accelerated filer	(Do not check if a 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 Exchange Act Rule 12b-2). Yes No

The number of shares outstanding of the Registrant's Common Stock, par value $.01 per share, was 54,592,042 as of May 1, 2018.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

MARTEN TRANSPORT, LTD.

CONSOLIDATED CONDENSED BALANCE SHEETS

(Unaudited)

(In thousands, except share information)	March 31, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$10,398	$15,791
Receivables:		
Trade, net	82,090	74,886
Other	7,037	6,131
Prepaid expenses and other	19,186	19,810
Total current assets	118,711	116,618
Property and equipment:		
Revenue equipment, buildings and land, office equipment and other	808,750	783,648
Accumulated depreciation	(217,558)	(211,728)
Net property and equipment	591,192	571,920
Other assets	2,062	1,865
Total assets	$711,965	$690,403
LIABILITIES AND STOCKHOLDERS’ EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$49,421	$38,100
Insurance and claims accruals	25,414	26,177
Total current liabilities	74,835	64,277
Deferred income taxes	101,676	100,626
Total liabilities	176,511	164,903
Stockholders’ equity:		
Preferred stock, $.01 par value per share; 2,000,000 shares authorized; no shares issued and outstanding	-	-
Common stock, $.01 par value per share; 96,000,000 shares authorized; 54,589,542 shares at March 31, 2018, and 54,533,455 shares at December 31, 2017, issued and outstanding	546	545
Additional paid-in capital	76,915	76,413

Retained earnings	457,993	448,542
Total stockholders' equity	535,454	525,500
Total liabilities and stockholders' equity	$711,965	$690,403

The accompanying notes are an integral part of these consolidated condensed financial statements.

MARTEN TRANSPORT, LTD.

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands, except per share information)	Three Months Ended March 31, 2018	2017
Operating revenue	$186,960	$173,159
Operating expenses (income):		
Salaries, wages and benefits	58,822	56,400
Purchased transportation	35,026	29,362
Fuel and fuel taxes	29,044	25,956
Supplies and maintenance	10,436	10,990
Depreciation	21,815	21,383
Operating taxes and licenses	2,287	2,247
Insurance and claims	10,290	8,914
Communications and utilities	1,683	1,581
Gain on disposition of revenue equipment	(1,211)	(1,103)
Other	5,174	3,491
Total operating expenses	173,366	159,221
Operating income	13,594	13,938
Other	(189)	141
Income before income taxes	13,783	13,797
Income taxes expense	3,452	5,583
Net income	$10,331	$8,214
Basic earnings per common share	$0.19	$0.15
Diluted earnings per common share	$0.19	$0.15
Dividends declared per common share	$0.025	$0.015

The accompanying notes are an integral part of these consolidated condensed financial statements.

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MARTEN TRANSPORT, LTD.

CONSOLIDATED CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY

(Unaudited)

(In thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Total Stock-holders' Equity
Balance at December 31, 2016	54,392	$ 544	$ 74,175	$ 362,619	$ 437,338
Net income	-	-	-	8,214	8,214
Issuance of common stock from share-based payment arrangement exercises and vesting of performance unit awards	83	1	614	-	615
Employee taxes paid in exchange for shares withheld	-	-	(47)	-	(47)
Share-based payment arrangement compensation expense	-	-	149	-	149
Dividends on common stock	-	-	-	(817)	(817)
Balance at March 31, 2017	54,475	545	74,891	370,016	445,452
Net income	-	-	-	82,070	82,070
Issuance of common stock from share-based payment arrangement exercises and vesting of performance unit awards	58	-	475	-	475
Share-based payment arrangement compensation expense	-	-	1,101	-	1,101
Dividends on common stock	-	-	-	(3,544)	(3,544)
Cash in lieu of fractional shares from stock split	-	-	(54)	-	(54)
Balance at December 31, 2017	54,533	545	76,413	448,542	525,500
Adoption of accounting standard (Note 2)	-	-	-	485	485
Net income	-	-	-	10,331	10,331
Issuance of common stock from share-based payment arrangement exercises and vesting of performance unit awards	57	1	285	-	286
Employee taxes paid in exchange for shares withheld	-	-	(104)	-	(104)
Share-based payment arrangement compensation expense	-	-	321	-	321
Dividends on common stock	-	-	-	(1,365)	(1,365)
Balance at March 31, 2018	54,590	$ 546	$ 76,915	$ 457,993	$ 535,454

The accompanying notes are an integral part of these consolidated condensed financial statements.

MARTEN TRANSPORT, LTD.

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)	Three Months Ended March 31, 2018			2017		
Cash flows provided by operating activities:						
Operations:						
Net income	$	10,331		$	8,214	
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation		21,815			21,383	
Gain on disposition of revenue equipment		(1,211	)		(1,103	)
Deferred income taxes		1,050			3,416	
Share-based payment arrangement compensation expense		321			149	
Distribution from affiliate		-			400	
Equity in (earnings) loss from affiliate		(188	)		143	
Adoption of accounting standard (Note 2)		485			-	
Changes in other current operating items:						
Receivables		(7,535	)		771	
Prepaid expenses and other		624			2,205	
Accounts payable and accrued liabilities		(1,747	)		954	
Insurance and claims accruals		(763	)		1,142	

Net cash provided by operating activities		23,182		37,674
Cash flows used for investing activities:				
Revenue equipment additions		(37,696)		(32,797)
Proceeds from revenue equipment dispositions		14,924		12,594
Buildings and land, office equipment and other additions		(4,611)		(743)
Other		(9)		(16)
Net cash used for investing activities		(27,392)		(20,962)
Cash flows used for financing activities:				
Borrowings under credit facility and long-term debt		-		30,816
Repayment of borrowings under credit facility and long-term debt		-		(38,702)
Dividends on common stock		(1,365)		(817)
Issuance of common stock from share-based payment arrangement exercises		286		615
Employee taxes paid in exchange for shares withheld		(104)		(47)
Net cash used for financing activities		(1,183)		(8,135)
Net change in cash and cash equivalents		(5,393)		8,577
Cash and cash equivalents:				
Beginning of period		15,791		488
End of period	$	10,398	$	9,065
Supplemental non-cash disclosure:				
Change in property and equipment not yet paid	$	12,493	$	1,139

Supplemental disclosure of cash flow information:				
Cash paid for:				
Income taxes	$	463	$	290
Interest	$	8	$	24

The accompanying notes are an integral part of these consolidated condensed financial statements.

MARTEN TRANSPORT, LTD.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2018

(Unaudited)

(1) Consolidated Condensed Financial Statements

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial statements, and therefore do not include all information and disclosures required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, such statements reflect all adjustments (consisting of normal recurring adjustments) considered necessary to fairly present our consolidated financial condition, results of operations and cash flows for the interim periods presented. The results of operations for any interim period do not necessarily indicate the results for the full year. The unaudited interim consolidated condensed financial statements should be read with reference to the consolidated financial statements and notes to consolidated financial statements in our 2017 Annual Report on Form 10-K.

(2) Adoption of New Accounting Standard

We account for our revenue in accordance with Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, 606, *Revenue from Contracts with Customers*, which we adopted on January 1, 2018 using the modified retrospective method. We recognized the cumulative effect of initially applying the new revenue standard as an increase of $485,000 to the opening balance of retained earnings. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. We expect the impact of the adoption of the new revenue standard to be immaterial to our net income and financial position on an ongoing basis.

The new revenue standard requires us to recognize revenue and related expenses within each of our four reporting segments over time, compared with our former policy in which we recorded revenue and related expenses on the date shipment of freight was completed.

The cumulative effect of the changes made to our consolidated condensed balance sheet on January 1, 2018 for the adoption of the new revenue standard was as follows:

(In thousands)	Balance at December 31, 2017	Adjustments Due to ASC 606		Balance at January 1, 2018
Assets:				
Prepaid expenses and other	$19,810	$ 2,445	(a)	$22,255
Liabilities:				
Accounts payable and accrued liabilities	38,100	1,960		40,060
Stockholders' equity:				
Retained earnings	448,542	485		449,027

(a) Contract assets balance at January 1, 2018.

The impact of the adoption of the new revenue standard on our consolidated condensed statement of operations and balance sheet was as follows:

(In thousands)	Three Months Ended March 31, 2018 Prior to Adoption of ASC 606	Adjustments Due to ASC 606	As Reported
Operating revenue	$187,055	$ (95)	$186,960
Operating expenses:			
Salaries, wages and benefits	58,758	64	58,822
Purchased transportation	34,823	203	35,026
Fuel and fuel taxes	29,043	1	29,044
Supplies and maintenance	10,411	25	10,436
Income taxes expense	3,559	(107)	3,452
Net income	10,612	(281)	10,331

(In thousands)	Balance at March 31, 2018 Prior to Adoption of ASC 606	Adjustments Due to ASC 606		As Reported
Assets:				
Prepaid expenses and other	$16,836	$ 2,350	(a)	$19,186
Liabilities:				
Accounts payable and accrued liabilities	47,275	2,146		49,421
Stockholders’ equity:				
Retained earnings	457,789	204		457,993

(a) Contract assets balance at March 31, 2018.

(3) Revenue and Business Segments

We account for our revenue in accordance with ASC 606, *Revenue from Contracts with Customers*, which we adopted on January 1, 2018 using the modified retrospective method. We combine our five current operating segments into four reporting segments (Truckload, Dedicated, Intermodal and Brokerage) for financial reporting purposes. These four reporting segments are also the appropriate categories for the disaggregation of our revenue under ASC 606.

The primary source of our operating revenue is provided by our Truckload segment through a combination of regional short-haul and medium-to-long-haul full-load transportation services. We transport food and other consumer packaged goods that require a temperature-controlled or insulated environment, along with dry freight, across the United States and into and out of Mexico and Canada.

Our Dedicated segment provides customized transportation solutions tailored to meet individual customers' requirements, utilizing temperature-controlled trailers, dry vans and other specialized equipment within the United States. Our agreements with customers range from three to five years and are subject to annual rate reviews.

Generally, we are paid by the mile for our Truckload and Dedicated services. We also derive Truckload and Dedicated revenue from fuel surcharges, loading and unloading activities, equipment detention and other ancillary services. The main factors that affect our Truckload and Dedicated revenue are the rate per mile we receive from our customers, the percentage of miles for which we are compensated, the number of miles we generate with our equipment and changes in fuel prices. We monitor our revenue production primarily through average Truckload and Dedicated revenue, net of fuel surcharges, per tractor per week. We also analyze our average Truckload and Dedicated revenue, net of fuel surcharges, per total mile, non-revenue miles percentage, the miles per tractor we generate, our fuel surcharge revenue, our accessorial revenue and our other sources of operating revenue.

Our Intermodal segment transports our customers' freight within the United States utilizing our temperature-controlled trailers on railroad flatcars for portions of trips, with the balance of the trips using our tractors or, to a lesser extent, contracted carriers. The main factors that affect our Intermodal revenue are the rate per mile and other charges we receive from our customers.

Our Brokerage segment develops contractual relationships with and arranges for third-party carriers to transport freight for our customers in temperature-controlled trailers and dry vans within the United States and into and out of Mexico through Marten Transport Logistics, LLC, which was established in 2007 and operates pursuant to brokerage authority granted by the DOT. We retain the billing, collection and customer management responsibilities. The main factors that affect our Brokerage revenue are the rate per mile and other charges that we receive from our customers.

Our customer agreements are typically for one-year terms except for our Dedicated agreements which range from three to five years with annual rate reviews. Under ASC 606, the contract date for each individual load within each of our four reporting segments is generally the date that each load is tendered to and accepted by us. For each load transported within each of our four reporting segments, the entire amount of revenue to be recognized is a single performance obligation and our agreements with our customers detail the per-mile charges for line haul and fuel surcharges, along with the rates for loading and unloading, stop offs and drops, equipment detention and other ancillary services, which is the transaction price. There are no discounts that would be a material right or consideration payable to a customer. We are required to recognize revenue and related expenses over time, from load pickup to delivery, for each load within each of our four reporting segments. We base our calculation of the amount of revenue to record in each period for individual loads picking up in one period and delivering in the following period using the number of hours estimated to be incurred within each period applied to each estimated transaction price. Contract assets for this estimated revenue are classified within prepaid expenses and other within our consolidated condensed balance sheet as of March 31, 2018. We had no impairment losses on contract assets in the three months ended March 31, 2018. We bill our customers for loads after delivery is complete with standard payment terms of 30 days.

We account for revenue of our Intermodal and Brokerage segments and revenue on freight transported by independent contractors within our Truckload and Dedicated segments on a gross basis because we are the principal service provider controlling the promised service before it is transferred to each customer. We are primarily responsible for fulfilling the promise to provide each specified service to each customer. We bear the primary risk of loss in the event of cargo claims by our customers. We also have complete control and discretion in establishing the price for each specified service. Accordingly, all such revenue billed to customers is classified as operating revenue and all corresponding payments to carriers for transportation services we arrange in connection with brokerage and intermodal activities and to independent contractor providers of revenue equipment are classified as purchased transportation expense within our consolidated condensed statements of operations.

The following table sets forth for the periods indicated our operating revenue and operating income by segment. We do not prepare separate balance sheets by segment and, as a result, assets are not separately identifiable by segment.

	Three Months Ended March 31,	
(In thousands)	2018	2017
Operating revenue:		
Truckload revenue, net of fuel surcharge revenue	$80,216	$84,811
Truckload fuel surcharge revenue	12,801	10,847
Total Truckload revenue	93,017	95,658
Dedicated revenue, net of fuel surcharge revenue	42,364	36,899
Dedicated fuel surcharge revenue	6,469	3,378
Total Dedicated revenue	48,833	40,277
Intermodal revenue, net of fuel surcharge revenue	20,808	16,811
Intermodal fuel surcharge revenue	3,844	2,375
Total Intermodal revenue	24,652	19,186
Brokerage revenue	20,458	18,038
Total operating revenue	$186,960	$173,159
Operating income:		
Truckload	$6,815	$5,974
Dedicated	2,488	4,487
Intermodal	2,978	2,149
Brokerage	1,313	1,328
Total operating income	$13,594	$13,938

Truckload segment depreciation expense was $13.5 million and $14.6 million, Dedicated segment depreciation expense was $6.7 million and $5.3 million, Intermodal segment depreciation expense was $1.3 million and $1.1 million, and Brokerage segment depreciation expense was $323,000 and $334,000, in the three-month periods ended March 31, 2018 and 2017, respectively.

(4) Earnings per Common Share

Basic and diluted earnings per common share were computed as follows:

(In thousands, except per share amounts)	Three Months Ended March 31, 2018	2017
Numerator:		
Net income	$10,331	$8,214
Denominator:		
Basic earnings per common share - weighted-average shares	54,572	54,426
Effect of dilutive stock options	523	312
Diluted earnings per common share - weighted-average shares and assumed conversions	55,095	54,738
Basic earnings per common share	$0.19	$0.15
Diluted earnings per common share	$0.19	$0.15

Options totaling 16,000 and 381,667 equivalent shares for the three-month periods ended March 31, 2018 and 2017, respectively, were outstanding but were not included in the calculation of diluted earnings per share because including the options in the denominator would be antidilutive, or decrease the number of weighted-average shares, due to their exercise prices exceeding the average market price of the common shares, or because inclusion of average unrecognized compensation expense in the calculation would cause the options to be antidilutive.

Unvested performance unit awards totaling 126,350 and 41,400 equivalent shares for the three-month periods ended March 31, 2018 and 2017, respectively, were considered outstanding but were not included in the calculation of diluted earnings per share because inclusion of average unrecognized compensation expense in the calculation would cause the performance units to be antidilutive.

(5) Stock Split

On July 7, 2017, we effected a five-for-three stock split of our common stock, $.01 par value, in the form of a 66 % stock dividend. Our consolidated condensed financial statements, related notes, and other financial data contained in this report have been adjusted to give retroactive effect to the stock split for all periods presented.

(6) Long-Term Debt

We maintain a credit agreement that provides for an unsecured committed credit facility up to an aggregate principal amount of $40.0 million which matures in December 2019. At March 31, 2018, there was no outstanding principal balance on the facility. As of that date, we had outstanding standby letters of credit to guarantee settlement of self-insurance claims of $12.9 million and remaining borrowing availability of $27.1 million. At December 31, 2017, there was also no outstanding principal balance on the facility. As of that date, we had outstanding standby letters of credit of $12.9 million on the facility. This facility bears interest at a variable rate based on the London Interbank Offered Rate or the lender’s Prime Rate, in each case plus/minus applicable margins. The interest rate for the facility that would apply to outstanding principal balances was 2.6% at March 31, 2018.

Our credit facility prohibits us from paying, in any fiscal year, stock redemptions and dividends in excess of 25% of our net income from the prior fiscal year. This facility also contains restrictive covenants which, among other matters, require us to maintain compliance with cash flow leverage and fixed charge coverage ratios. We were in compliance with all covenants at March 31, 2018 and December 31, 2017.

(7) Related Party Transactions

We purchase fuel and tires and obtain related services from Bauer Built, Inc., or BBI. Jerry M. Bauer, one of our directors, is the chairman of the board, chief executive officer and the principal stockholder of BBI. We paid BBI

$125,000 in the first three months of 2018 and $96,000 in the first three months of 2017 for fuel, tires and related services. In addition, we paid $438,000 in the first three months of 2018 and $1.1 million in the first three months of 2017 to tire manufacturers for tires that were provided by BBI. BBI received commissions from the tire manufacturers related to these purchases.

We provide transportation services to MW Logistics, LLC (MWL) as described in Note 11.

(8) Share Repurchase Program

In December 2007, our Board of Directors approved and we announced a share repurchase program to repurchase up to one million shares of our common stock either through purchases on the open market or through private transactions and in accordance with Rule 10b-18 of the Exchange Act. In November 2015, our Board of Directors approved and we announced an increase in the share repurchase program, providing for the repurchase of up to $40 million, or approximately two million shares, of our common stock, which was increased by our Board of Directors to 3.3 million shares on August 15, 2017 to reflect the five-for-three stock split effected in the form of a stock dividend on July 7, 2017. The timing and extent to which we repurchase shares depends on market conditions and other corporate considerations. The repurchase program does not have an expiration date.

We did not repurchase any shares in 2017 or in the first three months of 2018. As of March 31, 2018, future repurchases of up to $16.3 million, or 1.0 million shares, were available in the share repurchase program.

(9) Dividends

In 2010, we announced that our Board of Directors approved a regular cash dividend program to our stockholders, subject to approval each quarter. A quarterly cash dividend of $0.025 per share of common stock was declared in the first three months of 2018 and totaled $1.4 million. A quarterly cash dividend of $0.015 per share of common stock was declared in the first three months of 2017 and totaled $817,000.

(10) Accounting for Share-based Payment Arrangement Compensation

We account for share-based payment arrangements in accordance with FASB ASC 718, *Compensation – Stock Compensation*. During the first three months of 2018, there were no significant changes to the structure of our stock-based award plans. Pre-tax compensation expense related to stock options and performance unit awards recorded in the first three months of 2018 and 2017 was $321,000 and $149,000, respectively.

(11) Equity Investment

We own a 45% equity interest in MWL, a third-party provider of logistics services to the transportation industry. A non-related party owns the other 55% equity interest in MWL. We account for our ownership interest in MWL under the equity method of accounting. We received $1.5 million and $164,000 of our revenue for loads transported by our tractors and arranged by MWL in the first three months of 2018 and 2017, respectively. As of March 31, 2018, we also had a trade receivable in the amount of $1.0 million from MWL and an accrued liability of $825,000 to MWL for the excess of payments by MWL's customers into our lockbox account over the amounts drawn on the account by MWL.

(12) Fair Value of Financial Instruments

The carrying amounts of cash equivalents, accounts receivable and accounts payable approximate fair value because of the short maturity of these instruments.

(13) Commitments and Contingencies

We are committed to purchase $90.5 million of new revenue equipment through the remainder of 2018. Operating lease obligations through 2021 total $654,000.

We self-insure, in part, for losses relating to workers' compensation, auto liability, general liability, cargo and property damage claims, along with employees' health insurance with varying risk retention levels. We maintain insurance coverage for per-incident and total losses in excess of these risk retention levels in amounts we consider adequate based upon historical experience and our ongoing review, and reserve currently for the estimated cost of the uninsured portion of pending claims.

We are also involved in other legal actions that arise in the ordinary course of business. In the opinion of management, based upon present knowledge of the facts, it is remote that the ultimate outcome of any such legal actions will have a material adverse effect upon our long-term financial position or results of operations.

(14) Use of Estimates

We must make estimates and assumptions to prepare the consolidated condensed financial statements in conformity with U.S. generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities in the consolidated condensed financial statements and the reported amount of revenue and expenses during the reporting period. These estimates are primarily related to insurance and claims accruals and depreciation. Ultimate results could differ from these estimates.

(15) Recent Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, "Leases" which requires organizations that lease assets to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. The new guidance also requires additional disclosures related to leasing transactions. The standard is effective for the first quarter of 2019. The adoption of this standard is not expected to have a significant impact on our consolidated condensed balance sheets, statements of operations or statements of cash flows.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations should be read together with the selected consolidated financial data and our consolidated condensed financial statements and the related notes appearing elsewhere in this report. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including but not limited to those included in our Form 10-K, Part 1, Item 1A for the year ended December 31, 2017. We do not assume, and specifically disclaim, any obligation to update any forward-looking statement contained in this report.

Overview

The primary source of our operating revenue is provided by our Truckload segment through a combination of regional short-haul and medium-to-long-haul full-load transportation services. We transport food and other consumer packaged goods that require a temperature-controlled or insulated environment, along with dry freight, across the United States and into and out of Mexico and Canada.

Our Dedicated segment provides customized transportation solutions tailored to meet individual customers' requirements, utilizing temperature-controlled trailers, dry vans and other specialized equipment within the United States. Our agreements with customers range from three to five years and are subject to annual rate reviews.

Generally, we are paid by the mile for our Truckload and Dedicated services. We also derive Truckload and Dedicated revenue from fuel surcharges, loading and unloading activities, equipment detention and other ancillary services. The main factors that affect our Truckload and Dedicated revenue are the rate per mile we receive from our customers, the percentage of miles for which we are compensated, the number of miles we generate with our equipment and changes in fuel prices. We monitor our revenue production primarily through average Truckload and Dedicated revenue, net of fuel surcharges, per tractor per week. We also analyze our average Truckload and Dedicated revenue, net of fuel surcharges, per total mile, non-revenue miles percentage, the miles per tractor we generate, our fuel surcharge revenue, our accessorial revenue and our other sources of operating revenue.

Our Intermodal segment transports our customers' freight within the United States utilizing our temperature-controlled trailers on railroad flatcars for portions of trips, with the balance of the trips using our tractors or, to a lesser extent, contracted carriers. The main factors that affect our Intermodal revenue are the rate per mile and other charges we receive from our customers.

Our Brokerage segment develops contractual relationships with and arranges for third-party carriers to transport freight for our customers in temperature-controlled trailers and dry vans within the United States and into and out of Mexico through Marten Transport Logistics, LLC, which was established in 2007 and operates pursuant to brokerage authority granted by the DOT. We retain the billing, collection and customer management responsibilities. The main factors that affect our Brokerage revenue are the rate per mile and other charges that we receive from our customers.

In addition to the factors discussed above, our operating revenue is also affected by, among other things, the United States economy, inventory levels, the level of truck and rail capacity in the transportation market, a contracting driver market, severe weather conditions and specific customer demand.

Our operating revenue increased $13.8 million, or 8.0%, from the first three months of 2017 to the first three months of 2018. Our operating revenue, net of fuel surcharges, increased $7.3 million, or 4.7%, compared with the first three months of 2017. Truckload segment revenue, net of fuel surcharges, decreased 5.4% from the first three months of 2017, primarily due to a reduction in our average number of tractors, partially offset by an increase in our average revenue per tractor. Dedicated segment revenue, net of fuel surcharges, increased 14.8% from the first three months of 2017, primarily due to fleet growth driven by an increase in the number of Dedicated contracts we have with customers. Intermodal segment revenue, net of fuel surcharges, increased 23.8% due to increased volume and Brokerage segment revenue increased 13.4% due to increased revenue per load in the first three months of 2018. Fuel surcharge revenue increased to $23.1 million in the first three months of 2018 from $16.6 million in the first three months of 2017 primarily due to higher fuel prices and a shift during the first three months of 2018 of a portion of line haul revenue to fuel surcharge revenue as a result of a change in our agreements with a number of customers.

Our profitability is impacted by the variable costs of transporting freight for our customers, fixed costs, and expenses containing both fixed and variable components. The variable costs include fuel expense, driver-related expenses, such as wages, benefits, training, and recruitment, and independent contractor costs, which are recorded under purchased transportation. Expenses that have both fixed and variable components include maintenance and tire expense and our cost of insurance and claims. These expenses generally vary with the miles we travel, but also have a controllable component based on safety, fleet age, efficiency and other factors. Our main fixed costs relate to the acquisition and subsequent depreciation of long-term assets, such as revenue equipment and operating terminals. We expect our annual cost of tractor and trailer ownership will increase in future periods as a result of higher prices of new equipment, along with any increases in fleet size. Although certain factors affecting our expenses are beyond our control, we monitor them closely and attempt to anticipate changes in these factors in managing our business. For example, fuel prices have significantly fluctuated over the past several years. We manage our exposure to changes in fuel prices primarily through fuel surcharge programs with our customers, as well as through volume fuel purchasing arrangements with national fuel centers and bulk purchases of fuel at our terminals. To help further reduce fuel expense, we have installed and tightly manage the use of auxiliary power units in our tractors to provide climate control and electrical power for our drivers without idling the tractor engine, and also have improved the fuel usage in the temperature-control units on our trailers. For our Intermodal and Brokerage segments, our profitability is impacted by the percentage of revenue which is payable to the providers of the transportation services we arrange. This expense is included within purchased transportation in our consolidated condensed statements of operations.

Our operating expenses as a percentage of operating revenue, or “operating ratio,” was 92.7% in the first three months of 2018 and 92.0% in the first three months of 2017. Operating expenses as a percentage of operating revenue, with both amounts net of fuel surcharges, was 91.7% in the first three months of 2018 and 91.1% in the first three months of 2017. Our net income increased to $10.3 million, or $0.19 per diluted share, in the first three months of 2018 from $8.2 million, or $0.15 per diluted share, in the first three months of 2017.

Our business requires substantial, ongoing capital investments, particularly for new tractors and trailers. At March 31, 2018, we had $10.4 million of cash and cash equivalents, $535.5 million in stockholders’ equity and no long-term debt outstanding. In the first three months of 2018, net cash flows provided by operating activities of $23.2 million were primarily used to purchase new revenue equipment, net of proceeds from dispositions, in the amount of $22.8 million, to acquire and partially construct regional operating facilities in the amount of $4.4 million, and to pay cash dividends of $1.4 million, resulting in a $5.4 million decrease in cash and cash equivalents. We estimate that capital expenditures, net of proceeds from dispositions, will be approximately $90 million for the remainder 2018. We believe our sources of liquidity are adequate to meet our current and anticipated needs for at least the next twelve months. Based upon anticipated cash flows, existing cash and cash equivalents balances, current borrowing availability and other sources of financing we expect to be available to us, we do not anticipate any significant liquidity constraints in the foreseeable future.

Our business strategy encompasses a multifaceted set of transportation service solutions, primarily regional Truckload temperature-controlled operations along with Dedicated, Intermodal and Brokerage services, with a diverse customer base that gains value from and expands each of these operating segments. We believe that we are well-positioned regardless of the economic environment with the services we provide combined with our competitive position, cost control emphasis, modern fleet and strong balance sheet.

This Management's Discussion and Analysis of Financial Condition and Results of Operations includes discussions of operating revenue, net of fuel surcharge revenue; Truckload, Dedicated and Intermodal revenue, net of fuel surcharge revenue; operating expenses as a percentage of operating revenue, each net of fuel surcharge revenue; and net fuel expense (fuel and fuel taxes net of fuel surcharge revenue and surcharges passed through to independent contractors, outside drayage carriers and railroads). We provide these additional disclosures because management believes these measures provide a more consistent basis for comparing results of operations from period to period. These financial measures in this report have not been determined in accordance with U.S. generally accepted accounting principles (GAAP). Pursuant to Item 10(e) of Regulation S-K, we have included the amounts necessary to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measures of operating revenue, operating expenses divided by operating revenue, and fuel and fuel taxes.

Stock Split

On July 7, 2017, we effected a five-for-three stock split of our common stock, $.01 par value, in the form of a 66 % stock dividend. Our consolidated condensed financial statements, related notes, and other financial data contained in this report have been adjusted to give retroactive effect to the stock split for all periods presented.

Results of Operations

The following table sets forth for the periods indicated certain operating statistics regarding our revenue and operations:

	Three Months Ended March 31,	
	2018	2017
Truckload Segment:		
Revenue (in thousands)	$93,017	$95,658
Average revenue, net of fuel surcharges, per tractor per week(1)	$3,679	$3,416
Average tractors(1)	1,696	1,931
Average miles per trip	603	615
Total miles (in thousands)	40,582	46,060
Dedicated Segment:		
Revenue (in thousands)	$48,833	$40,277
Average revenue, net of fuel surcharges, per tractor per week(1)	$3,267	$3,462
Average tractors(1)	1,009	829
Average miles per trip	297	299
Total miles (in thousands)	21,135	18,579
Intermodal Segment:		
Revenue (in thousands)	$24,652	$19,186
Loads	10,737	9,584
Average tractors	82	77
Brokerage Segment:		
Revenue (in thousands)	$20,458	$18,038
Loads	11,889	13,354

(1) Includes tractors driven by both company-employed drivers and independent contractors. Independent contractors provided 55 and 67 tractors as of March 31, 2018 and 2017, respectively.

Comparison of Three Months Ended March 31, 2018 to Three Months Ended March 31, 2017

The following table sets forth for the periods indicated our operating revenue, operating income and operating ratio by segment, along with the change for each component:

(Dollars in thousands)	Three Months Ended March 31, 2018	2017	Dollar Change Three Months Ended March 31, 2018 vs. 2017	Percentage Change Three Months Ended March 31, 2018 vs. 2017
Operating revenue:				
Truckload revenue, net of fuel surcharge revenue	$80,216	$ 84,811	$ (4,595)	(5.4)%
Truckload fuel surcharge revenue	12,801	10,847	1,954	18.0
Total Truckload revenue	93,017	95,658	(2,641)	(2.8)
Dedicated revenue, net of fuel surcharge revenue	42,364	36,899	5,465	14.8
Dedicated fuel surcharge revenue	6,469	3,378	3,091	91.5
Total Dedicated revenue	48,833	40,277	8,556	21.2
Intermodal revenue, net of fuel surcharge revenue	20,808	16,811	3,997	23.8
Intermodal fuel surcharge revenue	3,844	2,375	1,469	61.9
Total Intermodal revenue	24,652	19,186	5,466	28.5
Brokerage revenue	20,458	18,038	2,420	13.4
Total operating revenue	$186,960	$ 173,159	$ 13,801	8.0 %
Operating income:				
Truckload	$6,815	$ 5,974	$ 841	14.1 %
Dedicated	2,488	4,487	(1,999)	(44.6)
Intermodal	2,978	2,149	829	38.6
Brokerage	1,313	1,328	(15)	(1.1)
Total operating income	$13,594	$ 13,938	$ (344)	(2.5)%
Operating ratio[1]:				

Truckload	92.7	%	93.8	%		
Dedicated	94.9		88.9			
Intermodal	87.9		88.8			
Brokerage	93.6		92.6			
Consolidated operating ratio	92.7	%	92.0		400	400
At September 30, 2015	$ (853)		$ (148)	$ (7,990)	$ (8,991)	

Accumulated Other Comprehensive Income for the nine months ended September 30, 2016 and 2015 is comprised of the following (in thousands):

	Defined Benefit Plan Liability	Cash Flow Hedges	Foreign Currency Translation Adjustment	Total
At December 31, 2015	$ (688)	$ (27)	$ (9,162)	$ (9,877)
Unrealized loss on cash flow hedges		(145)		(145)
Amounts reclassified from AOCI		89		89
Foreign currency translation gain			1,346	1,346
At September 30, 2016	$ (688)	$ (83)	$ (7,816)	$ (8,587)

	Defined Benefit Plan Liability	Cash Flow Hedges	Foreign Currency Translation Adjustment	Total
At December 31, 2014	$ (853)	$ (2)	$ (4,828)	$ (5,683)
Unrealized loss on cash flow hedges		(295)		(295)
Amounts reclassified from AOCI		149		149
Foreign currency translation loss			(3,162)	(3,162)
At September 30, 2015	$ (853)	$ (148)	$ (7,990)	$ (8,991)

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The realized (gain) loss relating to the Company s interest rate swap hedges were reclassified from Accumulated Other Comprehensive Income and included in Interest Expense in the Condensed Consolidated Statements of Operations and Comprehensive Income.

15. DIVIDENDS PER SHARE

The Company declared a quarterly dividend of $0.025 per share in each of the first, second and third quarters of 2016 and 2015. Total dividends declared in the first nine months of 2016 and 2015 were $708 and $696, respectively.

16. SEGMENT INFORMATION

ASC Topic Segment Reporting requires disclosure of operating segments, which as defined, are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

The Company operates in one segment for the manufacture and marketing of motion control products for original equipment manufacturers and end user applications. In accordance with the Segment Reporting Topic of the ASC, the Company s chief operating decision maker has been identified as the Chief Executive Officer and President, who reviews operating results to make decisions about allocating resources and assessing performance for the entire Company. Existing guidance, which is based on a management approach to segment reporting, establishes requirements to report selected segment information quarterly and to report annually entity-wide disclosures about products and services, major customers, and the countries in which the entity holds material assets and reports revenue. All material operating units qualify for aggregation under Segment Reporting due to their similar customer base and similarities in: economic characteristics; nature of products and services; and procurement, manufacturing and distribution processes. Since the Company operates in one segment, all financial information required by Segment Reporting can be found in the accompanying condensed consolidated financial statements and within this note.

The Company s wholly owned international subsidiaries, located in The Netherlands, Sweden, Germany, Portugal, China and Mexico are included in the accompanying condensed consolidated financial statements.

Financial information related to the international subsidiaries is summarized below (in thousands):

	For the three months ended September 30,		For the nine months ended September 30,	
	2016	2015	2016	2015
Revenues derived from international subsidiaries	$ 23,218	$ 20,338	$ 75,138	$ 58,556

Identifiable international assets were $78,620 and $56,444 as of September 30, 2016 and December 31, 2015, respectively.

Revenues derived from international subsidiaries and identifiable assets outside of the United States are primarily attributable to Europe.

Sales to customers outside of the United States by all subsidiaries were $26,670 and $20,755 during the quarters ended September 30, 2016 and 2015, respectively; and $84,903 and $62,283 for the nine months ended September 30, 2016 and 2015, respectively.

For third quarter 2016 and 2015, one customer accounted for 24% and 26% of revenues, respectively; and for the year to date 2016 and 2015 for 20% and 24%, respectively. As of September 30, 2016 and December 31, 2015, this customer represented 14% and 18% of trade receivables, respectively. As of September 30, 2016 and December 31, 2015, one other customer represented 10% and 19% of trade receivables, respectively.

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17. RECENT ACCOUNTING PRONOUNCEMENTS

Recently adopted accounting pronouncements

Effective January 1, 2016, the Company adopted ASU 2016-09, *Compensation Stock Compensation (Topic 718).* The FASB issued ASU 2016-09 in March 2016 as part of its simplification initiative and affects all entities that issue share-based payment awards to their employees. The amendments in this update cover such areas as the recognition of excess tax benefits and deficiencies, the classification of those excess tax benefits on the statement of cash flows, an accounting policy election for forfeitures, the amount an employer can withhold to cover income taxes and still qualify for equity classification and the classification of those taxes paid on the statement of cash flows. The amendments are effective for annual periods, and interim reporting periods within those annual periods, beginning after December 15, 2016 using either prospective, retrospective or modified retrospective transition method, depending on the area covered in this update. As permitted within the amendment, the Company elected to early adopt and prospectively apply the provisions of this amendment as of January 1, 2016. As a result of the adoption, a tax benefit of $160 was recorded in the first quarter.

Effective April 1, 2016, the Company adopted ASU 2015-17, *Balance Sheet Classification of Deferred Taxes.* Current GAAP requires an entity to separate deferred income tax liabilities and assets into current and noncurrent amounts in a classified statement of financial position. The Update requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. We early adopted this ASU for the first quarter of 2016, and we applied it retrospectively to 2015 for comparability, which resulted in the reclassification of $3,318 and $2,551 of current deferred tax assets to noncurrent as of September 30, 2016 and December 31, 2015.

Effective January 1, 2016 the Company adopted ASU 2015-16, *Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments*. This standard requires that an entity recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The update requires an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. ASU 2015-16 did not have a material impact on the Company s condensed consolidated financial statements.

Effective January 1, 2016, the Company adopted ASU 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* on a retrospective basis. The updated accounting guidance requires debt issuance costs to be presented as a deduction from the corresponding debt liability instead of the historical presentation as an unamortized debt issuance asset. The impacts of adopting the new standard as of December 31, 2015, were a decrease in other assets and a decrease in long term debt of $1,388.

Recently issued accounting pronouncements

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments.* The objective of ASU 2016-15 is to reduce existing diversity in practice by addressing eight specific cash flow issues related to how certain cash receipts and cash payments are presented and classified in the statement of cash flows. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted. If early adopted, an entity must adopt all the amendments in the same period. The Company is currently evaluating the impact of the adoption of ASU 2016-15 on the Company s financial statements.

In February 2016, the FASB issued ASU 2016-02, which amends the FASB Accounting Standards Codification and creates Topic 842, *Leases*. The new topic supersedes Topic 840, *Leases*, and increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and requires disclosures of key information about leasing arrangements. The guidance is effective for reporting periods beginning after December 15, 2018. ASU 2016-02 mandates a modified retrospective transition method. The Company is currently assessing the impact this guidance will have on its condensed consolidated financial statements.

In July 2015, the FASB issued ASU No. 2015-11, *Simplifying the Measurement of Inventory*. The standard applies to inventory that is measured using first-in, first-out (FIFO) or average cost. An entity should measure inventory within the scope of the standard at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the

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ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The amendments in ASU 2015-11 more closely align the measurement of inventory in U.S. GAAP with the measurement of inventory in International Financial Reporting Standards (IFRS). The standard is effective for fiscal years beginning after December 15, 2016. ASU 2015-11 is not expected to have a material impact on the Company s condensed consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers,* which amended revenue recognition guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required about customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. This accounting guidance will be effective for the Company beginning in the first quarter of fiscal year 2018 using one of two prescribed retrospective methods. Early adoption is not permitted. The Company has not yet selected a transition method, or determined the effect of the standard on its ongoing financial reporting.

18. SUBSEQUENT EVENT

Revolving Facility

On October 28, 2016 the Company closed on a new $125,000 Senior Secured Revolving Credit Facility (Revolving Facility).

See Item 5. Other Information of Part II of this Form 10-Q for information regarding the Revolving Facility.

The initial proceeds from the Revolving Facility were used to redeem the Company s $30,000 of 14.50% Senior Subordinated Notes and the outstanding amounts under the Prior Credit Agreement of $40,531 at October 28, 2016 (see Note 9. Debt Obligations a for description of the Senior Subordinated Notes and the Prior Credit Agreement).

The termination of the Credit Agreement and Senior Subordinated Notes will result in a $1,000 write-off of unamortized debt issuance costs in the fourth quarter of 2016.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

All statements contained herein that are not statements of historical fact constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate, or imply future results, performance, or achievements, and may contain the word believe, anticipate, expect, project, intend, will continue, will likely result, should or words or phrases of similar meaning. Forward-looking statements involve known and unknown risks and uncertainties that may cause actual results to differ materially from the expected results described in the forward-looking statements. The risks and uncertainties include those associated with: the domestic and international general business and economic conditions in the markets we serve, including political and currency risks and adverse changes in local legal and regulatory environments; the introduction of new technologies and the impact of competitive products; the ability to protect the Company s intellectual property; our ability to sustain, manage or forecast the Company s growth and product acceptance to accurately align capacity with demand; the continued success of our customers and the ability to realize the full amounts reflected in our order backlog as revenue; the loss of significant customers or the enforceability of the Company s contracts in connection with a merger, acquisition, disposition, bankruptcy, or otherwise; our ability to meet the technical specifications of our customers; the performance of subcontractors or suppliers and the continued availability of parts and components; changes in government regulations; the availability of financing and our access to capital markets, borrowings, or financial transactions to hedge certain risks; the ability to attract and retain qualified personnel who can design new applications and products for the motion industry; the ability to implement our corporate strategies designed for growth and improvement in profits including to identify and consummate favorable acquisitions to support external growth and the development of new technologies; the ability to successfully integrate an acquired business into our business model without substantial costs, delays, or problems; our the ability to control costs, including the establishment and operation of low cost region manufacturing and component sourcing capabilities; and the additional risk factors discussed under Item 1A. Risk Factors in Part II of this report and in the Company s Annual Report in Form 10-K. Actual results, events and performance may differ materially. Readers are cautioned not to place undue reliance on these forward-looking statements as a prediction of actual results. Any forward-looking statement speaks only as of the date on which it is made. New risks and uncertainties arise over time, and it is not possible for us to predict the occurrence of those matters or the manner in which they may affect us. The Company has no obligation or intent to release publicly any revisions to any forward looking statements, whether as a result of new information, future events, or otherwise.

New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on its business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. The Company s expectations, beliefs and projections are expressed in good faith and are believed to have a reasonable basis; however, the Company makes no assurance that expectations, beliefs or projections will be achieved.

Overview

We are a global company that designs, manufactures and sells precision and specialty motion control components and systems used in a broad range of industries. Our target markets include Vehicle, Medical, Aerospace & Defense, Electronics and Industrial. We are headquartered in Amherst, NY, and have operations in the United States, Canada, Mexico, Europe and Asia. We are known worldwide for our expertise in electro-magnetic, mechanical and electronic motion technology. We sell component and integrated motion control solutions to end customers and original equipment manufacturers (OEMs) through our own direct sales force and authorized manufacturers representatives and distributors. Our products include brush and brushless DC motors, brushless servo and torque motors, coreless DC motors, integrated brushless motor-drives, gearmotors, gearing, modular digital servo drives, motion controllers, incremental and absolute optical encoders, and other motion control-related products.

Financial overview

The Company s sales for the third quarter of 2016 were flat compared to the prior year. Our market position in our medical and aerospace and defense markets has grown with the addition of Heidrive to our Company portfolio. While our vehicle market was relatively stable sequentially, specific applications in that market are challenged, and we are expecting that to persist over the short term. We are addressing the effects of our customer concentration and end of life product cycles by taking a long term strategic view as we review and adjust our operations and cost structure accordingly. Earnings were $1,800 lower in the third quarter of 2016 compared to the prior year which reflects higher operating costs from increased investment in engineering and development for multi-product motion system offerings, the additional expense related to the

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Heidrive acquisition and the investments we continue to make for our One Allied team as we realign our organization for greater efficiency and accelerated growth.

The softness in the off road vehicle industry combined with certain customer challenges is unfortunately masking successes with new application wins we have experienced in 2016. We also continue to make excellent progress in our strategic market based multi-product development solutions which are being well received by our customers during the early stages of the product release cycle.

We continue to take a long-term view of our business and believe that our infrastructure changes and the collaborative organization we are building to advance our multi-product solutions offering is working. We are confident that our strategy to be a unique, leading supplier of complete precision motion solutions to our target markets will enable us to take market share and gain greater scale over the next five years.

Operating Results

Quarter ended September 30, 2016 compared to quarter ended September 30, 2015

	For the quarter ended September 30,		2016 vs. 2015 Variance	
(in thousands)	**2016**	**2015**	**$**	**%**
Revenues	$ 61,040	$ 61,534	$ (494)	(1)%
Cost of goods sold	43,434	42,595	839	2%
Gross margin	17,606	18,939	(1,333)	(7)%
Gross margin percentage	28.8%	30.8%		
Operating costs and expenses:				
Selling	2,431	1,963	468	24%
General and administrative	5,264	5,939	(675)	(11)%
Engineering and development	3,961	3,345	616	18%
Business development	123		123	100%
Amortization of intangible assets	802	661	141	21%
Total operating costs and expenses	12,581	11,908	673	6%
Operating income	5,025	7,031	(2,006)	(29)%
Interest expense	1,504	1,504		0%
Other income (expense)	(75)	(115)	40	(35)%
Total other expense	1,429	1,389	40	3%
Income before income taxes	3,596	5,642	(2,046)	(36)%
Provision for income taxes	(1,076)	(1,364)	288	(21)%
Net Income	$ 2,520	$ 4,278	$ (1,758)	(41)%
Effective tax rate	29.9%	24.2%	5.7%	23.8%
Diluted earnings per share	$ 0.27	$ 0.46	$ (0.19)	(41)%
Bookings	$ 59,088	$ 55,115	$ 3,973	7%
Backlog	$ 77,683	$ 67,820	$ 9,863	15%

NET INCOME: Net income decreased during the third quarter resulting from sales mix combined with increased investment in our One Allied team including selling expenses, and new product development costs. Heidrive is included in our results as of January 12, 2016.

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EBITDA AND ADJUSTED EBITDA: EBITDA was $7,559 for the third quarter of 2016 compared to $9,033 for the same quarter last year. Adjusted EBITDA was $8,077 and $9,443 for the third quarter of 2016 and 2015, respectively. EBITDA and adjusted EBITDA are non-GAAP measurements. EBITDA consists of income before interest expense, provision for income taxes, and depreciation and amortization. Adjusted EBITDA also excludes stock compensation expense and certain other items. Refer to information included in Non - GAAP Measures below for a reconciliation of net income to EBITDA and adjusted EBITDA.

REVENUES: For the quarter, we had increases in all our markets outside of our vehicle market. We had a decrease in sales resulting from challenges with specific applications within our vehicle market.

Sales to U.S. customers were 56% of total sales for the third quarter compared with 66% for the same period last year, with the balance of sales to customers primarily in Europe, Canada and Asia.

ORDER BACKLOG: The increase in bookings in the third quarter of 2016 compared to the third quarter of 2015 is largely due to market growth, particularly in our medical and aerospace and defense markets. The backlog increase as of September 30, 2016, compared to at December 31, 2015 was also attributable to market growth.

GROSS MARGIN: The 7% gross margin decrease in third quarter 2016 compared to third quarter 2015 was largely due to sales mix favoring lower margin products in 2016 along with under absorption of certain fixed production costs.

SELLING EXPENSES: Selling expenses increased in the third quarter of 2016 compared to the same period of 2015 primarily due the acquisition of Heidrive along with investment in our One Allied sales organization. Selling expenses as a percentage of revenues were 4% and 3% in the third quarter of 2016 and 2015, respectively.

GENERAL AND ADMINISTRATIVE EXPENSES: General and administrative expenses decreased 9% in the third quarter 2016 from the third quarter 2015 largely due to the reduction in incentive compensation accruals reflecting the decrease in net income for the quarter. As a percentage of revenues, general and administrative expenses decreased to 9% for the period ended September 30, 2016 compared to 10% for the same period in 2015.

ENGINEERING AND DEVELOPMENT EXPENSES: Engineering and development expenses increased by 18% in the third quarter of 2016 compared to the same quarter last year. The increase is due to the ramp up of a significant development project to meet the future needs of a target market for Allied Motion and the acquisition of Heidrive. As a percentage of revenues, engineering and development expenses were 7% and 5% for the third quarter of 2016 and 2015, reflectively.

BUSINESS DEVELOPMENT COSTS: The Company incurred $123 of business development costs during the third quarter of 2016 related to the research of potential targets. Business development costs are typically acquisition related expenses for due diligence and legal services as well as consulting expenses to evaluate new opportunities.

AMORTIZATION OF INTANGIBLE ASSETS: Amortization of intangible assets increased in the third quarter of 2016 compared to the third quarter of 2015 due to the amortization of Heidrive intangible assets.

INCOME TAXES: The effective income tax rate as a percentage of income before income taxes was 29.9% and 24.2% for the third quarters of 2016 and 2015, respectively. The effective tax rate for the third quarter 2016 contains a discrete tax provision for tax return to accrual and other adjustments of 6.9% or $248. The effective rate before discrete item for 2016 and 2015 varies from the statutory rate due to permanent differences, state taxes and the difference in US and international tax rates and the mix of international and domestic income.

The Company adopted ASU 2016-09 prospectively and ASU 2015-17 retrospectively as of January 1, 2016. These pronouncements impact the accounting and disclosure for income taxes (refer to Note 17).

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Nine months ended September 30, 2016 compared to nine months ended September 30, 2015

	For the nine months ended September 30,		2016 vs. 2015 Variance	
(in thousands)	**2016**	**2015**	**$**	**%**
Revenues	$ 190,550	$ 181,593	$ 8,957	5%
Cost of goods sold	135,054	127,167	7,887	6%
Gross margin	55,496	54,426	1,070	2%
Gross margin percentage	29.1%	30.0%		
Operating costs and expenses:				
Selling	7,490	6,234	1,256	20%
General and administrative	17,551	17,314	237	1%
Engineering and development	12,185	10,498	1,687	16%
Business development	341		341	100%
Amortization of intangible assets	2,409	1,983	426	21%
Total operating costs and expenses	39,976	36,029	3,947	11%
Operating income	15,520	18,397	(2,877)	(16)%
Interest expense	4,626	4,530	96	2%
Other income (expense)	(190)	(400)	210	(53)%
Total other expense	4,436	4,130	306	7%
Income before income taxes	11,084	14,267	(3,183)	(22)%
Provision for income taxes	(3,495)	(3,888)	393	(10)%
Net Income	$ 7,589	$ 10,379	$ (2,790)	(27)%
Effective tax rate	31.5%	27.3%	4.3%	15.7%
Diluted earnings per share	$ 0.81	$ 1.12	$ (0.31)	(28)%
Bookings	$ 193,826	$ 177,781	$ 16,045	9%
Backlog	$ 77,683	$ 67,820	$ 9,863	15%

NET INCOME: Net income decreased during 2016 reflecting the sales mix in 2016, along with increased development costs, selling expenses and additional organizational enhancements.

EBITDA AND ADJUSTED EBITDA: EBITDA was $23,019 for 2016 compared to $24,349 last year. Adjusted EBITDA was $23,907 and $25,685 for 2016 and 2015, respectively. EBITDA and adjusted EBITDA are non-GAAP measurements. EBITDA consists of income before interest expense, provision for income taxes, and depreciation and amortization. Adjusted EBITDA also excludes stock compensation expense and certain other items. Refer to information included in Non - GAAP Measures below for a reconciliation of net income to EBITDA and adjusted EBITDA.

REVENUES: For 2016, the increase in revenues reflects increased sales in all our markets except for our vehicle market.

Sales to U.S. customers were 55% of total sales for 2016 compared with 66% for the same period last year, with the balance of sales to customers primarily in Europe, Canada and Asia.

ORDER BACKLOG: The increase in bookings in 2016 compared to 2015 is largely due to addition of Heidrive. On a sequential basis over the year there has been a decline in orders and backlog reflecting the weakness in our vehicle market, generally soft industrial market conditions, and seasonality in our European markets.

GROSS MARGIN: The 2% increase in gross margin in 2016 compared to 2015 was largely due to the increase in volume attributable to market growth.

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SELLING EXPENSES: Selling expenses increased in 2016 compared to 2015 primarily due to the acquisition of Heidrive and continued investment in our One Allied sales organization to support future growth. Selling expenses as a percentage of revenues were 4% for 2016 and 3% for 2015.

GENERAL AND ADMINISTRATIVE EXPENSES: General and administrative expenses increased slightly in 2016 from 2015 largely due to the acquisition of Heidrive, partially offset by insurance recoveries related to a fire at one of our international locations and reductions in our incentive compensation accruals. As a percentage of revenues, general and administrative expenses was 9% and 10% for 2016 and 2015, respectively.

ENGINEERING AND DEVELOPMENT EXPENSES: Engineering and development expenses increased by 16% in 2016 compared to 2015. The increase is primarily due to the acquisition of Heidrive and the ramp up of a significant development project to meet the future needs of a target market for Allied Motion. As a percentage of revenues, engineering and development expenses were 6% for both 2016 and 2015.

BUSINESS DEVELOPMENT COSTS: The Company incurred $341 of business development costs during 2016 related to the acquisition of Heidrive on January 12, 2016 and consulting expenses to evaluate new business opportunities.

AMORTIZATION OF INTANGIBLE ASSETS: Amortization of intangible assets increased in 2016 compared to 2015 due to the amortization of Heidrive intangible assets.

INCOME TAXES: The effective income tax rate as a percentage of income before income taxes was 31.5% and 27.3% for the nine months ended September 30, 2016 and 2015, respectively. The effective tax rate for the first nine months of 2016 contains a discrete tax provision of 0.9% or $95 including the return to accrual and other adjustments net of tax benefits related to the adoption of ASU 2016-09. The effective rate before discrete item for 2016 and 2015 varies from the statutory rate due to permanent differences, state taxes and the difference in US and international tax rates and the mix of international and domestic income.

The Company adopted ASU 2016-09 prospectively and ASU 2015-17 retrospectively as of January 1, 2016. These pronouncements impact the accounting and disclosure for income taxes (refer to Note 17).

Non-GAAP Measures

EBITDA and Adjusted EBITDA are provided for information purposes only and are not measures of financial performance under GAAP.

Management believes the presentation of these financial measures reflecting non-GAAP adjustments provides important supplemental information in evaluating the operating results of the Company as distinct from results that include items that are not indicative of ongoing operating results; in particular, those charges and credits that are not directly related to operating unit performance, and that are not a helpful measure of the performance of our underlying business particularly in light of their unpredictable nature. This non-GAAP disclosure has limitations as an analytical tool, should not be viewed as a substitute for net income determined in accordance with GAAP, and should not be considered in isolation or as a substitute for analysis of the Company s results as reported under GAAP, nor is it necessarily comparable to non-GAAP performance measures that may be presented by other companies. In addition, supplemental presentation should not be construed as an inference that the Company s future results will be unaffected by similar adjustments to net income determined in accordance with GAAP.

The Company believes EBITDA is often a useful measure of a Company s operating performance and is a significant basis used by the Company s management to measure the operating performance of the Company s business because EBITDA excludes charges for depreciation, amortization and interest expense that have resulted from our debt financings, as well as our provision for income tax expense. EBITDA is frequently used as one of the bases for comparing businesses in the Company s industry.

The Company also believes that Adjusted EBITDA provides helpful information about the operating performance of its business. Adjusted EBITDA excludes stock compensation expense, as well as certain income or expenses which are not indicative of the ongoing performance of the Company. EBITDA and Adjusted EBITDA do not represent and should not be considered as an alternative to net income, operating income, net cash provided by operating activities or any other measure

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for determining operating performance or liquidity that is calculated in accordance with generally accepted accounting principles.

The Company s calculation of EBITDA and Adjusted EBITDA for the three and nine months ended September 30, 2016 and 2015 is as follows (in thousands):

	For the three months ended September 30, 2016	For the three months ended September 30, 2015	For the nine months ended September 30, 2016	For the nine months ended September 30, 2015
Net income as reported	$ 2,520	$ 4,278	$ 7,589	$ 10,379
Interest expense	1,504	1,504	4,626	4,530
Provision for income tax	1,076	1,364	3,495	3,888
Depreciation and amortization	2,459	1,887	7,309	5,552
EBITDA	7,559	9,033	23,019	24,349
Stock compensation expense	395	410	1,370	1,336
Business development costs	123		341	
Insurance recoveries			(823)	
Adjusted EBITDA	$ 8,077	$ 9,443	$ 23,907	$ 25,685

Liquidity and Capital Resources

On October 28, 2016, the Company entered into a new $125,000 Senior Secured Revolving Credit Facility that replaces the Prior Credit Agreement and Senior Subordinated Notes. Refer to Item 5. Other Information in Part II and Item 1. Financial Statements - Note 18. Subsequent Event in Part I for information.

The Company s liquidity position as measured by cash and cash equivalents decreased by $8,736 to a balance of $12,542 at September 30, 2016 from December 31, 2015.

	Nine months ended September 30, 2016	Nine months ended September 30, 2015	2016 vs. 2015 $
Net cash provided by operating activities	$ 9,965	$ 13,727	$ (3,762)
Net cash used in investing activities	(19,743)	(3,693)	(16,050)
Net cash provided by (used in) financing activities	745	(4,545)	5,290
Effect of foreign exchange rates on cash	297	(706)	1,003
Net decrease in cash and cash equivalents	$ (8,736)	$ 4,783	$ (13,519)

During 2016, the decrease in cash provided by operating activities is primarily due to lower net income combined with an increase in working capital needs, primarily trade receivables and accrued liabilities that includes reduced incentive compensation. The receivables increase reflects higher sales in 2016 compared to 2015.

The significant cash used for investing activities in 2016 reflects the acquisition of Heidrive during the first quarter. The cash paid for the acquisition was $16,049 net of cash acquired. During 2016, purchases of property and equipment were comparable at $3,694 and $3,693 for 2016 and 2015, respectively.

Net cash provided by financing activities in 2016 compared to net cash used in 2015 reflects the use of the international revolver of $10,859 (10,000) to partially finance the Heidrive acquisition in the first quarter. During 2016, we made payments of $5,333 (4,500) towards the international revolver. Net borrowings of $1,000 have been made in 2016 on the US revolver.

We have made $5,625 of payments in the first nine months of 2016 for our Term Loan obligation. At September 30, 2016, we had $70,231 in obligations under the Prior Credit Agreement and the Note Agreement (without adjustment for unamortized debt issuance costs).

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The Prior Credit Agreement contains certain financial covenants related to maximum leverage and minimum fixed charge coverage. The Prior Credit Agreement also includes other covenants and restrictions, including limits on the amount of certain types of capital expenditures. The Company was in compliance with all covenants at September 30, 2016.

As of September 30, 2016, the amount available to borrow under the Credit Agreement was approximately $22,800.

The average China Facility balance for 2016 was $1,600 (RMB 10,600). At September 30, 2016, there was approximately $235 (RMB 1,570) available under the facility.

During 2016, the Company paid dividends of $0.025 per share in each of the three quarters, or $0.075 for the first nine months of 2016. The Company s working capital, capital expenditure and dividend requirements are expected to be funded from cash provided by operations and amounts available under the Credit Agreement.

Item 3. Qualitative and Quantitative Disclosures about Market Risk

Foreign Currency

We have international operations in The Netherlands, Sweden, China, Portugal, Germany, Canada and Mexico, which expose the Company to foreign currency exchange rate fluctuations due to transactions denominated in Euros, Swedish Krona, Chinese Yuan Renminbi, Canadian dollar and Mexican pesos, respectively. We continuously evaluate our foreign currency risk and will take action from time to time in order to best mitigate these risks. A hypothetical 10% change in the value of the U.S. dollar in relation to our most significant foreign currency exposures would have had an impact of approximately $2,300 on our third quarter sales and $7,400 on our year to date sales. This amount is not indicative of the hypothetical net earnings impact due to partially offsetting impacts on cost of sales and operating expenses in those currencies. We estimate that foreign currency exchange rate fluctuations during the three ended September 30, 2016 had no impact on sales compared to the same period in 2015. For the nine months ended September 30, 2016, we estimate that foreign currency exchange rate fluctuations increased sales in comparison to 2015 by approximately $100.

We translate all assets and liabilities of our international operations, where the U.S. dollar is not the functional currency, at the period-end exchange rate and translate sales and expenses at the average exchange rates in effect during the period. The net effect of these translation adjustments is recorded in the Condensed Consolidated Financial Statements as Comprehensive Income. The translation adjustment was a gain of $383 and $400 for the third quarter of 2016 and 2015, respectively. The translation adjustment was a gain of $1,346 and loss of $3,162 for the year to date 2016 and 2015 periods, respectively. Translation adjustments are not adjusted for income taxes as they relate to permanent investments in our international subsidiaries. Net foreign currency transaction gains and losses included in Other income, net amounted to a gain of $5 and a loss of $94 for the third quarter of 2016 and 2015, respectively. For the year to date 2016, a $20 loss has been recognized in Other income, net compared to a $242 gain for 2015. A hypothetical 10% change in the value of the U.S. dollar in relation to our most significant foreign currency net assets would have had an impact of approximately $4,900 on our foreign net assets as of September 30, 2016.

Interest Rates

On October 28, 2016, the Company entered into a new $125,000 Senior Secured Revolving Credit Facility that replaces the Prior Credit Agreement and Senior Subordinated Notes. Refer to Item 5. Other Information in Part II and Item 1. Financial Statements - Note 18. Subsequent Event in Part I for information.

As of September 30, 2016, interest rates on our Prior Credit Facility were based on the Base Rate plus a margin of 0.25% to 2.00% (currently 1.50%) or the Eurocurrency Rate plus a margin of 1.25% to 3.00% (currently 2.0%). The Company uses interest rate derivatives to add stability to interest expense and to manage its exposure to interest rate movements. The Company primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. During October 2013, the Company entered into two Interest Rate Swaps with a combined notional of $25,000 that amortize quarterly to a notional of $6,673 at maturity. This swap is accounted for as a cash flow hedge. Refer to Note 7 of the *Unaudited Notes to Condensed Consolidated Financial Statements* for information about our derivative financial instruments.

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As of September 30, 2016, we had $31,500 outstanding under the Term Loan, of which $15,750 was being hedged. Refer to Note 9 of the *Notes to Condensed Consolidated Financial Statements* for additional information about our outstanding debt at September 30, 2016. A hypothetical one percentage point (100 basis points) change in the Base Rate on the $15,750 of unhedged floating rate debt outstanding at September 30, 2016 would have an impact of approximately $43 on our interest expense for the third quarter 2016 and $103 for the year to date 2016.

Item 4. Controls and Procedures

Conclusion regarding the effectiveness of disclosure controls and procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer (principal accounting officer), evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of September 30, 2016. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Based on management s evaluation of our disclosure controls and procedures as of September 30, 2016, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective.

Changes in internal control over financial reporting

During the quarter and nine months ended September 30, 2016, with the exception Heidrive, there has been no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Note regarding acquisition

In making our assessment of the Company s internal control over financial reporting as of September 30, 2016, we have excluded the operations of Heidrive. We are currently assessing the control environment of this acquired business. Our consolidated financial statements reflect Heidrive s results of operations from January 12, 2016. Heidrive s net sales constituted approximately 13% of our net sales for the nine months ended September 30, 2016, and Heidrive s assets constituted approximately 7% of the Company s total assets as of September 30, 2016.

PART II. OTHER INFORMATION

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in the Company s Form 10-K for the year ended December 31, 2015, except to the extent factual information disclosed elsewhere in this form 10-Q relates to such risk factors. For a full discussion of these risk factors, please refer to Item 1A. Risk Factors in the 2015 Annual Report in Form 10-K.

Item 5. Other Information

Entry into a Material Definitive Agreement - Senior Secured Revolving Credit Facility

On October 28, 2016, the Company entered into a Credit Agreement (the Credit Agreement) for a $125,000 revolving credit facility (the Revolving Facility). The Revolving Facility includes a $50,000 accordion amount and has an initial term of five years. HSBC Bank USA, National Association is the administrative agent, HSBC Securities (USA) Inc. is the sole lead arranger and sole book runner, and Keybank National Association and Wells Fargo Bank, National Association are co-syndication agents.

Borrowings under the Revolving Facility will bear interest at the LIBOR Rate (as defined in the Credit Agreement) plus a margin of 1.00% to 2.25% or the Prime Rate (as defined in the Credit Agreement) plus a margin of 0% to 1.25%, in each case depending on the Company s ratio of total funded indebtedness (as defined in the Credit Agreement) to Consolidated EBITDA (the Total Leverage Ratio). At October 28, 2016, the applicable margin for LIBOR Rate borrowings was 1.75% and the applicable margin for Prime Rate borrowings was 0.75%. In addition, the Company is required to pay a commitment fee of between 0.10% and 0.25% quarterly (currently 0.175%) on the unused portion of the Revolving facility, also based on the Company s Total Leverage Ratio. The Revolving Facility is secured by substantially all of the Company s non-realty assets and are fully and unconditionally guaranteed by certain of the Company s subsidiaries.

Financial covenants under the Credit Agreement require the Company to maintain a minimum interest coverage ratio of at least 3.0:1.0 at the end of each fiscal quarter. In addition, the Company s Total Leverage Ratio at the end of any fiscal quarter shall not be greater than 3.75:1.0 through March 31, 2017, 3.5:1.0 through September 30, 2017, 3.25:1.0 through March 31, 2018 and 3.0:1.0 thereafter; provided that the Company may elect to temporarily increase the Total Leverage Ratio by 0.5x over the otherwise maximum during the twelve-month period following a permitted acquisition under the Credit Agreement. The Credit Agreement also includes covenants and restrictions that limit the Company s ability to incur additional indebtedness, merge, consolidate or sell all or substantially all of its assets and enter into transactions with an affiliate of the Company on other than an arms length transaction. These covenants, which are described more fully in the Credit Agreement, to which reference is made for a complete statement of the covenants, are subject to certain exceptions.

The Credit Agreement also includes customary events of default, including failure to pay principal, interest or fees when due, failure to comply with covenants, if any representation or warranty made by the Company is false or misleading in any material respect, default under certain other indebtedness, certain insolvency or receivership events affecting the Company and its subsidiaries, the occurrence of certain material judgments, the occurrence of certain ERISA events, the invalidity of the loan documents or a change in control of the Company. The amounts outstanding under the Revolving Facility may be accelerated upon certain events of default.

The above description does not purport to be complete and is qualified in its entirety by reference to the Credit Agreement, which is filed as Exhibit 10.1 to this Quarterly Report on Form 10-Q.

Termination of Material Definitive Agreements

The Revolving Facility replaced the Company s previous Credit Agreement dated as of October 18, 2013, as amended, among the Company, Bank of America, N.A., as administrative agent and the lenders party thereto (the Prior Credit Agreement). The Prior Credit Agreement was scheduled to mature on October 18, 2018 and provided revolving credit up to $30,000 and a $50,000 term loan. $40,531 was outstanding under the Prior Credit Agreement at the time of termination.

The Revolving Facility also replaced the Company s 14.50% Senior Subordinated Notes due October 18, 2019 (the Notes) issued pursuant to a Note Agreement dated October 18, 2013, as amended, with Prudential Capital Partners IV, L.P. and its affiliates. $30,000 was outstanding under the Notes at the time of redemption.

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Item 6. Exhibits

(a) Exhibits

10.1	Credit Agreement, dated as of October 28, 2016, among Allied Motion Technologies Inc. and Allied Motions Technologies B.V., as borrowers, HSBC Bank USA, National Association, as administrative agent, HSBC Securities (USA) Inc. as sole lead arranger and sole book runner, Keybank National Association and Wells Fargo bank, National Association, as co-syndication agents and the lenders party thereto.
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from Allied Motion Technologies Inc. s Quarterly Report on Form 10-Q for the quarter ended September 30, 2016, formatted in XBRL (eXtensible Business Reporting Language): (i) condensed consolidated balance sheets, (ii) condensed consolidated statements of operations and comprehensive income, (iii) condensed consolidated statements of cash flows and (iv) the notes to the consolidated financial statements.

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SIGNATURES

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

Date: November 2, 2016	ALLIED MOTION TECHNOLOGIES INC. By: /s/ Michael R. Leach Michael R. Leach *Chief Financial Officer*

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