UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2021 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	36-4007085
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

2000 Clearwater Drive
Oak Brook, Illinois 60523
(Address, including zip code, of principal executive offices)

(Registrant's telephone number, including area code): (630) 271-3600

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, par value $.01 per share	HUBG	NASDAQ

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definition 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	☐	Non-Accelerated Filer	☐	Smaller Reporting Company	☐
Emerging Growth Company	☐						

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

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

On October 29, 2021, the registrant had 33,968,009 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.

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

	September 30, 2021	December 31, 2020
	(unaudited)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 230,656	$ 124,506
Accounts receivable trade, net	613,443	518,975
Other receivables	4,049	1,265
Prepaid taxes	87	1,336
Prepaid expenses and other current assets	32,772	26,753
TOTAL CURRENT ASSETS	881,007	672,835
Restricted investments	23,100	23,353
Property and equipment, net	661,346	671,101
Right-of-use assets - operating leases	41,335	43,573
Right-of-use assets - financing leases	1,789	3,557
Other intangibles, net	142,592	163,953
Goodwill, net	522,360	508,555
Other assets	17,951	18,469
TOTAL ASSETS	$ 2,291,480	$ 2,105,396
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable trade	$ 355,714	$ 285,320
Accounts payable other	24,192	12,680
Accrued payroll	56,390	23,044
Accrued other	103,183	102,613
Lease liability - operating leases	10,390	10,093
Lease liability - financing leases	1,789	1,793
Current portion of long-term debt	92,598	93,562
TOTAL CURRENT LIABILITIES	644,256	529,105
Long-term debt	165,652	176,797
Non-current liabilities	43,512	42,910
Lease liability - operating leases	33,104	36,328
Lease liability - financing leases	2	8
Deferred taxes	149,829	162,325
STOCKHOLDERS' EQUITY:		
Preferred stock, $.01 par value; 2,000,000 shares authorized; no shares issued or outstanding in 2021 and 2020	-	-
Common stock		
Class A: $.01 par value; 97,337,700 shares authorized and 41,224,792 shares issued in 2021 and 2020; 33,685,717 shares outstanding in 2021 and 33,549,708 shares outstanding in 2020	412	412
Class B: $.01 par value; 662,300 shares authorized; 662,296 shares issued and outstanding in 2021 and 2020	7	7
Additional paid-in capital	191,765	186,058
Purchase price in excess of predecessor basis, net of tax benefit of $10,306	(15,458)	(15,458)
Retained earnings	1,340,320	1,253,160
Accumulated other comprehensive loss	(201)	(191)
Treasury stock; at cost, 7,539,075 shares in 2021 and 7,675,084 shares in 2020	(261,720)	(266,065)
TOTAL STOCKHOLDERS' EQUITY	1,255,125	1,157,923
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 2,291,480	$ 2,105,396

See notes to unaudited consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	**2020**	**2021**	**2020**
Revenue	$ 1,075,107	$ 924,812	$ 2,975,980	$ 2,542,914
Transportation costs	917,507	816,777	2,589,072	2,223,036
Gross margin	157,600	108,035	386,908	319,878
Costs and expenses:				
Salaries and benefits	65,370	45,576	176,696	146,128
General and administrative	23,445	20,845	63,058	76,151
Depreciation and amortization	8,912	7,697	26,282	22,945
Total costs and expenses	97,727	74,118	266,036	245,224
Operating income	59,873	33,917	120,872	74,654
Other income (expense):				
Interest expense	(1,793)	(2,237)	(5,555)	(7,698)
Other, net	(96)	(122)	(382)	106
Total other expense	(1,889)	(2,359)	(5,937)	(7,592)
Income before provision for income taxes	57,984	31,558	114,935	67,062
Income tax expense	14,646	6,777	27,775	15,891
Net income	43,338	24,781	87,160	51,171
Other comprehensive income:				
Foreign currency translation adjustments	(25)	23	(10)	(74)
Total comprehensive income	$ 43,313	$ 24,804	$ 87,150	$ 51,097
Basic earnings per common share	$ 1.30	$ 0.75	$ 2.61	$ 1.54
Diluted earnings per common share	$ 1.28	$ 0.74	$ 2.58	$ 1.53
Basic weighted average number of shares outstanding	33,433	33,177	33,427	33,169
Diluted weighted average number of shares outstanding	33,873	33,597	33,842	33,513

See notes to unaudited consolidated financial statements.

HUB GROUP, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except per share amounts)

	Class A & B Common Stock Shares Issued	Class A & B Common Stock Amount	Additional Paid-in Capital	Purchase Price of Excess of Predecessor Basis, Net of Tax	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock Shares	Treasury Stock Amount	Total
Balance June 30, 2020	**41,887,088**	**$ 419**	**$ 178,914**	**$ (15,458)**	**$ 1,205,991**	**$ (283)**	**(7,706,638)**	**$ (263,746)**	**$ 1,105,837**
Stock withheld for payments of withholding taxes	-	-	-	-	-	-	(1,896)	(97)	(97)
Issuance of restricted stock awards, net of forfeitures	-	-	(241)	-	-	-	(21,597)	241	-
Share-based compensation expense	-	-	4,467	-	-	-	-	-	4,467
Net income	-	-	-	-	24,781	-	-	-	24,781
Foreign currency translation adjustment	-	-	-	-	-	23	-	-	23
Balance September 30, 2020	**41,887,088**	**$ 419**	**$ 183,140**	**$ (15,458)**	**$ 1,230,772**	**$ (260)**	**(7,730,131)**	**$ (263,602)**	**$ 1,135,011**
Balance June 30, 2021	**41,887,088**	**$ 419**	**$ 186,210**	**$ (15,458)**	**$ 1,296,982**	**$ (176)**	**(7,519,741)**	**$ (260,901)**	**$ 1,207,076**
Stock withheld for payments of withholding taxes	-	-	-	-	-	-	(968)	(65)	(65)
Issuance of restricted stock awards, net of forfeitures	-	-	754	-	-	-	(18,366)	(754)	-
Share-based compensation expense	-	-	4,801	-	-	-	-	-	4,801
Net income	-	-	-	-	43,338	-	-	-	43,338
Foreign currency translation adjustment	-	-	-	-	-	(25)	-	-	(25)
Balance September 30, 2021	**41,887,088**	**$ 419**	**$ 191,765**	**$ (15,458)**	**$ 1,340,320**	**$ (201)**	**(7,539,075)**	**$ (261,720)**	**$ 1,255,125**
Balance December 31, 2019	**41,887,088**	**$ 419**	**$ 179,637**	**$ (15,458)**	**$ 1,179,601**	**$ (186)**	**(7,870,888)**	**$ (268,734)**	**$ 1,075,279**
Stock withheld for payments of withholding taxes	-	-	-	-	-	-	(77,491)	(4,041)	(4,041)
Issuance of restricted stock awards, net of forfeitures	-	-	(9,173)	-	-	-	218,248	9,173	-
Share-based compensation expense	-	-	12,676	-	-	-	-	-	12,676
Net income	-	-	-	-	51,171	-	-	-	51,171
Foreign currency translation adjustment	-	-	-	-	-	(74)	-	-	(74)
Balance September 30, 2020	**41,887,088**	**$ 419**	**$ 183,140**	**$ (15,458)**	**$ 1,230,772**	**$ (260)**	**(7,730,131)**	**$ (263,602)**	**$ 1,135,011**
Balance December 31, 2020	**41,887,088**	**$ 419**	**$ 186,058**	**$ (15,458)**	**$ 1,253,160**	**$ (191)**	**(7,675,084)**	**$ (266,065)**	**$ 1,157,923**
Stock withheld for payments of withholding taxes	-	-	-	-	-	-	(70,176)	(4,038)	(4,038)
Issuance of restricted stock awards, net of forfeitures	-	-	(8,383)	-	-	-	206,185	8,383	-
Share-based compensation expense	-	-	14,090	-	-	-	-	-	14,090
Net income	-	-	-	-	87,160	-	-	-	87,160
Foreign currency translation adjustment	-	-	-	-	-	(10)	-	-	(10)
Balance September 30, 2021	**41,887,088**	**$ 419**	**$ 191,765**	**$ (15,458)**	**$ 1,340,320**	**$ (201)**	**(7,539,075)**	**$ (261,720)**	**$ 1,255,125**

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

	Nine Months Ended September 30,	
	2021	**2020**
Cash flows from operating activities:		
Net Income	$ 87,160	$ 51,171
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	95,959	91,798
Deferred taxes	(12,553)	7,436
Compensation expense related to share-based compensation plans	14,090	12,676
(Gain) loss on sale of assets	(8,978)	94
Other operating activity	-	5,626
Changes in operating assets and liabilities:		
Restricted investments	253	1,085
Accounts receivable, net	(100,102)	(105,918)
Prepaid taxes	1,248	(1,154)
Prepaid expenses and other current assets	(6,059)	10,379
Other assets	(1,670)	(429)
Accounts payable	81,908	61,549
Accrued expenses	33,424	(17,834)
Non-current liabilities	(6,622)	6,209
Net cash provided by operating activities	178,058	122,688
Cash flows from investing activities:		
Proceeds from sale of equipment	30,558	1,298
Purchases of property and equipment	(84,076)	(55,352)
Cash used in acquisition	(90)	-
Net cash used in investing activities	(53,608)	(54,054)
Cash flows from financing activities:		
Proceeds from issuance of debt	70,695	128,762
Repayments of long-term debt	(82,804)	(174,419)
Stock withheld for payments of withholding taxes	(4,038)	(4,041)
Finance lease payments	(2,142)	(2,278)
Net cash used in financing activities	(18,289)	(51,976)
Effect of exchange rate changes on cash and cash equivalents	(11)	(51)
Net increase in cash and cash equivalents	$ 106,150	$ 16,607
Cash and cash equivalents beginning of the period	$ 124,506	$ 168,729
Cash and cash equivalents end of the period	$ 230,656	$ 185,336
Supplemental disclosures of cash paid for:		
Interest	$ 5,621	$ 7,331
Income taxes	$ 21,867	$ 12,406

See notes to unaudited consolidated financial statements.

NOTE 1. Interim Financial Statements

The accompanying unaudited consolidated financial statements of Hub Group, Inc. (the "Company," "Hub," "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 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 as of September 30, 2021 and results of operations for the three and nine months ended September 30, 2021 and 2020.

These unaudited 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, 2020. 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 immaterial amounts have been reclassified in the revenue summary table in Note 4, Revenue from Contracts with Customers, to conform with the current year presentation.

NOTE 2. Acquisition

On December 9, 2020, we acquired 100% of the equity interest of NonstopDelivery, LLC ("NSD"). Total consideration for the transaction was $105.9 million which consisted of cash paid of $89.8 million, of which $0.1 million was paid in the second quarter of 2021 as part of the post-closing true-up, and the settlement of Hub's accounts receivable due from NSD of $16.1 million.

The acquisition of NSD expanded our logistics service offering to include residential last mile logistics. NSD operates through a non-asset business model, working with a network of over 170 carriers throughout the country. The financial results of NSD since the acquisition date are included in our logistics line of business.

The following table summarizes the total purchase price allocated to the net assets acquired and liabilities assumed as of the date of acquisition (in thousands):

	December 9, 2020
Cash and cash equivalents	$ 4,775
Accounts receivable trade	25,927
Prepaid expenses and other current assets	207
Property and equipment	1,018
Right of use assets - operating leases	1,295
Goodwill, net	38,156
Other intangibles	47,700
Other assets	14
Total assets acquired	$ 119,092
Accounts payable trade	$ 9,972
Accrued payroll	1,324
Accrued other	578
Lease liability - operating leases short-term	373
Lease liability - operating leases long-term	922
Total liabilities assumed	$ 13,169
Total consideration	$ 105,923
Cash paid, net	$ 84,989

The NSD acquisition was accounted for as a purchase business combination in accordance with ASC 805 "Business Combinations." Assets acquired and liabilities assumed were recorded in the accompanying consolidated balance sheet at their estimated fair values as of December 9, 2020 with the remaining unallocated purchase price recorded as goodwill. The goodwill recognized in the NSD acquisition was primarily attributable to potential expansion and future development of the acquired business.

The following table presents the carrying amount of goodwill (in thousands):

	Total
Balance at January 1, 2021	$ 508,555
Acquisition	13,841
Other	(36)
Balance at September 30, 2021	$ 522,360

The changes noted as "acquisition" in the above table refer to adjustments to other intangibles, property and equipment and other immaterial purchase accounting adjustments related to the NSD acquisition.

The changes noted as "other" in the above table refer to the amortization of the income tax benefit of tax goodwill in excess of financial statement goodwill.

Tax history and attributes are not inherited in an equity purchase of this kind; however, the goodwill and other intangibles recognized in this purchase will be fully tax deductible over a period of 15 years.

The components of “Other intangibles” listed in the above table as of the acquisition date are summarized as follows (in thousands):

	Amount	Accumulated Amortization	Balance at September 30, 2021	Estimated Useful Life
Customer relationships	$ 46,200	$ 2,567	$ 43,633	15 years
Agent relationships	$ 600	$ 125	$ 475	4 years
Trade name	$ 900	$ 500	$ 400	18 months

The above intangible assets are amortized using the straight-line method. Amortization expense related to this acquisition for the three and nine months ended September 30, 2021 was $1.0 million and $2.8 million. The intangible assets have a weighted average useful life of approximately 13.93 years. Amortization expense related to NSD for the next five years is as follows (in thousands):

	Total
Remainder of 2021	$ 958
2022	3,480
2023	3,230
2024	3,218
2025	3,080

The following unaudited pro forma consolidated results of operations present the effects of NSD as though it had been acquired as of January 1, 2020 (in thousands, except for per share amounts):

	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2020
Revenue	$ 952,259	$ 2,608,086
Net income	$ 27,762	$ 57,497
Earnings per share		
Basic	$ 0.84	$ 1.73
Diluted	$ 0.83	$ 1.72

The unaudited pro forma consolidated results for the periods shown were prepared using the acquisition method of accounting and are based on the historical financial information of Hub and NSD. The historical financial information has been adjusted to give effect to the pro forma adjustments that are: (i) directly attributable to the acquisition, (ii) factually supportable and (iii) expected to have a continuing impact on the combined results. The unaudited pro forma consolidated results are not necessarily indicative of what our consolidated results of operations actually would have been had we completed the acquisition on January 1, 2020.

NOTE 3. Earnings Per Share

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net income	$ 43,338	$ 24,781	$ 87,160	$ 51,171
Weighted average shares outstanding - basic	33,433	33,177	33,427	33,169
Dilutive effect of stock options and restricted stock	440	420	415	344
Weighted average shares outstanding - diluted	33,873	33,597	33,842	33,513
Earnings per share - basic	$ 1.30	$ 0.75	$ 2.61	$ 1.54
Earnings per share - diluted	$ 1.28	$ 0.74	$ 2.58	$ 1.53

NOTE 4. Revenue from Contracts with Customers

Hub offers comprehensive multimodal solutions including intermodal, truck brokerage, logistics and dedicated services. Hub has full time employees located throughout the United States, Canada and Mexico.

Intermodal. As an intermodal provider, we arrange for the movement of our customers' freight in containers, typically over long distances of 750 miles or more. We contract with railroads to provide transportation for the long-haul portion of the shipment between rail terminals. Local pickup and delivery services between origin or destination and rail terminals (referred to as "drayage") are provided by our subsidiary Hub Group Trucking, Inc. ("HGT") and third-party local trucking companies.

Logistics. Hub's logistics operation offers a wide range of transportation management services and technology solutions including shipment optimization, load consolidation, mode selection, carrier management, load planning and execution and web-based shipment visibility. Our multi-modal transportation capabilities include truckload, less-than-truckload, intermodal, last mile delivery, small parcel, heavyweight, expedited, railcar and international. We leverage proprietary technology along with collaborative relationships with retailers and logistics providers to deliver cost savings and performance-enhancing supply chain services to consumer packaged goods clients. We contract with third-party warehouse providers in seven markets across North America to which our customers ship their goods to be stored and eventually consolidated, along with goods from other customers, into full truckload shipments destined to major North American retailers. These services offer our customers shipment visibility, transportation cost savings, high service levels and compliance with retailers' increasingly stringent supply chain requirements.

On December 9, 2020, we acquired NSD. NSD provides residential last mile delivery services through a non-asset business model, working with a network of over 170 carriers throughout the country. The financial results of NSD since the acquisition are included in our logistics line of business.

Truck Brokerage. Our truck brokerage operation provides customers with an over the road service option for their transportation needs. Our brokerage service does not operate any trucks; instead we match customers' needs with carriers' capacity to provide the most effective service and price combination. We have contracts with a substantial base of carriers allowing us to meet the varied needs of our customers.

Dedicated. Our dedicated operation contracts with customers who seek to outsource a portion of their trucking transportation needs. We offer a dedicated fleet of equipment and drivers to each customer, as well as the management and infrastructure to operate according to the customer's high service expectations. Contracts with customers generally include fixed and variable pricing arrangements and may include charges for early termination which serves to reduce the financial risk we bear with respect to the utilization of our equipment.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Intermodal	$ 633,427	$ 543,464	$ 1,689,617	$ 1,468,624
Logistics	224,136	192,187	663,620	569,682
Truck brokerage	153,270	119,994	420,523	304,686
Dedicated	64,274	69,167	202,220	199,922
Total revenue	$ 1,075,107	$ 924,812	$ 2,975,980	$ 2,542,914

NOTE 5. Fair Value Measurement

The carrying value of cash and cash equivalents, accounts receivable and accounts payable approximated fair value as of September 30, 2021 and December 31, 2020. As of September 30, 2021 and December 31, 2020, the fair value of the Company's fixed-rate borrowings was $2.0 million more and $6.1 million more than the historical carrying value of $258.2 million and $270.4 million, respectively. The fair value of the fixed-rate borrowings was estimated using an income approach based on current interest rates available to the Company for borrowings on similar terms and maturities.

We consider as cash equivalents all highly liquid instruments with an original maturity of three months or less. As of September 30, 2021 and December 31, 2020, our cash is with high quality financial institutions in demand deposit accounts, savings accounts and an interest bearing checking account.

Restricted investments included $23.1 million and $23.4 million as of September 30, 2021 and December 31, 2020, respectively, of mutual funds, which are reported at fair value. These investments related to our nonqualified deferred compensation plan.

Our assets and liabilities measured at fair value are based on valuation techniques that consider prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. These valuation methods are based on either quoted market prices (Level 1) or inputs, other than quoted prices in active markets, that are observable either directly or indirectly (Level 2), or unobservable inputs (Level 3). Cash and cash equivalents, mutual funds, accounts receivable and accounts payable are defined as "Level 1," while long-term debt is defined as "Level 2" of the fair value hierarchy in the Fair Value Measurements and Disclosures Topic of the Codification.

NOTE 6. Long-Term Debt and Financing Arrangements

On July 1, 2017, we entered into a $350 million unsecured credit agreement (the "Credit Agreement") that matures on July 1, 2022. On September 30, 2021, we had standby letters of credit that expire at various dates in 2021 and 2022. As of September 30, 2021, our letters of credit totaled $41.3 million.

Our unused and available borrowings were $308.7 million as of September 30, 2021 and $312.3 million as of December 31, 2020. We were in compliance with our debt covenants as of September 30, 2021.

We have entered into various secured Equipment Notes ("Notes") for the purchase of tractors, trailers containers and other equipment. The Notes are secured by the underlying equipment financed with the proceeds of the Notes.

	September 30, 2021	December 31, 2020
	(in thousands)	
Interim funding for equipment received and expected to be converted to an equipment note in subsequent period; interest paid at a variable rate	$ 10,440	$ 8,902
Secured Equipment Notes due on various dates in 2026 commencing on various dates in 2021; interest is paid monthly at a fixed annual rate between 1.48% and 1.83%	67,656	-
Secured Equipment Notes due on various dates in 2025 commencing on various dates in 2020; interest is paid monthly at a fixed annual rate between 1.51% and 1.80%	63,211	74,494
Secured Equipment Notes due on various dates in 2024 commencing on various dates in 2017, 2019 and 2020; interest is paid monthly at a fixed annual rate between 2.50% and 3.59%	37,730	49,920
Secured Equipment Notes due on various dates in 2023 commencing on various dates in 2016 through 2019; interest is paid monthly at a fixed annual rate of between 2.20% and 4.20%	72,275	112,668
Secured Equipment Notes due on various dates in 2022 commencing on various dates in 2015 through 2017; interest is paid monthly at a fixed annual rate between 2.20% and 2.90%	4,679	8,943
Secured Equipment Notes due on various dates in 2021 commencing on various dates in 2014 through 2017; interest is paid monthly at a fixed annual rate between 2.02% and 2.96%	2,259	15,432
	258,250	270,359
Less current portion	(92,598)	(93,562)
Total long-term debt	$ 165,652	$ 176,797

NOTE 7. Legal Matters

Robles

On January 25, 2013, a complaint was filed in the U.S. District Court for the Eastern District of California (Sacramento Division) by Salvador Robles against our subsidiary HGT. The action was brought on behalf of a class consisting of present and former California-based truck drivers for HGT who, from January 2009 to September 2014, were classified as independent contractors. It alleged that HGT misclassified these drivers as independent contractors and that such drivers were employees. It asserted various violations of the California Labor Code and claimed that HGT engaged in unfair competition practices. The complaint sought, among other things, declaratory and injunctive relief, monetary damages and attorney's fees. In May 2013, the complaint was amended to add similar claims based on Mr. Robles' status as an employed company driver. These additional claims were only on behalf of Mr. Robles and not a putative class.

Although the Company believes that the California drivers were properly classified as independent contractors at all times, because litigation is expensive, time-consuming and could interrupt our business operations, HGT decided to make settlement offers to individual drivers with respect to the claims alleged in this lawsuit, without admitting liability. In late 2014, HGT converted its model from independent contractors to employee drivers in California.

Adame

On August 5, 2015, a suit was filed in state court in San Bernardino County, California on behalf of 63 named Plaintiffs against HGT and five Company employees. The lawsuit alleges claims similar to those being made in the Robles case and seeks monetary penalties under the Private Attorneys General Act.

In September 2019, Hub and the plaintiffs' counsel in the Robles and Adame matters agreed in principle to settle all claims in both lawsuits for $4.8 million, which was recorded in the third quarter of 2019 and is included in "Accrued other" current liabilities on the accompanying Consolidated Balance Sheet. The settlements are subject to final court approval.

We are involved in certain other claims and pending litigation arising from the normal conduct of business, including putative class-action lawsuits in which the plaintiffs are current and former California-based drivers who allege claims for unpaid wages, failure to provide meal and rest periods, failure to reimburse incurred business expenses and other items. Based on management's present knowledge, management does not believe that loss contingencies arising from these pending matters are likely to have a material adverse effect on the Company's overall financial position, operating results, or cash flows after taking into account any existing accruals. However, actual outcomes could be material to the Company's financial position, operating results, or cash flows for any particular period.

NOTE 8. New Accounting Pronouncements

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. This ASU clarifies and simplifies accounting for income taxes by eliminating certain exceptions for intraperiod tax allocation principles, the methodology for calculating income tax rates in an interim period, and recognition of deferred taxes for outside basis differences in an investment, among other updates. We adopted this standard on January 1, 2021, as required, but it did not have a material impact on our consolidated financial statements.

NOTE 9. Subsequent Events

On October 19, 2021 (the "Closing Date") we acquired 100% of the equity interest of Choptank Transport, LLC ("Choptank") for approximately $130 million in cash. In connection with the acquisition, we granted approximately $20 million of restricted stock to Choptank's owners and senior management team, which is subject to certain vesting conditions. The grants of restricted stock were made pursuant to award agreements and issued under our 2002 Long Term Incentive Plan.

The acquisition enhances our over-the-road refrigerated transportation solutions offering and complements our growing fleet of refrigerated intermodal containers. Choptank has developed a best-in-class proprietary technology platform that we will leverage to enhance our truck brokerage service line.

We incurred approximately $1.1 million of costs associated with this transaction prior to the Closing Date that are reflected in General and administrative expenses in the Unaudited Consolidated Statements of Income and Comprehensive Income for the three and nine months ended September 30, 2021.

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

Forward-Looking Information

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," "predicts," "projects," "potential," "may," "could," "might," "should," and variations of these words and similar expressions are intended to identify these forward-looking statements. Forward-looking statements are neither historical facts nor assurance of future performance. Instead, they are based on our beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Such factors include, but are not limited to, uncertainties caused by adverse economic conditions, including, without limitation, as a result of extraordinary events or circumstances such as the coronavirus (COVID-19) pandemic, and their impact on our customers' businesses and workforce levels, disruptions of our business and operations, or the operations of our customers.

Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. All forward-looking statements made by us in this report are based upon information available to us on the date of this report and speak only as of the date in which they are made. Except as required by law, we expressly disclaim any obligations to publicly update any forward-looking statements, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements, in addition to those identified in "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2020 (the "2020 10-K") include the following as they may be affected, either individually, or in the aggregate, by 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, including 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:

- the degree and rate of market growth in the intermodal, logistics, truck brokerage and dedicated markets served by us;
- deterioration in our relationships, service conditions or provision of equipment with existing railroads or adverse changes to the railroads' operating rules;
- inability to recruit and retain company drivers and owner-operators;
- inability to hire or retain management and other key personnel that are critical to our continued success;
- the impact of competitive pressures in the marketplace, including entry of new competitors such as digital freight matching companies, direct marketing efforts by the railroads or marketing efforts of asset-based carriers;
- unanticipated changes in rail, drayage, warehousing and trucking company capacity or costs of services;
- increases in costs related to any reclassification or change in our treatment of drivers, owner-operators or other workers due to regulatory, judicial and legal decisions, including workers directly contracted with the Company and those contracted to the Company's vendors;
- joint employer claims alleging that the Company is a co-employer of any workers providing services to a Company contractor;
- labor unrest in the rail, drayage and warehouse or trucking company communities;
- significant deterioration in our customers' financial condition, particularly in the retail, consumer products and durable goods sectors;
- inability to identify, close and successfully integrate any future business combinations;
- fuel shortages or fluctuations in fuel prices;
- increases in interest rates;
- acts of terrorism and military action and the resulting effects on security;
- difficulties in maintaining or enhancing our information technology systems, implementing new systems or protecting against cyber-attacks;
- increases in costs associated with changes to or new governmental regulations;
- significant increases to employee health insurance costs;

- loss of one or more of our largest customers;
- awards received during annual customer bids not materializing;
- union organizing efforts and changes to current laws which will aid in these efforts;
- further consolidation of railroads;
- the effects or perceived effects of epidemics, pandemics or other health concerns;
- imposition of new tariffs or trade barriers or withdrawal from or renegotiation of existing free trade agreements which could reduce international trade and economic activity;
- changes in insurance costs and claims expense;
- losses sustained on insured matters where the liability materially exceeds available insurance proceeds; and
- disruptions due to adverse weather conditions.

EXECUTIVE SUMMARY

Hub Group, Inc. (the “Company”, “Hub”, “we”, “us” or “our”) is a leading supply chain solutions provider that offers comprehensive transportation and logistics management services focused on reliability, visibility and value for our customers. Our mission is to continuously elevate each customer’s business to drive long term success. Our vision is to build the industry’s premier supply chain solutions. Our service offerings include comprehensive intermodal, truck brokerage, dedicated trucking, managed transportation, freight consolidation, warehousing, last mile delivery, international transportation, parcel and other logistics services.

As an intermodal provider, we arrange for the movement of our customers’ freight in containers, typically over long distances of 750 miles or more. We contract with railroads to provide transportation for the long-haul portion of the shipment between rail terminals. Local pickup and delivery services between origin or destination and rail terminals (referred to as “drayage”) are provided by our Hub Group Trucking (“HGT”) subsidiary and third-party local trucking companies.

For the nine months ended September 30, 2021, HGT provided approximately 51% of our drayage needs in connection with our delivery of reliable, cost effective intermodal services to our customers. As of September 30, 2021, HGT operated approximately 1,400 tractors and 200 trailers, employed approximately 1,400 drivers and contracted with approximately 800 owner-operators.

Our logistics operation offers a wide range of transportation management services and technology solutions including shipment optimization, load consolidation, mode selection, carrier management, load planning and execution and web-based shipment visibility. Our multi-modal transportation capabilities include truckload, less-than-truckload, intermodal, last mile delivery, small parcel, heavyweight, expedited, railcar and international. We leverage proprietary technology along with collaborative relationships with retailers and logistics providers to deliver cost savings and performance-enhancing supply chain services to consumer packaged goods clients. We contract with third-party warehouse providers in seven markets across North America to which our customers ship their goods to be stored and eventually consolidated, along with goods from other customers, into full truckload shipments destined to major North American retailers. These services offer our customers shipment visibility, transportation cost savings, high service levels and compliance with retailers’ increasingly stringent supply chain requirements

In December 2020, we expanded our logistics services through the acquisition of NonstopDelivery, LLC ("NSD"). NSD provides threshold and white glove residential last mile delivery services including warehousing and distribution, product assembly and reverse logistics to many of the largest retailers in the United States. NSD operates a non-asset business model, working with a network of over 170 carriers through the country. NSD provides high levels of service to customers and end consumers through a centralized call center and dedicated account management teams. NSD’s logistics technology provides customers with real-time visibility to shipments, access to analytical tools and seamless integration with other platforms.

Our truck brokerage operation arranges for the transportation of freight by truck, providing customers with an over the road service option for their transportation needs. Our brokerage service does not operate any trucks; instead we match customers’ needs with carriers’ capacity to provide the most effective service and price combination. We have contracts with a substantial base of carriers allowing us to meet the varied needs of our customers.

Our dedicated operation contracts with customers who seek to outsource a portion of their trucking transportation needs. We offer a dedicated fleet of equipment and drivers to each customer, as well as the management and infrastructure to operate according to the customer’s high service expectations. Contracts with customers generally include fixed and variable pricing arrangements and may include charges for early termination which serves to reduce the financial risk we bear with respect to the utilization of our equipment.

Our dedicated operation currently operates a fleet of approximately 1,000 tractors and 4,600 trailers at 65 locations throughout the U.S. As of September 30, 2021, our dedicated operation employed approximately 1,100 drivers.

We employ full-time sales 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 and logistics services to them.

Our multimodal solutions group works with our pricing, account management and operations teams to enhance our margins across all lines of business. We are focused on margin enhancement initiatives including pricing optimization, matching of inbound and outbound loads, reducing empty miles, improving the retention of our drivers, controlling our maintenance costs, improving tractor and driver utilization, enhancing our procurement strategy, improving our recovery of accessorial costs, reducing repositioning costs, providing holistic solutions, and reviewing and improving low profit freight.

Our top 50 customers represent approximately 69% of revenue for the nine months ended September 30, 2021. We use various performance indicators to manage our business. We closely monitor profitability of our top 50 customers. We also evaluate on-time performance, customer service, cost per load and trade receivables of these customer accounts. Vendor cost changes and vendor service issues are also monitored closely.

RESULTS OF OPERATIONS

Three Months Ended September 30, 2021 Compared to the Three Months Ended September 30, 2020

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

	Three Months Ended September 30,			
	2021		2020	
Intermodal	$	633,427	$	543,464
Logistics		224,136		192,187
Truck brokerage		153,270		119,994
Dedicated		64,274		69,167
Total revenue	$	1,075,107	$	924,812

The following is a summary of operating results and certain items in the consolidated statements of income as a percentage of revenue:

	Three Months Ended September 30,					
	2021			2020		
Revenue	$	1,075,107	100.0%	$	924,812	100.0%
Transportation costs		917,507	85.3%		816,777	88.3%
Gross margin		157,600	14.7%		108,035	11.7%
Costs and expenses:						
Salaries and benefits		65,370	6.1%		45,576	4.9%
General and administrative		23,445	2.2%		20,845	2.3%
Depreciation and amortization		8,912	0.8%		7,697	0.8%
Total costs and expenses		97,727	9.1%		74,118	8.0%
Operating income	$	59,873	5.6%	$	33,917	3.7%

Revenue

Revenue increased 16.3% to $1,075.1 million in 2021 from $924.8 million in 2020. Intermodal revenue increased 16.6% to $633.4 million primarily due to a 26.2% increase in revenue per load partially offset by a 7.6% decrease in volume. Logistics revenue increased 16.6% to $224.1 million due to growth of our retail supplier solutions services and the contribution of NSD, partially offset by the impact of lost customers. Truck brokerage revenue increased 27.7% to $153.3 million due to a 31.1% increase in revenue per load, partially offset by a 2.6% decline in volume. Dedicated's revenue decreased 7.1% to $64.3 million due to declines from existing customers and the impact of business we exited.

Transportation Costs

Transportation costs increased 12.3% to $917.5 million in 2021 from $816.8 million in 2020. Transportation costs in 2021 consisted of purchased transportation costs of $736.7 million and equipment and driver related costs of $180.8 million compared to 2020 purchased transportation costs of $654.5 million and equipment and driver related costs of $162.3 million. The increase in purchased transportation costs was due primarily to higher third-party carrier costs, increased rail costs, and increased fuel costs, partially offset by lower volumes in intermodal and truck brokerage, decreased repositioning costs, and decreased container stacking charges. Equipment and driver related costs increased 11.4% primarily due to higher per driver compensation, partially offset by decreased usage of our internal drayage resources to 47% of total drayage moves in 2021 from 54% in 2020.

Gross Margin

Gross margin increased 45.9% to $157.6 million in 2021 from $108.0 million in 2020. The margin increase of $49.6 million was the result of gross margin increases in intermodal, logistics, and truck brokerage, partially offset by a decrease in dedicated. Intermodal gross margin increased 83.6% compared to the third quarter of 2020 primarily due to higher prices and lower equipment repositioning costs, partially offset by lower volumes, increased internal drayage costs, and increased purchased transportation costs. Logistics gross margin increased 25.0% primarily due to revenue growth, yield management initiatives, and the acquisition of NSD, partially offset by higher warehousing and transportation costs. Truck brokerage gross margin increased 28.1% primarily due to higher revenue per load, partially offset by a 2.6% decrease in volume and higher purchased transportation costs. Dedicated gross margin decreased primarily due to business we exited and higher insurance, claims and repair costs.

Gross margin as a percentage of revenue increased to 14.7% in 2021 from 11.7% in 2020. Intermodal gross margin as a percentage of revenue increased 530 basis points due to higher pricing, partially offset by increased purchased transportation costs and drayage costs. Logistics gross margin as a percentage of revenue increased by 100 basis points due to our continuous improvement initiatives, and the addition of NSD. Truck brokerage gross margin as a percentage of revenue was flat. Dedicated gross margin as a percent of revenue declined 450 basis points compared to the prior year primarily due to changes in customer mix.

CONSOLIDATED OPERATING EXPENSES

Salaries and Benefits

Salaries and benefits expense increased to $65.4 million in 2021 from $45.6 million in 2020. As a percentage of revenue, salaries and benefits increased to 6.1% in 2021 from 4.9% in 2020. The increase of $19.8 million was primarily due the addition of NSD, increases in employee bonuses of $11.9 million, commissions expense of $2.3 million, and employee benefits and payroll taxes of $2.4 million. Headcount as of September 30, 2021 and 2020 was 1,971 and 1,849 respectively, which excludes drivers, the cost which is included in Transportation costs. The increase in headcount is primarily due to the addition of NSD employees.

General and Administrative

General and administrative expenses increased to $23.4 million in 2021 from $20.8 million in 2020. These expenses, as a percentage of revenue, decreased to 2.2% in 2021 from 2.3% in 2020. The increase of $2.6 million was primarily due to an increase in legal claims expense of $3.2 million, a $2.1 million increase in professional services primarily driven expenses related to the acquisition of Choptank, an increase of $0.7 million of travel and related expenses, an increase of $0.3 million for outside commissions expenses, and additional expenses from NSD, partially offset by an increase of $4.9 million for gains on the sale of transportation equipment.

Depreciation and Amortization

Depreciation and amortization expense increased to $8.9 million in 2021 from $7.7 million in 2020 related primarily to the amortization of intangibles related to the acquisition of NSD and computer software. This expense as a percentage of revenue remained consistent at 0.8% in both 2021 and 2020.

Other Expense

Other expense decreased to $1.9 million in 2021 from $2.4 million in 2020 due to less average borrowings and lower average interest rates on existing borrowings.

Provision for Income Taxes

The provision for income taxes increased to $14.6 million in 2021 from $6.8 million in 2020, due largely to significantly higher income in 2021, and a slightly higher effective tax rate. We provided for income taxes using an effective rate of 25.3% in 2021 and a rate of 21.5% in 2020.

The higher effective tax rate in 2021 is a result of larger permanent differences in 2021 than 2020, as well as amended tax returns and the reversal of a tax reserve in 2020, both of which had favorable impacts on the 2020 tax rate. We expect our effective tax rate for the full year of 2021 to be approximately 24%.

Net Income

Net income increased to $43.3 million in 2021 from $24.8 million in 2020 due primarily to increases in revenue and gross margin, and partially offset by higher operating expenses and income tax expense.

Nine Months Ended September 30, 2021 Compared to the Nine Months Ended September 30, 2020

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

	Nine Months Ended September 30,	
	2021	**2020**
Intermodal	$ 1,689,617	$ 1,468,624
Logistics	663,620	569,682
Truck brokerage	420,523	304,686
Dedicated	202,220	199,922
Total revenue	$ 2,975,980	$ 2,542,914

The following is a summary of operating results and certain items in the consolidated statements of income as a percentage of revenue:

	Nine Months Ended September 30,			
	2021		**2020**	
Revenue	$ 2,975,980	100.0%	$ 2,542,914	100.0%
Transportation costs	2,589,072	87.0%	2,223,036	87.4%
Gross margin	386,908	13.0%	319,878	12.6%
Costs and expenses:				
Salaries and benefits	176,696	5.9%	146,128	5.7%
General and administrative	63,058	2.1%	76,151	3.0%
Depreciation and amortization	26,282	0.9%	22,945	0.9%
Total costs and expenses	266,036	8.9%	245,224	9.6%
Operating income	$ 120,872	4.2%	$ 74,654	2.9%

Revenue

Revenue increased 17.0% to $3.0 billion from $2.5 billion in 2020. Intermodal revenue increased 15.0% to $1.7 billion primarily due to a 14.8% increase in revenue per load. Logistics revenue increased 16.5% to $663.6 million due to growth of our retail supplier solutions services and the contribution of NSD, partially offset by the impact of lost customers. Truck brokerage revenue increased 38.0% to $420.5 million primarily due to a 40.2% increase in revenue per load, partially offset by a 1.6% decline in volume. Dedicated's revenue increased 1.1% to $202.2 million due to growth with new and existing accounts, partially offset by business we exited.

Transportation Costs

Transportation cost increased 16.5% to $2.6 billion in 2021 from $2.2 billion in 2020. Transportation costs in 2021 consisted of purchased transportation costs of $2.1 billion and equipment and driver related costs of $508.7 million compared to 2020 purchased transportation costs of $1.8 billion and equipment and driver related costs of $471.9 million. The 18.8% increase in purchased transportation costs was primarily due to increased purchasing, increased fuel costs, higher per driver compensation, increased repositioning costs, and partially offset by a decrease in truck brokerage volume and decreased container stacking charges.

Gross Margin

Gross margin increased 21.0% to $386.9 million from $319.9 million in 2020. The $67.0 million gross margin increase was the result of increases in intermodal, logistics, and truck brokerage, partially offset by a decrease in dedicated. Intermodal gross margin increased primarily due to an increase in price and higher volumes, partially offset by increased purchased transportation costs and rail costs. Logistics gross margin increased primarily due to actions we have taken to improve profitability, higher revenue, and the contribution of NSD, partially offset by higher warehousing costs. Truck brokerage gross margin increased due to revenue per load growth in both contractual and transactional freight, partially offset by the impact of higher purchased transportation costs and a 1.6% decline in volume. Dedicated gross margin decreased primarily due to business we exited, higher insurance, claims and repair costs.

Gross margin as a percentage of revenue increased to 13.0% in 2021 from 12.6% in 2020. Intermodal gross margin as a percentage of revenue increased 100 basis points due to higher pricing, partially offset by increased purchased transportation costs and drayage costs. Logistics gross margin as a percentage of revenue increased by 90 basis points due to our continuous improvement initiatives, and the addition of NSD. Truck brokerage gross margin as a percentage of revenue decreased 110 basis points as a result of increased purchase transportation costs. Dedicated gross margin as a percent of revenue declined 330 basis points compared to the prior year primarily due to changes in customer mix.

CONSOLIDATED OPERATING EXPENSES

Salaries and Benefits

Salaries and benefits expense increased $30.6 million to $176.7 million in 2021 from $146.1 million in 2020. As a percentage of revenue, Hub's salaries and benefits increased to 5.9% in 2021 from 5.7% in 2020. The increase was primarily due the addition of NSD, increases in employee bonuses of $21.0 million, commissions expense of $3.0 million, and employee benefits and payroll taxes of $3.4 million.

General and Administrative

General and administrative expense decreased to $63.1 million in 2021 from $76.2 million in 2020. These expenses, as a percentage of revenue, decreased to 2.1% in 2021 from 3.0% in 2020. The decrease of $13.1 million was primarily due to the change in the gain on sale of transportation equipment of $9.1 million, a decrease of $5.4 million of expense related to donations of refrigerated trailers in support of COVID-19 efforts in 2020, a decrease in professional services of $4.1 million related primarily to two consulting projects completed in 2020, partially offset by $3.4 million of legal claims in 2021 and by the additional costs of NSD.

Depreciation and Amortization

Depreciation and amortization expense increased to $26.3 million in 2021 from $22.9 million in 2020 related primarily to the amortization of intangibles related to the acquisition of NSD and computer software.

Other Expense

Other expense decreased to $5.9 million in 2021 from $7.6 million in 2020 due to less average borrowings and lower average interest rates on existing borrowings.

Provision for Income Taxes

The provision for income taxes increased to $27.8 million in 2021 from $15.9 million in 2020 due primarily to significantly higher income in 2021. We provided for income taxes using an effective rate of 24.1% in 2021 and an effective rate of 23.7% in 2020. The slightly higher effective tax rate in 2021 is a result of higher state taxes in 2021 than 2020, largely offset by smaller adjustments to tax reserves in 2021 than 2020. We expect our effective tax rate for the full year of 2021 to be approximately 24%.

Net Income

Net income increased to $87.2 million in 2021 from $51.2 million in 2020 due primarily to increases in revenue and gross margin, partially offset by higher operating costs and expenses and income tax expense.

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LIQUIDITY AND CAPITAL RESOURCES

During the first nine months of 2021, we funded operations, capital expenditures, finance leases, repayments of debt and the purchase of our stock related to employee withholding upon vesting of restricted stock through cash flows from operations, proceeds from the issuance of long-term debt and cash on hand. We believe that our cash on hand, cash flows from operations and borrowings available under our credit agreement will be sufficient to meet our cash needs for at least the next twelve months.

Cash provided by operating activities for the nine months ended September 30, 2021 was $178.1 million, which resulted primarily from net income of $87.2 million adjusted for non-cash items of $88.5 million and the change in operating assets and liabilities of $2.4 million.

Cash provided by operating activities increased $55.4 million in 2021 versus 2020. The increase was due to increases in net income of $36.0 million and operating assets and liabilities of $48.5 million, partially offset by decreases in non-cash items of $29.1 million.

The increase in the change of operating assets and liabilities of $48.5 million was caused by increases in the change of accrued expenses of $51.2 million, accounts payable of $20.3 million, accounts receivable of $5.8 million and prepaid taxes of $2.4 million, partially offset by increases in the cash flow used by prepaid expenses of $16.4 million, non-current liabilities of $12.8 million, other assets of $1.2 million and restricted investments of $0.8 million.

The lower amount of non-cash items of $29.1 million was due to a decrease in deferred taxes of $20.0 million, more gains on the sale of fixed assets of $9.1 million and other operating activities of $5.6 million. These decreases were partially offset by an increase in depreciation and amortization of $4.2 million and compensation expense related to stock-based compensation plans of $1.4 million.

Net cash used in investing activities for the nine months ended September 30, 2021 was $53.6 million which included capital expenditures of $84.1 million and cash used in acquisitions of $0.1 million, partially offset by proceeds from the sale of equipment of $30.6 million. Capital expenditures of $84.1 million related primarily to containers of $34.6 million, tractors of $28.2 million, technology investments of $12.8 million, trailers of $3.2 million and the remainder for construction of a new building on our corporate headquarters' campus.

We estimate capital expenditures for the remainder of 2021 will range from $66 million to $76 million and be used primarily for purchases of tractors and containers to support growth in our business, as well as technology investments and the new building construction. We plan to fund these expenditures with a combination of cash and debt.

Net cash used in investing activities for the nine months ended September 30, 2020 was $54.1 million. The net cash used in investing activities decreased $0.4 million in 2021 from 2020 due to an increase of $29.3 million of proceeds from the sale of equipment, partially offset by more capital expenditures related primarily to $28.2 million more of tractor purchases, $20.0 million more of container purchases and $1.7 million more of technology investments. These increases were partially offset by $14.6 million less of expenditures related to the construction of a new building on our corporate headquarters campus and $6.3 million less of trailer purchases.

The net cash used in financing activities for the nine months ended September 30, 2021 was $18.3 million, which resulted from the repayment of long-term debt of $82.8 million, stock withheld for payments of withholding taxes of $4.0 million and finance lease payments of $2.1 million, partially offset by proceeds from the issuance of debt of $70.7 million.

During the nine months ended September 30, 2020, we borrowed $100 million on our revolving loan facility under the credit agreement and repaid the $100 million, therefore these transactions did not affect the variance in cash used in financing activities between 2021 and 2020. The decrease in net cash used in financing activities of $33.7 million from 2021 versus 2020 was primarily due to more proceeds from the issuance of new debt on transportation equipment of $41.9 million, partially offset by increases in the repayment of long-term debt of $8.4 million.

In 2021, we expect our cash paid for income taxes to be more than in 2020 due to significantly higher book income in 2021. We expect our cash paid for taxes to be more than our income tax expense in 2021 due to unfavorable timing differences related to depreciation and the sale of equipment.

The Coronavirus Aid, Relief, and Economic Security ("CARES") Act allowed us to defer $11.3 million of 2020 payroll taxes until future years. Half of those payroll taxes will be remitted in December 2021 and the other half in December 2022.

We have standby letters of credit outstanding that expire in 2021 and 2022. As of September 30, 2021, the aggregate principal amount of our outstanding letters of credit were $41.3 million.

Our unused and available borrowings were $308.7 million as of September 30, 2021 and $312.3 million as of December 31, 2020. We were in compliance with our debt covenants under the credit agreement as of September 30, 2021 and December 31, 2020.

We are continually evaluating the possible effects of current economic conditions and reasonable and supportable economic forecasts in operational cash flows, including the risks of declines in the overall freight market and our customers’ liquidity. We are monitoring working capital on a daily basis and are in frequent communications with our customers.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our market risk as of September 30, 2021 from that presented in our 2020 10-K.

Item 4. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures. As of September 30, 2021, 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 (as such term is defined in Exchange Act Rule 13a-15(e)). Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2021.

(b) Changes in Internal Control over Financial Reporting. There have been no changes in our internal control over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f)) during the fiscal quarter ended September 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

On December 9, 2020, we completed the acquisition of NSD. We are currently integrating processes, employees, technologies and operations associated with this acquisition. Management will continue to evaluate our internal controls over financial reporting as we complete this integration of business.

PART II. Other Information

Item 1. Legal Proceedings

During the nine months ended September 30, 2021, there have been no material developments in the legal proceedings disclosed in our 2020 10-K.

Item 1A. Risk Factors

Investing in shares of our stock involves certain risks, including those identified and described in Part I, Item 1A of our 2020 10-K, as well as those identified in cautionary statements contained in this Quarterly Report on Form 10-Q, including those under the caption “Forward-Looking Information” in Part I, Item 2 here of and in our other filings with the SEC.

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

On May 28, 2019 our Board of Directors authorized the purchase of up to $100 million of our Class A Common Stock. Under the program, the shares may be repurchased in the open market or in privately negotiated transactions, from time to time subject to market and other conditions. We made no purchases under this authorization during 2021 or 2020. The approved share repurchase program does not obligate us to repurchase any dollar amount or number of shares, and the program may be extended, modified, suspended, or discontinued at any time.

We purchased 968 shares for $0.1 million during the third quarter of 2021 and 1,896 shares for $0.1 million during the third quarter of 2020 related to employee withholding upon vesting of restricted stock. The table below provides information on a monthly basis regarding the number of shares delivered to us by employees to satisfy the mandatory tax withholding requirement upon vesting of restricted stock during the third quarter of 2021:

	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan (in 000’s)
7/1/2021 - 7/31/2021	703	$ 65.48	-	$ -
8/1/2021 - 8/31/2021	53	$ 67.38	-	$ -
9/1/2021 - 9/30/2021	212	$ 69.85	-	$ -
Total	968	$ 66.54	-	$ 75,002

Item 6. Exhibits

The exhibits included as part of this Form 10-Q are set forth in the Exhibit Index.

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 Geoffrey F. DeMartino, 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 Geoffrey F. DeMartino, Chief Executive Officer and Chief Financial Officer, respectively, Pursuant to 18 U.S.C. Section 1350.
101	Interactive data files for Hub Group, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2021, formatted in Inline XBRL: (i) the Consolidated Balance Sheets (unaudited); (ii) the Unaudited Consolidated Statements of Income and Comprehensive Income; (iii) the Unaudited Consolidated Statements of Stockholders' Equity; (iv) the Unaudited Consolidated Statements of Cash Flows (unaudited); and (v) the Notes to Unaudited Consolidated Financial Statements. XBRL Instance Document-the XBRL Instance Document does not appear in the Interactive Data file because its XBRL tags are embedded within the Inline XBRL document.
104	The cover page from Hub Group, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 (formatted in Inline XBRL and included in Exhibit 101).

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: November 5, 2021

/s/ Geoffrey F. DeMartino

Geoffrey F. DeMartino
Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)

/s/ Kevin W. Beth

Kevin W. Beth
Executive Vice President, Chief Accounting Officer
(Principal Accounting Officer)

Exhibit 31.1

CERTIFICATION

I, David P. Yeager, certify that:

1. I have reviewed this report on Form 10-Q of Hub Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting and;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
    a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2021

/s/ David P. Yeager

Name: David P. Yeager

Title: Chairman and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Geoffrey F. DeMartino, certify that:

1. I have reviewed this report on Form 10-Q of Hub Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting and;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
    a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2021

/s/ Geoffrey F. DeMartino

Name: Geoffrey F. DeMartino

Title: Executive Vice President, Chief Financial Officer and Treasurer

(Principal Financial Officer)

Exhibit 32.1

Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

The following statement is provided by the undersigned to accompany the Form 10-Q for the quarter ended September 30, 2021 of Hub Group, Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350) and shall not be deemed filed pursuant to any provision of the Exchange Act of 1934 or any other securities law.

Each of the undersigned certifies that the foregoing Report on Form 10-Q fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m) and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Hub Group, Inc.

Date: November 5, 2021

/s/ David P. Yeager	/s/ Geoffrey F. DeMartino
David P. Yeager	Geoffrey F. DeMartino
Chairman and Chief Executive Officer	Executive Vice President, Chief Financial Officer and Treasurer
Hub Group, Inc.	Hub Group, Inc.