



# Hub Group Overview

Investor Presentation

April 2022



## DISCLOSURE

### **CERTAIN FORWARD-LOOKING STATEMENTS:**

Statements in this presentation that are not historical may express or imply projections of revenues or expenditures, statements of plans and objectives or future operations or statements of future economic performance. Forward-looking statements are inherently uncertain and subject to risks, uncertainties and other factors that might cause the actual performance of Hub Group, Inc. to differ materially from those expressed or implied by this discussion and, therefore, should be viewed with caution. All forward-looking statements and information are provided pursuant to the safe harbor established under the Private Securities Litigation Reform Act of 1995 and should be evaluated in the context of these factors. Forward-looking statements generally may be identified by the use of forward-looking terminology such as “trends”, “assumptions”, “target”, “guidance”, “outlook”, “opportunity”, “future”, “plans”, “goals”, “objectives”, “expects”, “expected”, “anticipates”, “may”, “will”, “would”, “could”, “intend”, “believe”, “potential”, “projected”, “estimate” (or the negative or derivative of each of these terms), or similar words, and include our statements regarding our planned investments and our profit improvement initiatives. These forward-looking statements are based on management's experience and perception of trends, current conditions, and anticipated future developments, as well as other factors believed to be appropriate. We believe these statements and the assumptions and estimates contained in this presentation are reasonable based on information that is currently available to us. Factors that could cause actual results to differ materially include general or regional economic conditions and health concerns; the effect of the ongoing COVID-19 pandemic, including any spikes, outbreaks or variants of the virus, as well as any future government actions taken in response to the pandemic, on our business operations, as well as its impact on general economic and financial market conditions and on our customers, counterparties, employees, and third-party service providers; our ability to sustain or the effects of plans intended to improve operation execution and performance; changes in or implementation of additional governmental or regulatory rules and interpretations affecting tax, wage and hour matters, health and safety, labor and employment, insurance or other undeterminable areas; intermodal costs and prices, the integration of any acquisitions and expenses relating thereto; the future performance of Hub's business lines; driver shortages; the amount and timing of strategic investments or divestitures by Hub, the failure to implement and integrate critical information technology systems; cyber security incidents, retail and other customers encountering adverse economic conditions and other factors described from time to time in Hub Group's SEC reports, press releases and other communications. Hub Group assumes no obligation to update any such forward-looking statements.

### **NON-GAAP FINANCIAL MEASURES**

This presentation contains certain non-GAAP financial measures including, without limitation, “EBITDA.” Reconciliations of these measures to the comparable GAAP measures are set forth to in the Appendix to this presentation.

We believe these non-GAAP financial measures provide useful information to management and investors that is supplementary to our financial condition, results of operations and cash flows computed in accordance with GAAP. Specifically, we believe these non-GAAP financial measures (a) allow management and investors to better assess our performance by removing volatility that we believe is associated with discrete items that are either larger than anticipated or non-recurring, and (b) enable a more complete understanding of factors and trends affecting our business.

Non-GAAP financial measures, however, have inherent limitations, are not required to be uniformly applied, and are not audited. Accordingly, these non-GAAP financial measures should not be considered as substitutes for GAAP financial measures, and we strongly encourage investors to review the GAAP financial measures included in this presentation and in our public filings with the SEC that are referenced above and not to place undue reliance upon any single financial measure. In addition, because non-GAAP financial measures are not standardized, it may not be possible to compare the non-GAAP financial measures in this presentation with other companies' non-GAAP financial measures having the same or similar names. As such, you should not view these disclosures as a substitute for results determined in accordance with GAAP, and they are not necessarily comparable to non-GAAP financial measures that other companies use. Reconciliations of non-GAAP financial disclosures to what we believe to be the most directly comparable GAAP measures are set forth in “Appendix” to this presentation and also may be viewed on the company's website, hubgroup.com.

### **FORWARD-LOOKING NON-GAAP FINANCIAL MEASURE**

In this presentation, management has presented certain forward-looking statements about the Company's future financial performance that include EBITDA margin, a forward-looking non-GAAP financial measure. This non-GAAP financial measure is defined as EBITDA as a percentage of revenue. EBITDA is defined as earnings before interest, taxes, depreciation and amortization. We are unable to present a quantitative reconciliation of EBITDA margin to its most directly comparable forward-looking GAAP financial measure, Net Income Margin, because management is currently unable to predict with a reasonable degree of certainty the type and extent of certain items that would be expected to impact the GAAP measure without unreasonable efforts.

You should assume that all numbers presented are unaudited unless otherwise noted.

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# THE WAY AHEAD

Throughout our 50 years, Hub Group has grown to be a comprehensive supply chain solutions provider and a respected leader in the industry. Today, we're focused on continuously innovating with intent, expanding our capabilities and developing the most customer-centric supply chain solutions in the industry — while upholding our ongoing values of service, integrity and innovation.

## **The Hub Group Mission**

Continuously elevate each customer's business to drive long-term success.

## **The Hub Group Vision**

Build the industry's premier supply chain solutions.



# Six Key Tenets of Our Strategy

At Hub Group, we execute our strategy through our culture of service, innovation and integrity

## 1. Provide Best-in-Class Customer Service

- Single point of contact & accountability
- 24/7 accessibility and escalation

## 2. Drive Organic Growth

- Leverage multimodal capabilities for growth
- Focus on improving cost structure – operations, procurement, overhead

## 3. Diversify Service Offerings

- Develop complementary offerings
- Launch new products and expand into new verticals
- Pursue strategic acquisitions

## 4. Deepen Customer Value

- Continuous improvement and cross-selling
- Centralized accountability and visibility

## 5. Advance Technology Strategy

- End-to-end visibility through GPS & IoT
- Intelligent automation for efficiency
- Cutting-edge equipment and safety

## 6. Our Culture – The Way Matters

- Service
- Integrity
- Innovation



# The High-Service Provider

Our reputation as an industry-recognized, high-service provider sets Hub Group apart from the competition



Single customer owner across all modes and geographies for streamlined communication, centralized accountability and cross-selling



Centers of excellence for continual analysis and improvement of our customers' supply chains — multimodal solutions, continuous improvement, business intelligence and specialized sales



Nurture our culture of accountability and service through talent development and training initiatives



Domestic MVP, Intermodal Carrier of the Year, and Online Final Mile Carrier of the Year



Lowe's 2021 Intermodal Carrier of the Year



Penske Logistics Freight Management Carrier Award

 **KBX LOGISTICS**

 **Georgia-Pacific**

KBX Logistics/Georgia-Pacific Intermodal Carrier of the Year



Inbound Logistics Top 10 3PL (#2)



Supply & Demand Chain Executive's 2021 Green Supply Chain Award



Logistics Management Quest for Quality Award



2021 SmartWay Excellence Award

# Equipment

We invest in our business with the highest quality equipment and a best-in-class fleet to offer industry-leading service, network flexibility and comprehensive capabilities



## 2022: Over \$240M in investment planned

- Approximately 6,500 intermodal containers; net add of 6,000, or 14%, after retirements
- Continued growth of refrigerated container fleet to 900 units
- Over 750 tractors ordered – both refresh of older models and growth investments in drayage and dedicated fleets



## 2021: Over \$130M in investments

- Purchased 3,000 intermodal containers, growing fleet by 8%
- Added 150 refrigerated intermodal containers
- Continued investment in drayage & dedicated fleets



# Technology

We constantly pursue breakthrough technologies that make a meaningful impact on our customers' businesses, while improving productivity, efficiency and visibility across our network



**Over \$60M in investment planned for 2022**



**End-to-end visibility technology**

- Fully enabled GPS container fleet
- Driver tablets and applications
- Oracle Transportation Management software
- Hub Pro and Hub Connect technologies to communicate with carriers and customers



**Continually evaluating emerging technologies to drive operating efficiency**



# Acquisitions

We evaluate acquisitions that complement or expand capabilities, with a focus on cultural fit and a strong management team



## Areas of Focus

- Evaluating opportunities in non-asset-based logistics including transportation spend management, warehousing/fulfillment, international services and truck brokerage



## Choptank Transport: October 2021

- Added scale in brokerage and refrigerated market expertise
- Significant cross-sell potential with Hub Group's customer base
- Complementary to our refrigerated intermodal offering



## NonstopDelivery: December 2020

- Added high-service residential Final Mile delivery capability
- Significant cross-sell potential with Hub Group's customer base



## CaseStack: December 2018

- Added consolidation and warehousing capabilities
- Enabled new product cross-selling to small and mid-size customers

The logo for CHOPTANK, featuring the word "CHOPTANK" in a bold, dark blue sans-serif font. The letter "O" is replaced by a circular icon containing a red bullseye with a blue arrow pointing towards the center.The logo for NSD, featuring the letters "NSD" in a bold, blue sans-serif font. A thick orange horizontal line is positioned directly beneath the letters.The logo for Case Stack, featuring the words "Case Stack" in a bold, orange sans-serif font. A large, stylized orange swoosh or arc curves around the text from the bottom left to the top right.



# Financial Performance

## Recent performance (\$ in mm)

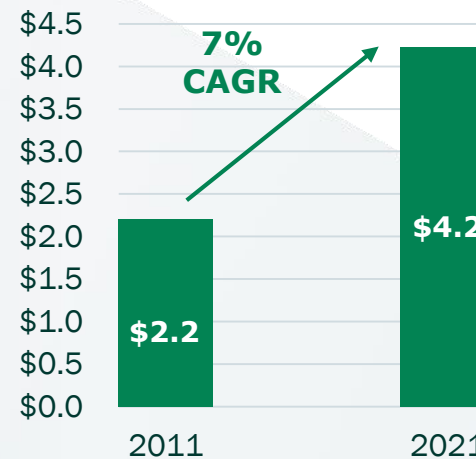
	Q1 2022	FY 2021	FY 2020
Revenue	\$1,298	\$4,232	\$3,496
Gross Margin % of Revenue	16.6%	14.2%	12.2%
Operating Income	\$115	\$238	\$106
EBITDA <sup>1</sup>	\$150	\$369	\$229
Net Cash Provided by Operating Activities	\$80	\$253	\$175
Capital Expenditures	\$31	\$133	\$115

## Recent performance driven by:

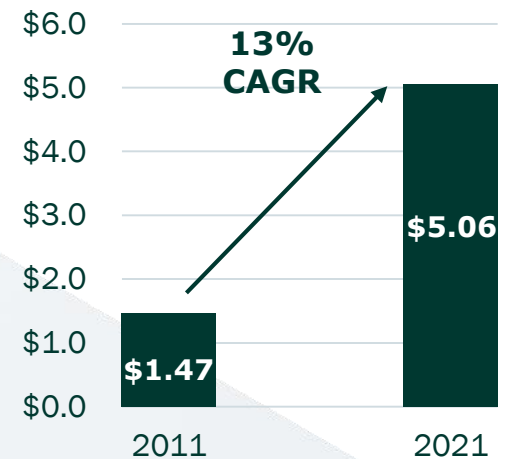
- Service-line diversification
- Reorganization and culture of accountability
- Investment in technology and equipment
- Growth of freight under management and contractual business
- Acquisitions of Choptank, NSD, Dedicated and CaseStack, and divestiture of Mode

## Long-term growth<sup>2</sup>

Revenue (billions)



Diluted EPS



<sup>1</sup> Represents a non-GAAP financial measure. See Appendix for reconciliation to the most comparable measure under GAAP.

<sup>2</sup> 2011 results are adjusted to exclude the impact of Mode Transportation, which was divested in 2018.



# 2022 Outlook

Assumes that positive economic conditions will continue to benefit consumer demand, and that low customer inventory levels will continue to drive the need for re-stocking

## Expectations:

- **Revenue growth to \$5.3 to \$5.5 billion**
  - Intermodal volume growth as a result of new container deliveries and improvement in supply chain congestion
  - Includes full year of results from Choptank
- **Gross margin as a percent of revenue expected to be 15.6% to 16.0%**
- **Costs and expenses of \$420 to \$440 million**
  - Costs and expenses will increase from 2021 levels primarily due to merit increases and lower gains on sale of equipment
  - Also includes full year expenses from the Choptank acquisition, including intangible amortization
- **Full year tax rate of 24% to 25%**
- **Diluted EPS of \$9.00 to \$10.00**
- **Capital expenditures: \$240 to \$265 million**
  - Purchasing 6,450 containers (including 450 refrigerated units), which will result in net growth of approximately 6,000 after retirements, or 14%
  - Approximately 750 tractors, including replacements of older units, and to support growth in our drayage and dedicated fleets; includes units from 2021 order to be delivered in early-2022
  - Finalizing construction of second building on headquarters campus



# Long-Term Financial Targets

2025 Revenue  
**\$5.5 - \$6.5BN**

- Organic revenue growth driven by our superior customer experience, and the technology and equipment investments we will continue to make in our business
- Diversify service offering to provide sophisticated supply chain solutions, including through the addition of value-added services that anticipate shipper and consumer trends
- Acquisitions of non-asset logistics businesses that expand our solutions offering, add scale to our core operations and deepen our customer relationships

Operating Income Margin  
**4.0 - 5.5%**  
EBITDA Margin  
**7.5 - 9.0%**

- Margin expansion driven by reinvestment in our business, our technology initiatives, and our continued focus on operating efficiency
- Continued commitment to our culture of innovation, service and teamwork
- Investments enabled by strong balance sheet and conservative capital structure



# Hub Group is a Leader in Sustainability Initiatives

- Over 3.1 billion pounds of CO<sub>2</sub> avoided in 2021 through use of Intermodal
  - 69% more efficient than over-the-road trucking transportation
  - Allows our customers to meet their carbon footprint reduction goals
- Full suite of multimodal solutions with lower CO<sub>2</sub> emissions than some alternative approaches:
  - Intermodal conversion from truckload
  - LTL consolidation: maximize trailer cubage, allowing for more freight per mile transported
  - Cross dock management and network optimization to eliminate unnecessary mileage
- Hub Group Fleet equipment
  - Tractors: average fleet age of 2.9 years, down from 3.7 at the end of 2020
    - Plan to invest nearly \$100 million in 2022 for new tractors, the majority of which are replacements for inefficient, older tractors (~10% improvement in MPG)
    - Onboard sensors to track driver acceleration behaviors – benefiting safety and fuel consumption
    - Feature the latest in safety technology
  - GPS-equipped containers allow drivers to precisely locate containers without driving wasted miles
  - Completed Electric Truck pilot in 2021; preparing charging infrastructure for anticipated vehicle deliveries in 2023
- Please see [Hub Group's Sustainability Report](#) for further detail





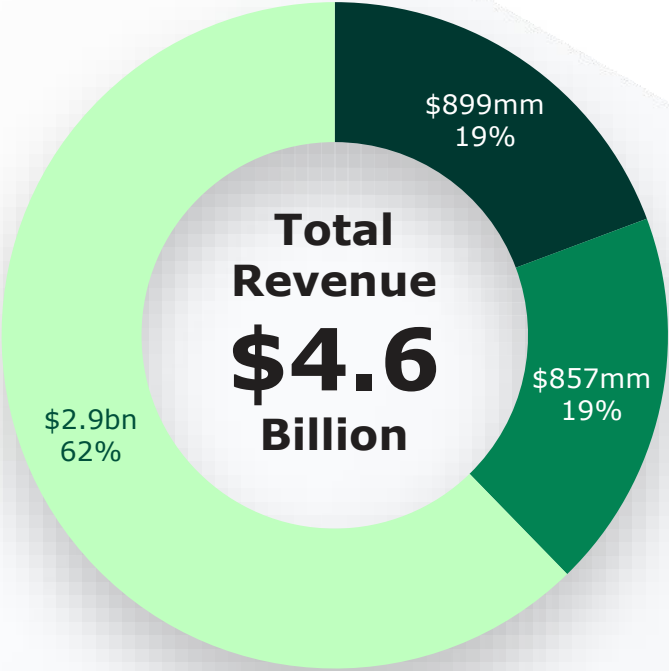


# **Hub Group: Overview of Business Lines**

[hubgroup.com](https://hubgroup.com)

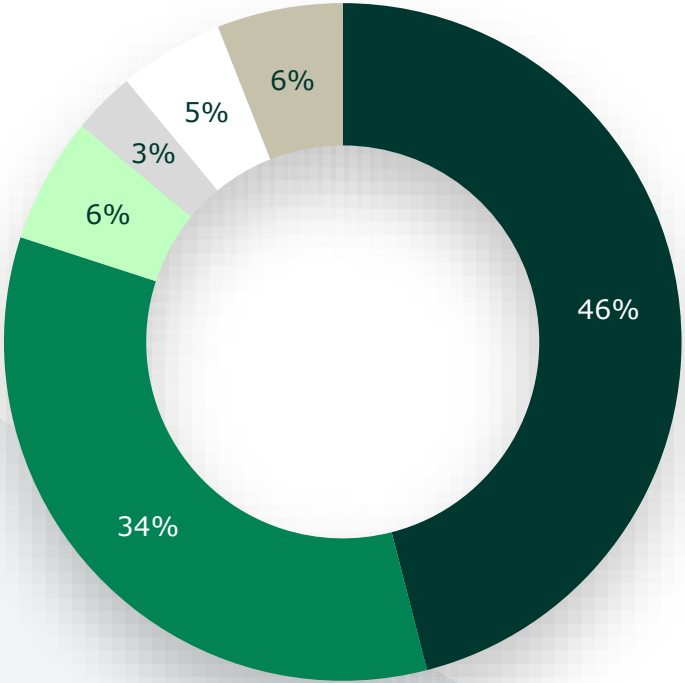
# Multi-Modal Revenue Diversification

Revenue by Business Line<sup>1</sup>  
(% of total revenue)



- Logistics
- Truck Brokerage
- Intermodal & Transportation Solutions

Revenue by Industry<sup>2</sup>



- Retail & E-Commerce
- Consumer Products
- Durable Goods
- Transportation
- Automotive
- All Other

<sup>1</sup> For LTM ending March 31, 2022, <sup>2</sup> For Fiscal Year 2021, represents management estimates



# How Our Capabilities Power New Opportunity

Hub Group moves beyond service standards to continuously deliver exceptional supply chain solutions for the world's largest companies. We carefully optimize, enhance and deliver unprecedented results for supply chain improvement.

Asset-Based

## Intermodal & Transportation Solutions



Intermodal



Drayage



Dedicated Trucking

Non-Asset

## Logistics & Truck Brokerage



Managed Solutions



Consolidation & Warehousing



International Logistics



Final Mile



Parcel Solutions



Dry Van




Refrigerated



LTL





OVERVIEW OF BUSINESS LINES

# Intermodal & Transportation Solutions

## Intermodal

- High service, nationwide door-to-door transportation offering value, visibility and reliability in both transcontinental and local lanes
- Well positioned to assist shippers in reducing their transportation spend and carbon footprints
- Long-term relationships with rail providers, primarily Union Pacific and Norfolk Southern
- 2nd largest container fleet in the industry with approximately 50,000 units in 2022
- Growing refrigerated container fleet to 900 during 2022

## Transportation Solutions

- Trucking operation of 3,200 drivers and tractors
- Drayage operation supports approximately 50% of intermodal volume from 25 terminals throughout the US
- Dedicated trucking operation provides high service deliveries, primarily DC-to-customer shipments for retailers and consumer goods companies
- Equipment, drivers and support services shared between drayage and dedicated operations, enabled by technology
- Facilitates asset utilization efficiencies and advantages of scale

## Highlights

**\$2.9 billion**

of revenue

**50,000**

units of trailing equipment

## Security/Visibility

First fully GPS-enabled fleet leverages satellite tracking, sonar door sensors, AI and machine learning



# Logistics

## Competitive positioning

- Contractual, high value add and sticky service offering with an attractive customer value proposition
- Provides savings, visibility and outsourced services to a wide variety of customers
- Non-asset based transportation management and technology solutions
- Important source of freight for our intermodal and trucking service lines

## Managed Transportation

- Transportation services include shipment optimization, mode selection, load consolidation, global supply chain management and carrier management
- Modes include intermodal, full truckload, LTL, parcel and international services

## Consolidation, Warehousing and Cross Docking

- Consolidates pallets into full truckloads, offering significant savings relative to traditional LTL
- Offers high service and value to consumer goods businesses selling to the retail channel
- Enables shippers to meet increasingly stringent "on-time, in-full" delivery requirements
- Unique combination of non-asset transportation and over 3mm square feet of warehousing

## Final Mile

- Delivers big and bulky goods to residences in every US zip code
- Service offering ranges from threshold delivery to white glove
- Operates through a network of over 180 agents nationwide

## Highlights

**\$900 million**  
of revenue

## Full Range of Solutions

Including non-asset transportation, warehousing and cross dock services

## Savings, Visibility and Outsourced Services

for a wide variety of customers

# Truck Brokerage

## Competitive positioning

Non-asset based over-the-road transportation provider that adds value to both shippers and carriers by matching shippers' needs with carriers' capacity to provide the most effective combination of service and price

- ✓ Dry van
- ✓ Refrigerated
- ✓ Expedited
- ✓ Flatbed
- ✓ Less-than-truckload

## Overview

- Focused on contract freight and projects (e.g., seasonal and emergency freight) and spot freight to a lesser extent
- Added significant scale and refrigerated capabilities through acquisition of Choptank
- Recently revitalized the business through new talent, incentives and technology tools that enabled a focus on carrier management, execution and high service levels

## Highlights

**Over \$1 billion**  
of revenue<sup>1</sup>

## Primary focus

Cross-sell truck brokerage services to existing Hub customers based on high service offering

## Scale Benefits from Choptank

Realizing benefits of scale, new refrigerated service offering and technology capabilities from Choptank acquisition

<sup>1</sup> Pro Forma for Choptank acquisition



# **Hub Group: The Way Ahead**

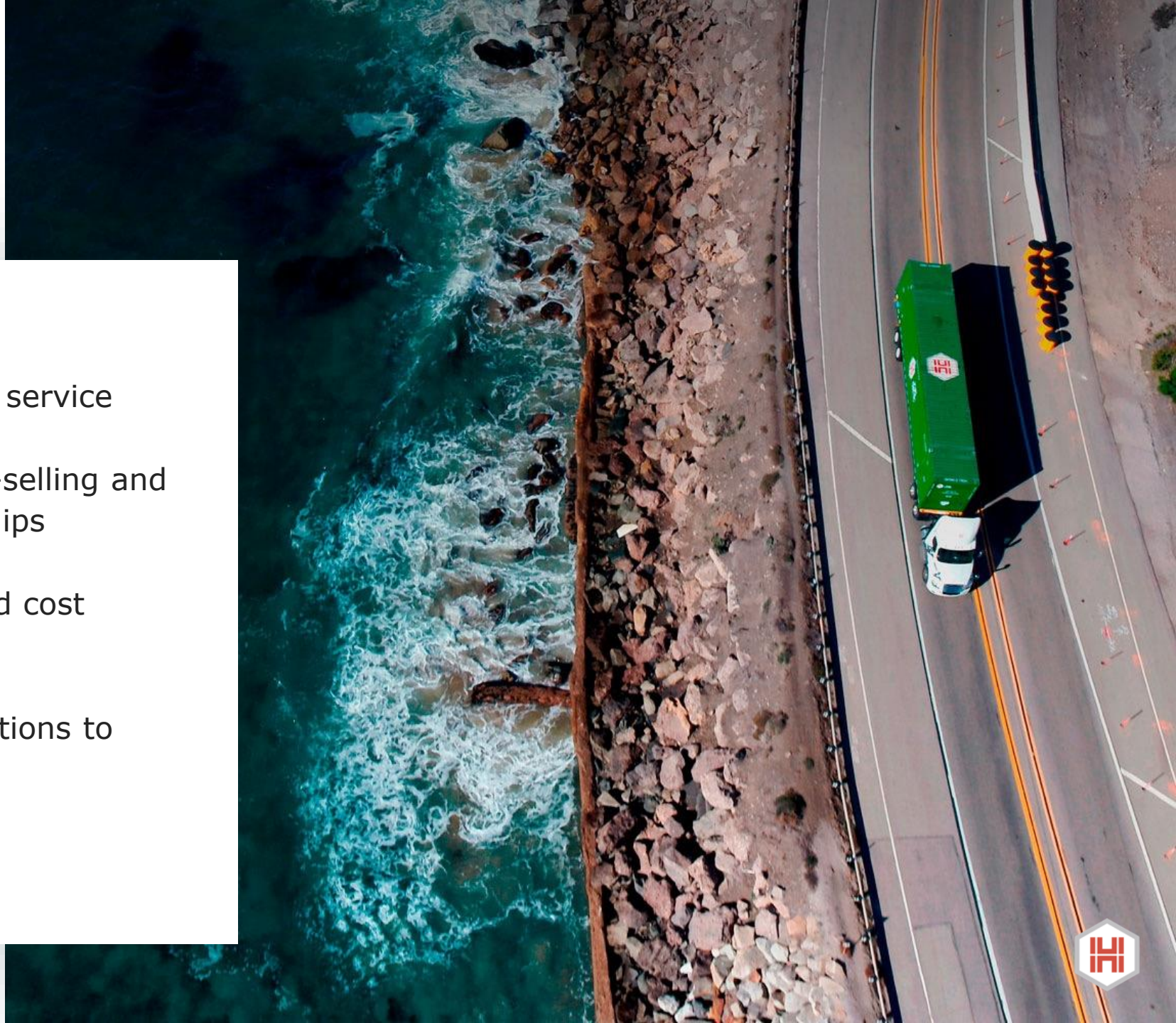
[hubgroup.com](https://hubgroup.com)



# The Way Ahead

## Actions and goals

- ✓ Deliver best-in-class customer service
- ✓ Drive organic growth by cross-selling and deepening customer relationships
- ✓ Drive operating efficiencies and cost reductions
- ✓ Pursue complementary acquisitions to diversify offerings
- ✓ Execute technology strategy





HUB GROUP: THE WAY AHEAD

# Path to \$6 Billion in Revenue

ASSET-BASED BUSINESS



## Intermodal

- Continued focus on high service and value
- Drayage operation and cost structure improvements
- Increase mix of company drayage to 80% by investing in tractors and drivers
- Invest in our container fleet, including expansion to 900 refrigerated containers



## Transportation Solutions

- Focus on improving operational execution/cost structure, including driver experience, asset management and procurement
- Continue to leverage tractors and drivers across drayage and dedicated in certain geographies
- Invest to support growth opportunities



HUB GROUP: THE WAY AHEAD

# Path to **\$6 Billion** in Revenue

NON-ASSET BASED BUSINESSES



## Logistics

- Strong pipeline with significant recent customer wins
- Reorganized account management and operations groups
- Full or partial outsource with end-to-end capabilities
- Continue adding new services, expand addressable market
- Promote and invest in a philosophy of continuous improvement
- Support and expand tariff consulting and customs clearance assistance
- Grow Final Mile business
- Expand international ocean and air freight management capabilities
- Retail Supplier Solutions — continue expansion into existing customers and add new consolidation programs



## Truck Brokerage

- Choptank acquisition brings additional scale and new refrigerated capability
- Cross-selling initiatives
- Growing niche offerings, including LTL and flatbed
- Maximize benefits of revitalization and tech investments, including productivity and profitability





HUB GROUP: THE WAY AHEAD

# The Hub Group Difference

## High service

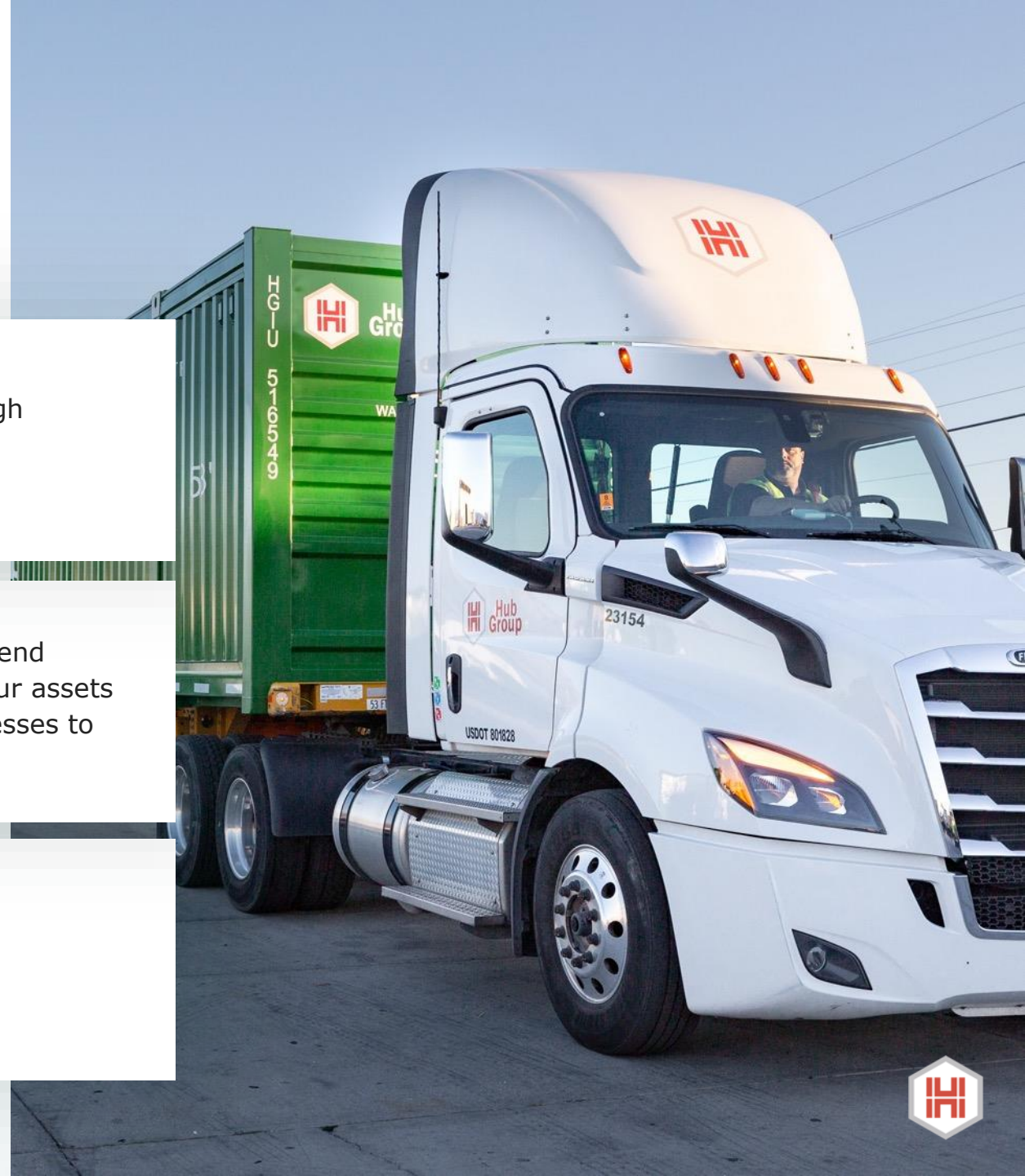
Offer a best-in-class customer experience through accountability, continuous improvement and diversification of service offerings.

## Technology and assets

Pair our dedication to service with 24/7, end-to-end supply chain visibility today, while investing in our assets and working toward intelligent automation processes to increase efficiencies.

## Cost controls

Focus on improving our cost structure across operations, procurement and overhead.





# Appendix



**Hub Group, Inc.**  
**RECONCILIATION OF NET INCOME TO EBITDA**  
(in thousands)  
(unaudited)

	<b>Three Months Ended March 31, 2022</b>	<b>Twelve Months Ended December 31, 2021</b>	<b>Twelve Months Ended December 31, 2020</b>
Net income	\$ 87,503	\$ 171,474	\$ 73,559
Interest expense	1,698	7,302	9,746
Depreciation and amortization	35,192	130,629	123,679
Provision for income taxes	25,990	59,436	22,541
EBITDA	<u>\$ 150,383</u>	<u>\$ 368,841</u>	<u>\$ 229,525</u>







**Thank you!**

[hugoboss.com](http://hugoboss.com)