

HUB GROUP INC  
Form 10-Q  
April 24, 2009

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2009 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: 0-27754

HUB GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

36-4007085  
(I.R.S. Employer Identification No.)

3050 Highland Parkway, Suite 100  
Downers Grove, Illinois 60515  
(Address, including zip code, of principal executive offices)  
(630) 271-3600  
(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  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer  Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12-b-2 of the Exchange Act). Yes  No

On April 21, 2009 the registrant had 37,163,637 outstanding shares of Class A common stock, par value \$.01 per share, and 662,296 outstanding shares of Class B common stock, par value \$.01 per share.

HUB GROUP, INC.

INDEX

|  | Page |
|--|------|
| PART I. Financial Information:   |      |
| Hub Group, Inc. - Registrant   |      |
| Condensed Consolidated Balance Sheets – March 31, 2009<br>(unaudited) and<br>December 31,<br>2008            | 3    |
| Unaudited Condensed Consolidated Statements of Income<br>- Three Months<br>Ended March 31, 2009 and 2008     | 4    |
| Unaudited Condensed Consolidated Statement of<br>Stockholders' Equity - Three<br>Months Ended March 31, 2009 | 5    |
| Unaudited Condensed Consolidated Statements of Cash<br>Flows - Three<br>Months Ended March 31, 2009 and 2008 | 6    |
| Notes to Unaudited Condensed Consolidated Financial<br>Statements  | 7    |
| Management's Discussion and Analysis of Financial<br>Condition and<br>Results of Operations                  | 9    |
| Quantitative and Qualitative Disclosures about Market<br>Risk  | 13   |
| Controls and Procedures  | 13   |
| PART II. Other Information   | 14   |



HUB GROUP, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(in thousands, except share amounts)

|   | March 31,<br>2009<br>(unaudited) | December 31,<br>2008 |
|---|----------------------------------|----------------------|
| <b>ASSETS</b>   |                                  |                      |
| <b>CURRENT ASSETS:</b>  |                                  |                      |
| Cash and cash equivalents   | \$ 112,673                       | \$ 85,799            |
| Accounts receivable   |                                  |                      |
| Trade, net  | 132,751                          | 145,362              |
| Other   | 7,435                            | 10,318               |
| Prepaid taxes   | 123                              | 123                  |
| Deferred taxes  | 4,213                            | 5,430                |
| Prepaid expenses and other current assets   | 3,762                            | 4,346                |
| <b>TOTAL CURRENT ASSETS</b>   | <b>260,957</b>                   | <b>251,378</b>       |
| Restricted investments  | 6,573                            | 6,118                |
| Property and equipment, net   | 31,486                           | 32,713               |
| Other intangibles, net  | 6,499                            | 6,610                |
| Goodwill, net   | 233,056                          | 233,110              |
| Other assets  | 1,690                            | 1,747                |
| <b>TOTAL ASSETS</b>   | <b>\$ 540,261</b>                | <b>\$ 531,676</b>    |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                                  |                      |
| <b>CURRENT LIABILITIES:</b>   |                                  |                      |
| Accounts payable  |                                  |                      |
| Trade   | \$ 110,070                       | \$ 105,064           |
| Other   | 7,401                            | 6,107                |
| Accrued expenses  |                                  |                      |
| Payroll   | 7,131                            | 9,988                |
| Other   | 24,282                           | 26,388               |
| <b>TOTAL CURRENT LIABILITIES</b>  | <b>148,884</b>                   | <b>147,547</b>       |
| Non-current liabilities   | 8,595                            | 9,535                |
| Deferred taxes  | 61,227                           | 59,410               |
| <b>STOCKHOLDERS' EQUITY:</b>  |                                  |                      |
| Preferred stock, \$.01 par value; 2,000,000 shares authorized; no shares issued or outstanding in 2009 and 2008   | -                                | -                    |
| Common stock  |                                  |                      |
| Class A: \$.01 par value; 97,337,700 shares authorized and 41,224,792 shares issued in 2009 and 2008; 37,163,730 shares outstanding in 2009 and 36,970,347 shares outstanding in 2008 | 412                              | 412                  |
| Class B: \$.01 par value; 662,300 shares authorized; 662,296 shares issued and outstanding in 2009 and 2008   | 7                                | 7                    |
| Additional paid-in capital  | 169,572                          | 174,355              |

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|  |            |            |
|--|------------|------------|
| Purchase price in excess of predecessor basis, net of tax benefit of \$10,306  | (15,458)   | (15,458)   |
| Retained earnings  | 271,465    | 265,287    |
| Treasury stock; at cost, 4,061,062 shares in 2009 and 4,254,445 shares in 2008 | (104,443)  | (109,419)  |
| TOTAL STOCKHOLDERS' EQUITY   | 321,555    | 315,184    |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY                                     | \$ 540,261 | \$ 531,676 |

See notes to unaudited condensed consolidated financial statements.

HUB GROUP, INC.  
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
 (in thousands, except per share amounts)

|   | Three Months<br>Ended March 31, |            |
|---|---------------------------------|------------|
|   | 2009                            | 2008       |
| Revenue   | \$ 351,695                      | \$ 424,995 |
| Transportation costs                                  | 306,526                         | 367,493    |
| Gross margin  | 45,169                          | 57,502     |
| Costs and expenses:                                   |                                 |            |
| Salaries and benefits                                 | 23,214                          | 25,363     |
| General and administrative                            | 10,123                          | 10,150     |
| Depreciation and amortization                         | 1,156                           | 1,001      |
| Total costs and expenses                              | 34,493                          | 36,514     |
| Operating income                                      | 10,676                          | 20,988     |
| Other income (expense):                               |                                 |            |
| Interest expense                                      | (25)                            | (26)       |
| Interest and dividend income                          | 55                              | 338        |
| Other, net  | 10                              | 95         |
| Total other income                                    | 40                              | 407        |
| Income before provision for income taxes              | 10,716                          | 21,395     |
| Provision for income taxes                            | 4,538                           | 8,260      |
| Net income  | \$ 6,178                        | \$ 13,135  |
| Basic earnings per common share                       | \$ 0.17                         | \$ 0.35    |
| Diluted earnings per common share                     | \$ 0.17                         | \$ 0.35    |
| Basic weighted average number of shares outstanding   | 37,321                          | 37,101     |
| Diluted weighted average number of shares outstanding | 37,412                          | 37,405     |

See notes to unaudited condensed consolidated financial statements.





HUB GROUP, INC  
 UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY  
 (in thousands, except shares)

|   | Three Months<br>Ended<br>March 31,<br>2009 |
|---|--|
| Class A & B Common Stock Shares Outstanding                             |  |
| Beginning of year   | 37,632,643                                 |
| Purchase of treasury shares   | (40,604)                                   |
| Treasury shares issued for restricted stock and stock options exercised | 233,987                                    |
| Ending balance  | 37,826,026                                 |
|   |  |
| Class A & B Common Stock Amount   |  |
| Beginning of year   | \$ 419                                     |
| Ending balance  | 419  |
|   |  |
| Additional Paid-in Capital  |  |
| Beginning of year   | 174,355                                    |
| Exercise of non-qualified stock options                                 | (727)                                      |
| Share-based compensation expense  | 1,078                                      |
| Tax benefit of share-based compensation plans                           | 117  |
| Issuance of restricted stock awards, net of forfeitures                 | (5,251)                                    |
| Ending balance  | 169,572                                    |
|   |  |
| Purchase Price in Excess of Predecessor Basis, Net of Tax               |  |
| Beginning of year   | (15,458)                                   |
| Ending balance  | (15,458)                                   |
|   |  |
| Retained Earnings   |  |
| Beginning of year   | 265,287                                    |
| Net income  | 6,178                                      |
| Ending balance  | 271,465                                    |
|   |  |
| Treasury Stock  |  |
| Beginning of year   | (109,419)                                  |
| Purchase of treasury shares   | (1,042)                                    |
| Issuance of restricted stock and exercise of stock options              | 6,018                                      |
| Ending balance  | (104,443)                                  |
|   |  |
| Total stockholders' equity  | \$ 321,555                                 |

See notes to unaudited condensed consolidated financial statements.



HUB GROUP, INC.  
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (in thousands)

|   | Three Months Ended March 31, |           |
|---|------------------------------|-----------|
|   | 2009                         | 2008      |
| Cash flows from operating activities:   |                              |           |
| Net income  | \$ 6,178                     | \$ 13,135 |
| Adjustments to reconcile net income to net cash provided by operating activities: |                              |           |
| Depreciation and amortization   | 2,184                        | 1,706     |
| Deferred taxes  | 3,088                        | 3,232     |
| Compensation expense related to share-based compensation plans                    | 1,078                        | 1,171     |
| (Gain) loss on sale of assets   | (27)                         | 29        |
| Changes in operating assets and liabilities:                                      |                              |           |
| Restricted investments  | (455)                        | (2,246)   |
| Accounts receivable, net  | 15,494                       | (723)     |
| Prepaid expenses and other current assets   | 584                          | 578       |
| Other assets  | 57                           | 136       |
| Accounts payable  | 6,300                        | 2,499     |
| Accrued expenses  | (4,401)                      | (14,085)  |
| Non-current liabilities   | (940)                        | (196)     |
| Net cash provided by operating activities   | 29,140                       | 5,236     |
| Cash flows from investing activities:   |                              |           |
| Proceeds from sale of equipment   | 48                           | 29        |
| Purchases of property and equipment   | (1,429)                      | (849)     |
| Cash used in acquisition of Comtrak, Inc.   | -                            | (5,000)   |
| Net cash used in investing activities   | (1,381)                      | (5,820)   |
| Cash flows from financing activities:   |                              |           |
| Proceeds from stock options exercised   | 40                           | 315       |
| Purchase of treasury stock  | (1,042)                      | (672)     |
| Excess tax benefits from share-based compensation                                 | 117                          | 1,817     |
| Net cash (used in) provided by financing activities                               | (885)                        | 1,460     |
| Net increase in cash and cash equivalents   | 26,874                       | 876       |
| Cash and cash equivalents beginning of period                                     | 85,799                       | 38,002    |
| Cash and cash equivalents end of period   | \$ 112,673                   | \$ 38,878 |
| Supplemental disclosures of cash paid for:  |                              |           |
| Interest  | \$ 25                        | \$ 26     |
| Income taxes  | 1,821                        | 4,018     |

See notes to unaudited condensed consolidated financial statements.



HUB GROUP, INC.  
NOTES TO UNAUDITED CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. Interim Financial Statements

Our accompanying unaudited condensed consolidated financial statements of Hub Group, Inc. (“we”, “us” or “our”) have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in annual financial statements have been condensed or omitted pursuant to those rules and regulations. However, we believe that the disclosures contained herein are adequate to make the information presented not misleading.

The financial statements reflect, in our opinion, all material adjustments (which include only normal recurring adjustments) necessary to fairly present our financial position at March 31, 2009 and results of operations for the three months ended March 31, 2009 and 2008.

These unaudited condensed consolidated financial statements and notes thereto should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2008. Results of operations in interim periods are not necessarily indicative of results to be expected for a full year due partially to seasonality.

Certain prior year amounts have been classified to conform to the current year presentation.

NOTE 2. Earnings Per Share

The following is a reconciliation of our earnings per share (in thousands, except for per share data):

|                                     | Three Months Ended<br>March 31, 2009 |        |                     | Three Months Ended<br>March 31, 2008 |        |                     |
|-------------------------------------|--------------------------------------|--------|---------------------|--------------------------------------|--------|---------------------|
|                                     | Income                               | Shares | Per Share<br>Amount | Income                               | Shares | Per Share<br>Amount |
| Basic EPS                           |                                      |        |                     |                                      |        |                     |
| Net income                          | \$ 6,178                             | 37,321 | \$ 0.17             | \$ 13,135                            | 37,101 | \$ 0.35             |
| Effect of Dilutive<br>Securities    |                                      |        |                     |                                      |        |                     |
| Stock options &<br>restricted stock | -                                    | 91     | -                   | -                                    | 304    | -                   |
| Diluted EPS                         | \$ 6,178                             | 37,412 | \$ 0.17             | \$ 13,135                            | 37,405 | \$ 0.35             |

NOTE 3. Debt

We had \$47.4 million of unused and available borrowings under our bank revolving line of credit at March 31, 2009. We were in compliance with our debt covenants at March 31, 2009.

We have standby letters of credit that expire at various dates from 2009 to 2012. As of March 31, 2009, the outstanding letters of credit totaled \$2.6 million.

NOTE 4. Commitments and Contingencies

We are a party to litigation incident to our business, including claims for freight lost or damaged in- transit, freight improperly shipped or improperly billed, property damage and personal injury. Some of the lawsuits to which we are a party are covered by insurance and are being defended by our insurance carriers. Some of the lawsuits are not covered by insurance and we are defending them. Management does not believe that the outcome of this litigation will have a material adverse effect on our financial position.

NOTE 5. Fair Value Measurement

At March 31, 2009, cash and cash equivalents and restricted investments include \$109.1 million in a money market fund comprised of U.S. treasury securities and repurchase agreements for these securities and \$6.6 million of mutual funds, respectively, which are reported at fair value. The fair value measurement of these securities is based on quoted prices in active markets for identical assets which are defined as “Level 1” of the fair value hierarchy based on the criteria in SFAS No. 157.

## NOTE 6. Restructuring Charges

In the first quarter of 2009, we recorded a restructuring charge of approximately \$0.9 million consisting of a severance charge for 115 employees. Approximately \$0.5 million of severance payments remained to be paid as of March 31, 2009.

All severance charges are included in salaries and benefits in the accompanying statements of income.

The following table displays the activity and balance of the restructuring reserve in the consolidated balance sheets (in thousands):

|                                  |        |
|----------------------------------|--------|
| Balance at December 31, 2008     | \$ -   |
| Restructuring expenses-severance | 872    |
| Cash payments made               | (403)  |
| Balance at March 31, 2009        | \$ 469 |

## NOTE 7. New Pronouncements

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. In February 2008, the FASB deferred the effective date of SFAS No. 157 for one year for all nonfinancial assets and nonfinancial liabilities, except for those items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). We adopted SFAS No. 157 effective January 1, 2008 for all financial assets and liabilities. As of January 1, 2009, we adopted SFAS No. 157 for all non-financial assets and all non-financial liabilities. There is no impact on our financial statements at March 31, 2009.

The FASB issued Statement of SFAS No. 141(R), "Business Combinations" (SFAS No. 141(R)) in December 2007. SFAS No. 141(R) requires the acquiring entity in a business combination to record all assets acquired and liabilities assumed at their respective acquisition-date fair values including contingent consideration. In addition SFAS No. 141(R) changes the recognition of assets acquired and liabilities assumed arising from preacquisition contingencies and requires the expensing of acquisition-related costs as incurred. SFAS No. 141(R) applies prospectively to business combinations for which the acquisition date is on or after January 1, 2009. We adopted SFAS No. 141(R) effective January 1, 2009. Any impact would be on future acquisitions.

The FASB issued Statement of SFAS No. 160, "Noncontrolling Interest" (SFAS No. 160) in December 2007. SFAS No. 160 clarifies the classification of noncontrolling interests in consolidated statements of financial position and the accounting for and reporting of transactions between the reporting entity and holders of such noncontrolling interests. SFAS No. 160 is effective as of the beginning of an entity's first fiscal year that begins on or after December 15, 2008 and is required to be adopted prospectively, except for the reclassification of noncontrolling interests to equity and the recasting of net income (loss) attributable to both the controlling and noncontrolling interests, which are required to be adopted retrospectively. We adopted SFAS No. 160 effective January 1, 2009. There is no impact at March 31, 2009.

In April 2008, the FASB issued FASB Staff Position (FSP) No. 142-3, "Determination of the Useful Life of Intangible Assets." This FSP amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, "Goodwill and

Other Intangible Assets”. This statement is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. We adopted FSP No. 142-3 effective January 1, 2009. There is no impact at March 31, 2009.

In June 2008, the FASB issued a Staff Position (FSP) on the Emerging Issues Task Force (EITF) Issue No. 03-6-1, “Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities.” (“FSP EITF 03-06-1”). The FSP clarified that all unvested share-based payment awards that contain non-forfeitable rights to dividends are participating securities and provides guidance on how to compute basic EPS under the two-class method. FSP EITF 03-6-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. We adopted FSP EITF 03-6-1 effective January 1, 2009 and it had no impact on our financial statements.



HUB GROUP, INC.

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

The information contained in this quarterly report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "expects," "hopes," "believes," "intends," "estimates," "anticipates," and variations of these words and similar expressions are intended to identify these forward-looking statements. Forward-looking statements are inherently uncertain and subject to risks. Such statements should be viewed with caution. Actual results or experience could differ materially from the forward-looking statements as a result of many factors. We assume no liability to update any such forward-looking statements contained in this quarterly report. Factors that could cause our actual results to differ materially include:

- the degree and rate of market growth in the domestic intermodal, truck brokerage and logistics markets served by us;
  - deterioration in our relationships with existing railroads or adverse changes to the railroads' operating rules;
    - changes in rail service conditions or adverse weather conditions;
    - further consolidation of railroads;
- the impact of competitive pressures in the marketplace, including entry of new competitors, direct marketing efforts by the railroads or marketing efforts of asset-based carriers;
  - changes in rail, drayage and trucking company capacity;
  - railroads moving away from ownership of intermodal assets;
    - equipment shortages or equipment surplus;
  - changes in the cost of services from rail, drayage, truck or other vendors;
- increases in costs for independent contractors due to regulatory, judicial and legal changes;
  - labor unrest in the rail, drayage or trucking company communities;
    - general economic and business conditions;
- significant deterioration in our customer's financial condition, particularly in the retail and durable goods sectors;
  - fuel shortages or fluctuations in fuel prices;
    - increases in interest rates;
  - changes in homeland security or terrorist activity;
- difficulties in maintaining or enhancing our information technology systems;
  - changes to or new governmental regulation;
  - loss of several of our largest customers;
  - inability to recruit and retain key personnel;
- inability to recruit and retain drivers and owner operators;
  - changes in insurance costs and claims expense;
- changes to current laws which will aid union organizing efforts; and
- inability to close and successfully integrate any future business combinations.

EXECUTIVE SUMMARY

Hub Group, Inc. ("we", "us" or "our") is the largest intermodal marketing company ("IMC") in the United States and a full service transportation provider offering intermodal, truck brokerage and logistics services. We operate through a nationwide network of operating centers.

As an IMC, we arrange for the movement of our customers' freight in containers and trailers over long distances. We contract with railroads to provide transportation for the long-haul portion of the shipment and with local trucking

companies, known as “drayage companies,” for local pickup and delivery. As part of the intermodal services, we negotiate rail and drayage rates, electronically track shipments in transit, consolidate billing and handle claims for freight loss or damage on behalf of our customers.

Our drayage services are provided by our subsidiary, Comtrak Logistics, Inc. (“Comtrak”), that assists us in providing reliable, cost effective intermodal services to our customers. Our subsidiary has terminals in Atlanta, Birmingham, Charleston, Charlotte, Chattanooga, Chicago, Cleveland, Columbus, Dallas, Harrisburg, Huntsville, Jacksonville, Kansas City, Los Angeles, Memphis, Nashville, Perry, Savannah, St. Louis, Stockton, and Tampa. At March 31, 2009, Comtrak owned 287 tractors, leased 21 tractors, leased or owned 603 trailers, and employed 297 drivers and contracted with 946 owner-operators.

We also arrange for the transportation of freight by truck, providing customers with another option for their transportation needs. We match the customers' needs with carriers' capacity to provide the most effective service and price combinations. As part of our truck brokerage services, we negotiate rates, track shipments in transit and handle claims for freight loss or damage on behalf of our customers.

Our logistics service consists of complex transportation management services, including load consolidation, mode optimization and carrier management. These service offerings are designed to take advantage of the increasing trend for shippers to outsource all or a greater portion of their transportation needs.

We have full time marketing representatives throughout North America who service local, regional and national accounts. We believe that fostering long-term customer relationships is critical to our success and allows us to better understand our customers' needs and specifically tailor our transportation services to them.

Our top 50 customers' revenue represents approximately 51% of our revenue as of March 31, 2009. We use various performance indicators to manage our business. We closely monitor margin and gains and losses for our top 50 customers. We also evaluate on-time performance, costs per load and daily sales outstanding by customer account. Vendor cost changes and vendor service issues are also monitored closely.

## RESULTS OF OPERATIONS

The following table summarizes our revenue by business line (in thousands):

|                 | Three Months Ended<br>March 31, |            | %<br>Change |
|-----------------|---------------------------------|------------|-------------|
|                 | 2009                            | 2008       |             |
| Revenue         |                                 |            |             |
| Intermodal      | \$ 245,569                      | \$ 302,771 | (18.9%)     |
| Truck brokerage | 68,040                          | 89,908     | (24.3)      |
| Logistics       | 38,086                          | 32,316     | 17.9        |
| Total revenue   | \$ 351,695                      | \$ 424,995 | (17.2%)     |



The following table includes certain items in the consolidated statements of income as a percentage of revenue:

|  | Three Months Ended<br>March 31, |        |
|--|---------------------------------|--------|
|  | 2009                            | 2008   |
| Revenue                                  | 100.0%                          | 100.0% |
| Transportation costs                     | 87.2                            | 86.5   |
| Gross margin                             | 12.8                            | 13.5   |
| Costs and expenses:                      |                                 |        |
| Salaries and benefits                    | 6.6                             | 6.0    |
| General and administrative               | 2.9                             | 2.4    |
| Depreciation and amortization            | 0.3                             | 0.2    |
| Total costs and expenses                 | 9.8                             | 8.6    |
| Operating income                         | 3.0                             | 4.9    |
| Other income:                            |                                 |        |
| Interest and dividend income             | 0.0                             | 0.1    |
| Total other income                       | 0.0                             | 0.1    |
| Income before provision for income taxes | 3.0                             | 5.0    |
| Provision for income taxes               | 1.2                             | 1.9    |
| Net income                               | 1.8%                            | 3.1%   |

#### Three Months Ended March 31, 2009 Compared to the Three Months Ended March 31, 2008

##### Revenue

Revenue decreased 17.2% to \$351.7 million in 2009 from \$425.0 million in 2008. Intermodal revenue decreased 18.9% to \$245.6 million due to a 4.9% decrease in volume, an 11.0% decline for fuel, a 2.0% price decrease and 1.0% due to unfavorable mix. Truck brokerage revenue decreased 24.3% to \$68.0 million due to a decrease in volume, a 9% decrease related to fuel, lower prices and an unfavorable mix change due to a shorter length of haul. Our length of haul for truck brokerage was down 8% or 70 miles. Logistics revenue increased 17.9% to \$38.1 million related to several new customers added in 2008 and an increase in business with existing accounts.

##### Gross Margin

Gross margin decreased 21.4% to \$45.2 million in 2009 from \$57.5 million in 2008. This \$12.3 million margin decline comes from, in order of magnitude, first intermodal and then truck brokerage. Margin decline was attributed to pricing being down in the quarter, lower volume and changes in customer mix. As a percent of revenue, gross margin has decreased to 12.8% in 2009 from 13.5% in 2008. The decrease in gross margin as a percent of revenue

was driven primarily by intermodal pricing pressure, and lower margins from our drayage company, Comtrak.

#### Salaries and Benefits

As a percentage of revenue, salaries and benefits increased to 6.6% in 2009 from 6.0% in 2008. Salaries and benefits decreased to \$23.2 million in 2009 from \$25.4 million in 2008 due primarily to a decrease in bonus expense and headcount. Bonus is \$2.0 million lower in the first quarter of 2009 due to not earning any EPS-based bonus in 2009. This decrease was partially offset by an increase in salaries which included severance costs for the three months ended March 31, 2009 of \$0.9 million. Headcount as of March 31, 2009 was 1,004 which excludes drivers as driver costs are included in transportation costs.

### General and Administrative

General and administrative expenses decreased to \$10.1 million in 2009 from \$10.2 million in 2008. As a percentage of revenue, these expenses increased to 2.9% from 2.4%. Total expenses decreased due to a reduction in outside services of \$0.5 million, and a reduction of \$0.2 million each for sales commissions, advertising expenses and travel and entertainment expenses. These decreases were partially offset by a \$1.0 million increase in bad debt expense, quarter over quarter.

### Depreciation and Amortization

Depreciation and amortization increased to \$1.2 million in 2009 from \$1.0 million in 2008. This expense as a percentage of revenue increased to 0.3% in 2009 from 0.2% in 2008. The increase in depreciation and amortization is due primarily to a decrease in the salvage value of certain assets.

### Other Income (Expense)

Interest and other income decreased to \$0.04 million in 2009 from \$0.40 million in 2008. The decrease in interest and dividend income is a result of lower interest rates in 2009 due to investing our cash in money market funds comprised of U.S. Treasury Securities and repurchase agreements for these securities rather than commercial paper.

### Provision for Income Taxes

The provision for income taxes decreased to \$4.5 million in 2009 compared to \$8.3 million in 2008. We provided for income taxes using an effective rate of 42.3% in 2009 and an effective rate of 38.6% in 2008. The 2009 effective rate was higher due to income tax law changes enacted in February, 2009 by Wisconsin and California. The combined effect of the changes is approximately a \$0.4 million increase in expense.

### Net Income

Net income decreased to \$6.2 million in 2009 from \$13.1 million in 2008 due to lower gross margin partially offset by decreases in both operating expenses and income tax expense.

### Earnings Per Common Share

Basic earnings per share were \$0.17 in 2009 and \$0.35 in 2008. Diluted earnings per share were \$0.17 in 2009 and \$0.35 in 2008.

## LIQUIDITY AND CAPITAL RESOURCES

During 2009, we have funded operations, capital expenditures and stock buy backs through cash flows from operations.

Cash provided by operating activities for the three months ended March 31, 2009 was approximately \$29.1 million, which resulted primarily from income of \$6.2 million adjusted for non-cash charges of \$6.3 million and the change in operating assets and liabilities of \$16.6 million.

Net cash used in investing activities for the three months ended March 31, 2009 was \$1.4 million and related primarily to capital expenditures of \$1.4 million. We expect capital expenditures to be between \$7.0 million and \$8.0 million for all of 2009.

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The net cash used in financing activities for the three months ended March 31, 2009 was \$0.9 million. We used \$1.0 million of cash to purchase treasury stock and reported \$0.1 million of excess tax benefits from share-based compensation as a financing cash in-flow.

We had \$47.4 million of unused and available borrowings under our bank revolving line of credit at March 31, 2009. We were in compliance with our debt covenants at March 31, 2009.

We have standby letters of credit that expire at various dates from 2009 to 2012. As of March 31, 2009, the outstanding letters of credit were \$2.6 million.

We have authorization to spend up to \$73.6 million to purchase common stock through June of 2009. No shares were purchased under this authorization in the first quarter of 2009. We may make additional purchases from time to time as market conditions warrant.



### Contractual Obligations

Our contractual cash obligations as of March 31, 2009 are minimum rental commitments. Minimum annual rental commitments at March 31, 2009, under non-cancelable operating leases, principally for real estate, containers and equipment are payable as follows (in thousands):

|                     |           |
|---------------------|-----------|
| 2009                | \$ 16,022 |
| 2010                | 18,995    |
| 2011                | 17,331    |
| 2012                | 14,355    |
| 2013                | 4,747     |
| 2014 and thereafter | 2,480     |
|                     | \$ 73,930 |

### Deferred Compensation

Under our Nonqualified Deferred Compensation Plans (the “Plans”), participants can elect to defer certain compensation. Payments under the Plans are due as follows as of March 31, 2009 (in thousands):

|                     |          |
|---------------------|----------|
| 2010                | \$ 1,596 |
| 2011                | 479      |
| 2012                | 606      |
| 2013                | 507      |
| 2014 and thereafter | 5,453    |
|                     | \$ 8,641 |

### Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk related to changes in interest rates on our bank line of credit which may adversely affect our results of operations and financial condition.

### Item 4. CONTROLS AND PROCEDURES

As of March 31, 2009, an evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures. Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures were effective as of March 31, 2009. There have been no changes in our internal control over financial reporting identified in connection with such evaluation that occurred during the last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.



## PART II. Other Information

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On November 14, 2007, our Board of Directors authorized the purchase of up to \$75.0 million of our Class A Common Stock. This authorization expires June 30, 2009. No shares were purchased in the first quarter of 2009. We may make purchases from time to time as market conditions warrant, and any repurchased shares are expected to be held in treasury for future use.

The following table displays the number of shares purchased and the maximum value of shares that may yet be purchased under the plan:

|                          | Total<br>Number of<br>Shares<br>Purchased | Average<br>Price Paid<br>Per Share | Total Number<br>of Shares<br>Purchased<br>as Part of<br>Publicly<br>Announced<br>Plan | Maximum<br>Value of<br>Shares that<br>May<br>Yet Be<br>Purchased<br>Under the Plan<br>(in 000's) |
|--------------------------|---|------------------------------------|---|--|
| January 1 to<br>March 31 | -   | \$ -                               | -   | \$ 73,598  |
| Total                    | -   | \$ -                               | -00   | \$ 73,598  |

This table excludes 40,604 shares purchased by the Company for \$1.0 million during the three months ended March 31, 2009 related to employee withholding upon vesting of restricted stock.

## Item 6. Exhibits

The exhibits included as part of the Form 10-Q are set forth in the Exhibit Index immediately preceding such Exhibits and are incorporated herein by reference.



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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 hereunto duly authorized.

HUB GROUP, INC.

Date: April 24, 2009

By: /s/ Terri A. Pizzuto  
Name: Terri A. Pizzuto  
Title: Executive Vice President, Chief  
Financial  
Officer and Treasurer  
(Principal Financial Officer)

EXHIBIT INDEX

| Exhibit No. | Description   |
|-------------|---|
| 31.1        | Certification of David P. Yeager, Chairman and Chief Executive Officer, Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.                             |
| 31.2        | Certification of Terri A. Pizzuto, Executive Vice President, Chief Financial Officer and Treasurer, Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. |
| 32.1        | Certification of David P. Yeager and Terri A. Pizzuto, Chief Executive Officer and Chief Financial Officer, respectively, Pursuant to 18 U.S.C. Section 1350.             |