# 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 March 31, 2019 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)**

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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. (Check one):

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 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 May 1, 2019, the registrant had 34,104,447 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.

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Class A Common Stock | HUBG | NASDAQ |

**HUB GROUP, INC.**

**INDEX**

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

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| ASSETS | (unaudited) | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | $ 112,402 | $ 61,435 |
| Accounts receivable trade, net | 445,238 | 477,088 |
| Other receivables | 2,608 | 22,021 |
| Prepaid taxes | 169 | 616 |
| Prepaid expenses and other current assets | 14,974 | 27,533 |
| TOTAL CURRENT ASSETS | 575,391 | 588,693 |
| | | |
| Restricted investments | 21,077 | 19,236 |
| Property and equipment, net | 663,337 | 681,859 |
| Right-of-use assets - operating leases | 30,787 | - |
| Right-of-use assets - financing leases | 7,601 | - |
| Other intangibles, net | 131,333 | 134,788 |
| Goodwill, net | 484,496 | 483,584 |
| Other assets | 17,290 | 16,738 |
| TOTAL ASSETS | $ 1,931,312 | $ 1,924,898 |
| | | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Accounts payable trade | $ 252,185 | $ 272,859 |
| Accounts payable other | 17,191 | 10,906 |
| Accrued payroll | 27,801 | 55,535 |
| Accrued other | 78,486 | 82,900 |
| Lease liability - operating leases | 8,010 | - |
| Lease liability - financing leases | 2,988 | 2,845 |
| Current portion of long term debt | 100,227 | 101,713 |
| TOTAL CURRENT LIABILITIES | 486,888 | 526,758 |
| | | |
| Long term debt | 215,233 | 229,071 |
| Non-current liabilities | 33,397 | 29,619 |
| Lease liability - operating leases | 24,469 | - |
| Lease liability - financing leases | 4,149 | 4,739 |
| Deferred taxes | 160,112 | 153,877 |
| | | |
| STOCKHOLDERS' EQUITY: | | |
| Preferred stock, $.01 par value; 2,000,000 shares authorized; no shares issued or outstanding in 2019 and 2018 | - | - |
| Common stock | | |
| Class A: $.01 par value; 97,337,700 shares authorized and 41,224,792 shares issued in 2019 and 2018; 34,110,482 shares outstanding in 2019 and 33,793,709 shares outstanding in 2018 | 412 | 412 |
| Class B: $.01 par value; 662,300 shares authorized; 662,296 shares issued and outstanding in 2019 and 2018 | 7 | 7 |
| Additional paid-in capital | 163,340 | 172,220 |
| Purchase price in excess of predecessor basis, net of tax benefit of $10,306 | (15,458) | (15,458) |
| Retained earnings | 1,096,324 | 1,072,456 |
| Accumulated other comprehensive loss | (175) | (182) |
| Treasury stock; at cost, 7,114,310 shares in 2019 and 7,431,083 shares in 2018 | (237,386) | (248,621) |
| TOTAL STOCKHOLDERS' EQUITY | 1,007,064 | 980,834 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | $ 1,931,312 | $ 1,924,898 |

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 March 31, | |
|---|---|---|
| | **2019** | **2018** |
| Revenue | $ 932,998 | $ 837,342 |
| Transportation costs | 805,709 | 746,303 |
| Gross margin | 127,289 | 91,039 |
| Costs and expenses: | | |
| Salaries and benefits | 62,028 | 52,304 |
| General and administrative | 22,918 | 18,437 |
| Depreciation and amortization | 6,754 | 3,763 |
| Total costs and expenses | 91,700 | 74,504 |
| Operating income | 35,589 | 16,535 |
| Other income (expense): | | |
| Interest expense | (3,056) | (2,103) |
| Interest and dividend income | 373 | 11 |
| Other, net | (40) | (50) |
| Total other expense | (2,723) | (2,142) |
| Income from continuing operations before income taxes | 32,866 | 14,393 |
| Income tax expense | 8,972 | 3,324 |
| Income from continuing operations | 23,894 | 11,069 |
| Income from discontinued operations, net of income taxes | - | 5,098 |
| Net income | 23,894 | 16,167 |
| Other comprehensive income: | | |
| Foreign currency translation adjustments | 7 | 29 |
| Total comprehensive income | $ 23,901 | $ 16,196 |
| Earnings per share from continuing operations | | |
| Basic | $ 0.71 | $ 0.33 |
| Diluted | $ 0.71 | $ 0.33 |
| Earnings per share from discontinued operations | | |
| Basic | $ - | $ 0.15 |
| Diluted | $ - | $ 0.15 |
| Earnings per share net income | | |
| Basic | $ 0.71 | $ 0.48 |
| Diluted | $ 0.71 | $ 0.48 |
| Basic weighted average number of shares outstanding | 33,569 | 33,375 |
| Diluted weighted average number of shares outstanding | 33,585 | 33,478 |

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 | | Additional Paid-in Capital | Purchase Price of Excess of Predecessor Basis, Net of Tax | Retained Earnings | Accumulated Other Comprehensive Income | Treasury Stock | | Total |
|---|---|---|---|---|---|---|---|---|---|
| | Shares Issued | Amount | | | | | Shares | Amount | |
| **Balance December 31, 2017** | **41,887,088** | **$ 419** | **$ 173,011** | **$ (15,458)** | **$ 870,716** | **$ (194)** | **(7,777,722)** | **$ (258,622)** | **$ 769,872** |
| Stock tendered for payments of withholding taxes | - | - | - | - | - | - | (79,490) | (3,894) | (3,894) |
| Issuance of restricted stock awards, net of forfeitures | - | - | (11,433) | - | - | - | 347,025 | 11,433 | - |
| Share-based compensation expense | - | - | 3,500 | - | - | - | - | - | 3,500 |
| Net income | - | - | - | - | 16,167 | - | - | - | 16,167 |
| Foreign currency translation adjustment | - | - | - | - | - | 29 | - | - | 29 |
| **Balance March 31, 2018** | **41,887,088** | **$ 419** | **$ 165,078** | **$ (15,458)** | **$ 886,883** | **$ (165)** | **(7,510,187)** | **$ (251,083)** | **$ 785,674** |
| | | | | | | | | | |
| **Balance December 31, 2018** | **41,887,088** | **$ 419** | **$ 172,220** | **$ (15,458)** | **$ 1,072,456** | **$ (182)** | **(7,431,083)** | **$ (248,621)** | **$ 980,834** |
| Stock tendered for payments of withholding taxes | - | - | - | - | - | - | (68,908) | (2,578) | (2,578) |
| Issuance of restricted stock awards, net of forfeitures | - | - | (13,813) | - | - | - | 385,681 | 13,813 | - |
| Share-based compensation expense | - | - | 4,933 | - | - | - | - | - | 4,933 |
| Net income | - | - | - | - | 23,894 | - | - | - | 23,894 |
| Adoption of ASU 2016-02 | - | - | - | - | (26) | - | - | - | (26) |
| Foreign currency translation adjustment | - | - | - | - | - | 7 | - | - | 7 |
| **Balance March 31, 2019** | **41,887,088** | **$ 419** | **$ 163,340** | **$ (15,458)** | **$ 1,096,324** | **$ (175)** | **(7,114,310)** | **$ (237,386)** | **$ 1,007,064** |

See notes to unaudited consolidated financial statements

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2019 | 2018 |
| Cash flows from operating activities: | | |
| Net income | $ 23,894 | $ 16,167 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 28,383 | 18,599 |
| Deferred taxes | 6,335 | 4,714 |
| Compensation expense related to share-based compensation plans | 4,933 | 3,501 |
| Gain on sale of assets | (835) | (115) |
| Changes in operating assets and liabilities: | | |
| Restricted investments | (1,841) | 916 |
| Accounts receivable, net | 32,906 | 11,643 |
| Prepaid taxes | 447 | (47) |
| Prepaid expenses and other current assets | 12,560 | 6,694 |
| Other assets | (819) | 1,866 |
| Accounts payable | (14,389) | (19,465) |
| Accrued expenses | (30,123) | (10,913) |
| Non-current liabilities | 1,982 | (386) |
| Net cash provided by operating activities | 63,433 | 33,174 |
| | | |
| Cash flows from investing activities: | | |
| Proceeds from sale of equipment | 3,799 | 516 |
| Purchases of property and equipment | (17,057) | (22,179) |
| Proceeds from the disposition of discontinued operations | 19,439 | - |
| Net cash provided by (used in) investing activities | 6,181 | (21,663) |
| | | |
| Cash flows from financing activities: | | |
| Proceeds from issuance of debt | 10,456 | 16,783 |
| Repayments of long term debt | (25,780) | (34,300) |
| Stock tendered for payments of withholding taxes | (2,578) | (3,896) |
| Finance lease payments | (740) | (695) |
| Net cash used in financing activities | (18,642) | (22,108) |
| | | |
| Effect of exchange rate changes on cash and cash equivalents | (5) | (30) |
| | | |
| Net increase (decrease) in cash and cash equivalents | 50,967 | (10,627) |
| Cash and cash equivalents beginning of the period | 61,435 | 28,557 |
| Cash and cash equivalents end of the period | $ 112,402 | $ 17,930 |
| | | |
| Supplemental disclosures of cash paid for: | | |
| Interest | $ 2,749 | $ 2,315 |
| Income taxes | $ 191 | $ 194 |

See notes to unaudited consolidated financial statements.

**NOTE 1. Interim Financial Statements**

Our accompanying unaudited consolidated financial statements of Hub Group, Inc. ("we", "us" or "our") have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in annual financial statements have been 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 March 31, 2019 and results of operations for the three months ended March 31, 2019 and 2018. Certain amounts in prior periods have been reclassified to conform with current period presentation.

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, 2018. Results of operations in interim periods are not necessarily indicative of results to be expected for a full year due partially to seasonality.

**NOTE 2. Acquisition**

On December 3, 2018, a subsidiary of Hub Group, Inc. closed on the Agreement and Plan of Merger (the "Merger Agreement") to acquire CaseStack, Inc. ("CaseStack"). Total consideration for the transaction was $252.9 million. To facilitate the acquisition we paid $248.7 million in cash, $3.5 million was a deferred purchase consideration and $0.7 million was a working capital adjustment that was paid in cash in April 2019. The deferred purchase consideration is included in Accrued Other in our consolidated balance sheet and is being paid equally over twenty-four months.

The acquisition of CaseStack expanded our logistics service offering to include transportation and warehousing consolidation solutions for consumer packaged goods companies selling into the North American retail channel. The acquisition also added scale to our truck brokerage service offering, particularly in the less-than-truckload segment of the market.

The following table summarizes the total purchase price allocated to the net assets acquired (in thousands):

| | | |
|---|---|---|
| Cash paid | $ | 248,656 |
| Deferred purchase consideration | | 3,469 |
| Working capital adjustment | | 733 |
| Total consideration | $ | 252,858 |

The initial accounting for the acquisition of CaseStack remains incomplete as we, with the support of our valuation specialist, are still in the process of finalizing the fair market value calculations of the acquired net assets. In addition, the Company is in the preparation and final review process of the applicable future cash flows used in determining the purchase accounting. Finally, certain post-closing activities outlined in the merger agreement need to be completed. As a result, the amounts recorded in the consolidated financial statements related to the CaseStack merger are preliminary as the measurement period remains open. The following table summarizes the preliminary allocation of the total consideration to the assets acquired and liabilities assumed as of the date of the acquisition (in thousands):

| | | |
|---|---|---|
| Accounts receivable trade | $ | 31,917 |
| Prepaid expenses and other current assets | | 694 |
| Property and equipment | | 3,247 |
| Deferred tax assets | | 6,433 |
| Goodwill | | 165,943 |
| Other intangibles | | 75,600 |
| Other assets | | 120 |
| Total assets acquired | $ | 283,954 |
| | | |
| Accounts payable trade | $ | 24,542 |
| Accrued payroll | | 2,811 |
| Accrued other | | 3,743 |
| Total liabilities assumed | $ | 31,096 |
| | | |
| Total consideration | $ | 252,858 |

The CaseStack 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 3, 2018 with the remaining unallocated purchase price recorded as goodwill. The goodwill recognized in the CaseStack acquisition was primarily attributable to potential expansion and future development of the acquired business.

Tax history and attributes including net operating loss carryovers and other deferred tax assets are inherited in an equity purchase such as this, while goodwill is not tax deductible.

The components of "Other intangibles" listed in the above table as of the acquisition date are preliminarily estimated as follows (in thousands):

| | | Amount | | Accumulated Amortization | | Balance at March 31, 2019 | Estimated Useful Life |
|---|---|---|---|---|---|---|---|
| Customer relationships - logistics services | $ | 65,600 | $ | 2,187 | $ | 63,413 | 10 years |
| Customer relationships - transportation services | $ | 8,700 | $ | 580 | $ | 8,120 | 5 years |
| Trade name | $ | 1,300 | $ | 289 | $ | 1,011 | 18 months |

The above intangible assets are amortized using the straight-line method. Amortization expense related to this acquisition for the three month period ended March 31, 2019 was $2.3 million. The intangible assets have a weighted average useful life of approximately 9 years. Amortization expense related to CaseStack for the next five years is as follows (in thousands):

| | | Total |
|---|---|---|
| Remainder 2019 | $ | 6,875 |
| 2020 | $ | 8,661 |
| 2021 | $ | 8,300 |
| 2022 | $ | 8,300 |
| 2023 | $ | 8,155 |

The following unaudited pro forma consolidated results of operations presents the effects of CaseStack as though it had been acquired as of January 1, 2018 (in thousands, except for per share amounts):

| | | Three Months Ended March 31, 2018 |
|---|---|---|
| Revenue | $ | 898,019 |
| Income from continuing operations | $ | 13,315 |
| Earnings per share (1) | | |
| Basic | $ | 0.40 |
| Diluted | $ | 0.40 |

(1) Earnings per share is from continuing operations.

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 CaseStack. 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, 2018.

**NOTE 3. Discontinued Operations**

On August 31, 2018, Hub Group, Inc. entered into the Purchase Agreement with Mode, a direct wholly-owned subsidiary of the Company, and Mode Purchaser, Inc., an affiliate of York Capital Management ("Purchaser") pursuant to which the Company sold all of the issued and outstanding membership interests of Mode to Purchaser (the "Disposition"). Total consideration received by the Company for the Disposition in the third quarter of 2018 was $238.5 million in cash, subject to customary purchase price adjustments. An additional $19.4 million consideration receivable was recorded in other receivables in the Consolidated Balance Sheet in the fourth quarter of 2018 due to the settlement of the net working capital and other contractual adjustments. The $19.4 million receivable was received in the first quarter of 2019.

During the three months ended March 31, 2018, Mode had revenue of $13.6 million from Hub and Hub had revenue of $10.0 million from Mode. These sales were eliminated on our Consolidated Statements of Income. In connection with the Disposition, the Company and Mode have entered into a transition services agreement pursuant to which both the Company and Mode will provide certain immaterial transition services to the other party for a period of time following the closing.

The 2018 results associated with Mode are classified as income from discontinued operations, net of income taxes, in our Consolidated Statements of Income. Income from discontinued operations is comprised of the following:

| | Three Months Ended March 31, 2018 |
|---|---|
| Revenue | $ 258,628 |
| Transportation costs | 226,876 |
| Gross margin | 31,752 |
| | |
| Costs and expenses: | |
| Salaries and benefits | 3,703 |
| General and administrative | 21,209 |
| Depreciation and amortization | 242 |
| Total costs and expenses | 25,154 |
| | |
| Operating income from discontinued operations | 6,598 |
| | |
| Other income | |
| Interest income | 10 |
| Other, net | (5) |
| Total other income | 5 |
| | |
| Income from discontinued operations before income taxes | 6,603 |
| Provision for income taxes | 1,505 |
| | |
| Income from discontinued operations | $ 5,098 |

Selling, general and administrative expenses recorded in discontinued operations include corporate costs incurred directly in support of Mode.

Proceeds from the sale of Mode have been presented in the Consolidated Statements of Cash Flows under investing activities for the three months ended March 31, 2019. Total operating and investing cash flows of discontinued operations for the three months ended March 31, 2018 are comprised of the following, which exclude the effect of income taxes:

| (in thousands) | Three Months Ended March 31, 2018 |
|---|---|
| Net cash provided by operating activities | 10,774 |
| Net cash used in investing activities | (641) |

**NOTE 4. Revenue from Contracts with Customers**

On January 1, 2018, we adopted the Accounting Standards Codification (ASC) topic 606, Revenue from Contracts with Customers.

The Company capitalizes commissions incurred in connection with obtaining a contract. Capitalized commission fees are amortized based on the transfer of services to which the assets relate and are included in selling, general and administrative expenses. In 2019 and 2018, the amount of commissions that were capitalized and the amortization were both immaterial.

Costs incurred to obtain an intermodal, truck brokerage or logistics contract are expensed as incurred according to the practical expedient that allows contract acquisition costs to be recognized immediately if the deferral period is one year or less.

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 and trailers, 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 HGT subsidiary and third-party local trucking companies.

*Truck Brokerage.* We operate one of the largest truck brokerage operations, providing customers with an over the road service option for their transportation needs. Our brokerage 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.

*Logistics*. Hub's logistics business operates under the names Unyson Logistics and CaseStack. Unyson Logistics is comprised of a network of logistics professionals dedicated to developing, implementing and operating customized logistics solutions for customers. Unyson Logistics 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 small parcel, heavyweight, expedited, less-than-truckload, truckload, intermodal, railcar and international shipping. Our CaseStack logistics business leverages 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. CaseStack contracts with third-party warehouse providers in seven markets across North America to which its customers ship their goods to be stored and eventually consolidated, along with goods from other CaseStack customers, into full truckload shipments destined to major North American retailers. CaseStack offers its customers shipment visibility, transportation cost savings, high service levels and compliance with retailers' increasingly stringent supply chain requirements.

*Dedicated Trucking.* 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) for the three months ended March 31:

| | Three Months Ended March 31, | |
|---|---|---|
| | **2019** | **2018** |
| Intermodal | $ 536,032 | $ 494,452 |
| Truck brokerage | 117,587 | 120,018 |
| Logistics | 203,263 | 162,476 |
| Dedicated | 76,116 | 60,396 |
| **Total revenue** | $ 932,998 | $ 837,342 |

## NOTE 5. Earnings Per Share

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

| | Three Months Ended, March 31, 2019 | Three Months Ended, March 31, 2018 |
|---|---|---|
| Net income from continuing operations for basic and diluted earnings per share | $ 23,894 | $ 11,069 |
| Net income from discontinued operations for basic and diluted earnings per share | $ - | $ 5,098 |
| Net income | $ 23,894 | $ 16,167 |
| Weighted average shares outstanding - basic | 33,569 | 33,375 |
| Dilutive effect of stock options and restricted stock | 16 | 103 |
| Weighted average shares outstanding - diluted | 33,585 | 33,478 |
| Earnings per share from continuing operations | | |
| Basic | $ 0.71 | $ 0.33 |
| Diluted | $ 0.71 | $ 0.33 |
| Earnings per share from discontinued operations | | |
| Basic | $ - | $ 0.15 |
| Diluted | $ - | $ 0.15 |
| Earnings per share net income | | |
| Basic | $ 0.71 | $ 0.48 |
| Diluted | $ 0.71 | $ 0.48 |

## NOTE 6. Fair Value Measurement

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and debt approximated fair value as of March 31, 2019 and December 31, 2018.

We consider as cash equivalents all highly liquid instruments with an original maturity of three months or less. As of March 31, 2019 and December 31, 2018, our cash and temporary investments were with high quality financial institutions in demand deposit accounts (DDAs), savings accounts and an interest bearing checking account.

Restricted investments, as of March 31, 2019 of $21.1 million and December 31, 2018 of $19.2 million, included mutual funds which are reported at fair value.

Our assets and liabilities measured at fair value are based on valuation techniques which 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 7. Long-Term Debt and Financing Arrangements

At March 31, 2019, we are authorized to borrow up to $350 million under a revolving line of credit. We have standby letters of credit that expire at various dates in 2019. As of March 31, 2019, our letters of credit were $28.5 million and we had no borrowings under our bank revolving line of credit. Our unused and available borrowings were $321.5 million as of March 31, 2019 and $323.0 million as of December 31, 2018. We were in compliance with our debt covenants as of March 31, 2019 and December 31, 2018.

We have entered into various Equipment Notes (“Notes”) for the purchase of tractors and containers. The Notes are secured by the underlying equipment financed in the agreements.

| | | March 31, 2019 | | December 31, 2018 |
|---|---|---|---|---|
| | | (in thousands except principal and interest payments) | | |
| Secured Equipment Notes due on various dates in 2024 commencing on various dates in 2017, 2018 and 2019; interest is paid monthly at a fixed annual rate between 2.85% and 3.59% | $ | 21,660 | $ | 11,658 |
| Secured Equipment Notes due on various dates in 2023 commencing on various dates in 2016, 2017, 2018 and 2019; interest is paid monthly at a fixed annual rate between 2.23% and 4.16% | | 183,124 | | 192,858 |
| Secured Equipment Notes due on various dates in 2022 commencing on various dates from 2015 to 2017; interest is paid monthly at a fixed annual rate of between 2.16% and 2.87% | | 23,179 | | 24,092 |
| Secured Equipment Notes due on various dates in 2021 commencing on various dates from 2014 to 2017; interest is paid monthly at a fixed annual rate between 2.04% and 2.96% | | 50,824 | | 55,855 |
| Secured Equipment Notes due on various dates in 2020 commencing on various dates from 2013 to 2016; interest is paid monthly at a fixed annual rate between 1.72% and 2.78% | | 27,598 | | 32,904 |
| Secured Equipment Notes due on various dates in 2019 commencing on various dates from 2013 to 2015; interest is paid monthly at a fixed annual rate between 2.05% and 2.62% | | 9,075 | | 13,417 |
| | | 315,460 | | 330,784 |
| Less current portion | | (100,227) | | (101,713) |
| Total long-term debt | $ | 215,233 | $ | 229,071 |

**NOTE 8. Leases, User Charges and Commitments**

In February 2016, the FASB issued ASC 842, Leases, ("ASC 842") which requires lessees to recognize a right-of-use asset ("ROU") and a lease obligation for all leases. We adopted ASC 842 as of January 1, 2019, in accordance with the standard. ASC 842 provides an option to apply the transition provisions as of the effective date. We elected this option when we adopted the new standard using a modified retrospective transition method and recognized a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption rather than in the earliest period presented. In addition, we elected to apply a package of practical expedients and as such did not reassess at the date of initial adoption (1) whether any expired or existing contracts are or contain leases, (2) the lease classification for any expired or existing leases, or (3) initial direct costs for existing leases. Lessees can also make an accounting policy election to not recognize an asset and liability for leases with a term of twelve months or less which we elected.

The adoption of this standard resulted in an initial recognition of $40.0 million of ROU assets and $41.4 million of Lease liabilities on our consolidated balance sheet. The lease liabilities recognized are measured based upon the present value of minimum future payments. The ROU assets are equal to lease liabilities, adjusted for prepaid and accrued rent balances which are recorded in the Consolidated Balance Sheets as of January 1, 2019.

Hub currently does not have any variable lease payments that depend on an index or a rate (such as the Consumer Price Index or a market interest rate). Some leases have options to extend or terminate the agreement, which Management assesses in determining the estimated lease term. If any of the options to extend a lease are exercised, this change will be reflected as a remeasurement of the ROU asset and lease liability accordingly. As of March 31, 2019, the ROU asset and lease liabilities do not reflect any options to extend or terminate a lease as management is not reasonably certain it will exercise any of these options. Also, current leases do not contain any restrictions or covenants imposed by the leases or residual value guarantees.

Occasionally, Hub will sublease office space or parking spaces. The subleases do not relieve Hub of any of its primary obligations under the original agreement. Currently, Hub has subleases with an expected annual income totaling $0.5 million.

Subsequent to March 31, 2019, Hub signed new property lease contracts which have not commenced. Based on the present value of the lease payments, the estimated ROU assets and lease liabilities related to these contracts will total approximately $10.2 million.

Discount rates are not specified on the individual lease contracts at the commencement date. To determine the present value of the lease payments, Hub used its incremental borrowing rate which was determined based on Hub's credit standing and factoring in the current 12-month LIBOR rate published at the time of the lease commencement. This incremental borrowing rate represents the rate of interest that Hub would have to pay to borrow on a collateralized basis over a similar term and amounts equal to the lease payments in a similar economic environment.

The following table summarizes the lease costs for the three months ended March 31, 2019 (in thousands), which are included in general and administrative costs in the accompanying consolidated statement of income:

| | | Three Months Ended March 31, 2019 |
|---|---|---|
| Amortization of finance right-of-use assets | $ | 589 |
| Interest on finance lease liabilities | | 74 |
| Finance lease cost | | 663 |
| | | |
| Operating lease cost | | 2,606 |
| Short-term lease cost | | 26 |
| Sublease income | | (158) |
| Total lease cost | $ | 3,137 |

The table below summarizes the Company's scheduled future minimum lease payments under operating and finance leases, recorded on the sheet, as of March 31, 2019 (in thousands):

| | | Operating Leases | | Finance Leases |
|---|---|---|---|---|
| Less than 1 year | $ | 8,974 | $ | 3,212 |
| 1-3 years | | 12,991 | | 4,258 |
| 3-5 years | | 7,837 | | 6 |
| Over 5 years | | 5,865 | | - |
| Minimum lease payments | | 35,667 | | 7,476 |
| Imputed interest | | 3,188 | | 339 |
| Present value of minimum lease payments | | 32,479 | | 7,137 |
| Less: current lease liabilities | | 8,010 | | 2,988 |
| Long-term lease liabilities | $ | 24,469 | $ | 4,149 |

| Other information: | | Three Months Ended March 31, 2019 |
|---|---|---|
| Operating cash flows from operating leases | $ | 2,374 |
| Financing cash flows from finance leases | | 740 |
| Operating cash flows from finance leases | | 74 |
| Cash paid for a lease liabilities | $ | 3,188 |
| | | |
| Right-of-use assets obtained in exchange for new financing lease liabilities | $ | 6 |
| | | |
| Rights-of-use assets obtained in exchange for new operating lease liabilities | $ | 1,302 |

The weighted average remaining lease term and discount rates as of March 31, 2019 (in thousands) are as follows:

| | |
|---|---|
| Weighted average remaining lease term — finance leases | 2.33 years |
| Weighted average remaining lease term — operating leases | 5.26 years |
| | |
| Discount rate — finance leases | 3.87% |
| Discount rate — operating leases | 3.37% |

**NOTE 9. Internal-Use Software**

In August 2018, the FASB issued ASU No. 2018-15, Intangibles – Goodwill and Other – Internal-Use Software, Customer's Accounting for Implementation Costs Incurred in a Cloud Computing (Hosting) Arrangement That Is a Service Contract. The amendment aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The amendment is effective for public business entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted, including adoption in any interim period, for all entities and should be applied either retrospectively or prospectively. We early adopted the amendment in the fourth quarter of 2018 and applied prospectively to all implementation costs incurred after the date of adoption.

In accordance with this ASU, we had capitalized implementation costs of $12.0 million and $10.6 million from our hosting arrangements, net of amortizations, for various corporate software services as of March 31, 2019 and December 31, 2018, respectively. Prior to adoption, these costs were previously presented as part of Property and equipment and are included in Other assets in the consolidated balance sheet subsequent to adoption. The amount of capitalized implementation costs for the three months ended March 31, 2019 was $1.6 million. The corresponding cash flows from capitalized implementation costs incurred in our hosting arrangements is classified as a change in other assets in cash flows from operating activities. The capitalized implementation costs incurred in our hosting arrangements are amortized, once ready for intended use, over the term of the associated hosting arrangements of 3 to 10 years. The related amortization of capitalized implementation costs are classified as general and administrative expense in the same line item as the expense for fees for the associated hosting arrangement.

**NOTE 10. Legal Matters**

We are a defendant in three 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, and other items. Those cases are Robert Parsons v. Estenson Logistics, LLC, et.al. (Sacramento Superior Court), a second lawsuit Robert Parsons v. Estenson Logistics, LLC (Sacramento Superior Court), and Mario Mendez v. Estenson Logistics, LLC (Los Angeles Superior Court). Because of the preliminary nature of these proceedings, the difficulty in ascertaining the applicable facts, the inconsistent treatment of claims made in the proceedings, and the difficulty of predicting the settlement value of these proceedings, we are not able to estimate an amount or range of any reasonably possible losses. 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.

**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 Hub Group Trucking, Inc ("HGT"). The action is brought on behalf of a class comprised of present and former California-based truck drivers for HGT who were classified as independent contractors, from January 2009 to August 2014. It alleges HGT has misclassified such drivers as independent contractors and that such drivers were employees. It asserts various violations of the California Labor Code and claims that HGT has engaged in unfair competition practices. The complaint seeks, 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 are only on behalf of Mr. Robles and not a putative class.

The Company believes that the California independent contractor truck drivers were properly classified as independent contractors at all times. Nevertheless, because lawsuits are 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. As of September 30, 2018, 96% of the California drivers have accepted the settlement offers. In late 2014, HGT decided to convert its model from independent contractors to employee drivers in California (the "Conversion"). In early 2016, HGT closed its operations in Southern California.

On April 3, 2015, the Robles case was transferred to the U.S. District Court for the Western District of Tennessee (Western Division) in Memphis. In May 2015, the plaintiffs in the Robles case filed a Second Amended Complaint ("SAC") which names 334 current and former Hub Group Trucking drivers as "interested putative class members." In addition to reasserting their existing claims, the SAC includes claims post-Conversion, added two new plaintiffs and seeks a judicial declaration that the settlement agreements are unenforceable. In June 2015, Hub Group Trucking filed a motion to dismiss the SAC and on July 19, 2016, Hub Group Trucking's motion to dismiss was granted in part, and denied in part, by the District Court. The motion to dismiss was granted for the claims of all purported class members who have signed settlement agreements and on plaintiffs' claims based on quantum merit and it was denied with respect to federal preemption and choice of law. On August 11, 2016, Plaintiffs filed a motion to clarify whether the

Court's dismissal of the claims of all purported class members who signed settlement agreements was with or without prejudice and, if the dismissal was with prejudice, Plaintiffs moved the Court to revise and reconsider the order. On July 2, 2018, the Court denied the Plaintiffs' Motion for Clarification or Reconsideration and stated that the dismissal of the claims of all purported class members who signed settlement agreements was with prejudice.

**Adame**

On August 5, 2015, the Plaintiffs' law firm in the Robles case filed a lawsuit in state court in San Bernardino County, California on behalf of 63 named Plaintiffs against Hub Group Trucking and five Company employees. The lawsuit makes claims similar to those being made in Robles and seeks monetary penalties under the Private Attorneys General Act. Of the 63 named Plaintiffs, at least 58 previously accepted the settlement offers referenced above.

On October 29, 2015, Defendants filed a notice of removal to move the case from state court in San Bernardino to federal court in the Central District of California. On November 19, 2015, Plaintiffs filed a motion to remand the case back to state court, claiming that the federal court lacks jurisdiction over the case because there is not complete diversity of citizenship between the parties and the amount in controversy threshold is not satisfied. The court granted Plaintiffs' motion to remand to the state court in San Bernardino County on April 7, 2016.

On July 11, 2016, Defendants filed dismissal papers in state court, asking the court to dismiss Plaintiffs' suit for various reasons, including that the agreement between HGT and its former California owner operators requires that this action be brought in Memphis, Tennessee, or stay the action pending the outcome of Robles. Defendants also asked the court to dismiss the individual defendants because PAGA's language does not allow for individual liability. During a hearing on October 5, 2016, the judge issued an oral tentative ruling stating that the choice of forum provision was unenforceable. On February 17, 2017, with the stipulation of the parties, the Court entered an order dismissing, without prejudice, all of the individual Defendants and accepting the parties' agreement that jurisdiction and venue are proper in the San Bernardino Superior Court and that Defendants will not seek to remove the case to federal district court. On April 12, 2017, the Court denied Defendant's motion to dismiss based on insufficiency of the PAGA letter notice. On October 19, 2017, Plaintiffs filed an amended complaint, dismissing the previously named individuals as Defendants. On December 4, 2017, Defendants filed an Answer to Plaintiffs' First Amended Complaint and a Memorandum of Points and Authorities in Support of their Motion for Judgment on the Pleadings arguing that judgement should be entered for Defendants because Plaintiffs' claims are preempted by the Federal Truth-In-Leasing regulations. On January 31, 2018, a hearing was held on the motion to dismiss, and on February 1, 2018, the motion was denied. On March 27, 2018, Defendants filed a petition for a writ of mandate with the Court of Appeals. On June 12, 2018, the Court of Appeals denied the petition. On June 21, 2018, Defendants filed a petition for review with the California Supreme Court. On August 8, 2018, the Supreme Court of California denied the petition for review.

**NOTE 11. New Pronouncements**

In 2016, the FASB issued ASC 326, Financial Instruments – Credit Losses, ("ASC 326") that requires credit losses on financial instruments measured at amortized cost basis to be presented at the net amount expected to be collected, not based on incurred losses. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018 is permitted. We plan to adopt this standard on January 1, 2020, as required. We do not believe the adoption of ASC 326 will have a material impact on our consolidated financial statements as the new guidance is consistent with our current accounting policy in determining expected credit losses on financial assets.

In January 2017, the FASB issued ASU No. 2017-04 Intangibles – Goodwill and other (Topic 350): simplifying the test for goodwill impairment. This ASU simplifies how all entities assess goodwill for impairment by eliminating step two from the goodwill impairment test. As amended, the goodwill impairment test will consist of one step comparing the fair value of a reporting unit with its carrying amount. An entity should recognize a goodwill impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. The standard is effective for fiscal years beginning after December 15, 2019 and early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. We plan to adopt this standard on January 1, 2020, as required. We do not believe the adoption of Topic 350 will have a material effect on our financial statements.

In June 2018, the FASB issued ASU No. 2018-07, Improvements to Nonemployee Share-Based Payment Accounting. Under this new standard, companies will no longer be required to value non-employee awards differently from employee awards. This means that companies will value all equity classified awards at their grant-date and forgo revaluing the award after this date. The standard is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. This standard was adopted on January 1, 2019 and had no material impact on our consolidated financial statements.

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

The information contained in this quarterly report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "expects," "hopes," "believes," "intends," "estimates," "anticipates," "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 inherently uncertain and subject to risks. Such statements should be viewed with caution. 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. Actual results or experience could differ materially from the forward-looking statements as a result of many factors. All forward-looking statements are based upon information available to us on the date of this report. Except as required by law, we expressly disclaim any obligations to publicly release any revisions to forward-looking statements to reflect events after the date of this report. Factors that could cause our actual results to differ materially include:

- the degree and rate of market growth in the domestic intermodal, truck brokerage, dedicated and logistics 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;
- the impact of competitive pressures in the marketplace, including entry of new competitors, direct marketing efforts by the railroads or marketing efforts of asset-based carriers;
- 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;
- 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 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 several of our largest customers;
- awards received during annual customer bids not materializing;
- changes in insurance costs and claims expense;
- union organizing efforts and changes to current laws which will aid in these efforts;
- further consolidation of railroads;
- 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; and
- losses sustained on insured matters where the liability materially exceeds available insurance proceeds.

**EXECUTIVE SUMMARY**

Hub Group, Inc. (the “Company”, “Hub”, “we”, “us” or “our”) is a leading, world class supply chain management company that provides value-added multi-modal transportation and logistics solutions by offering reliability, visibility and value to our customers. Our service offerings include comprehensive intermodal, truck brokerage, dedicated trucking, managed transportation, freight consolidation, warehousing, international transportation and other logistics services. The Company is a Delaware corporation that was incorporated on March 8, 1995 as successor to a business that was founded in 1971.

As an intermodal provider, we arrange for the movement of our customers’ freight in containers and trailers, 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 HGT subsidiary and third-party local trucking companies.

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

Our dedicated service line, Dedicated, contracts with customers looking to outsource a portion of their transportation needs. We offer a dedicated fleet of equipment and drivers, as well as the management and infrastructure to operate according to the customers’ high service expectations. As of March 31, 2019, Dedicated leased or owned approximately 1,400 tractors and 5,300 trailers and employed approximately 1,900 drivers.

Our logistics line of business consists of complex transportation management services, including load consolidation, mode optimization and carrier management. These service offerings are designed to take advantage of the increasing trend for shippers to outsource all or a greater portion of their transportation needs. Our acquisition of CaseStack added consolidation and warehousing services that are marketed to consumer-packaged goods companies who serve the North American retail channel.

As of March 31, 2019, our subsidiary HGT accounted for 53% of Hub’s drayage needs by assisting us in providing reliable, cost effective intermodal services to our customers. As of March 31, 2019, HGT leased or owned approximately 1,200 tractors and 200 trailers, employed approximately 1,300 drivers and contracted with approximately 1,300 owner-operators.

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

Hub’s multimodal solutions group works with pricing, account management and operations to enhance Hub’s customer margins across all lines of business. We are working on margin enhancement projects including pricing optimization, matching of inbound and outbound loads, reducing empty miles, improving our recovery of accessorial costs, optimizing our drayage costs, reducing repositioning costs, providing holistic solutions and reviewing and improving low profit freight.

Hub’s top 50 customers represent approximately 67% of revenue for the three months ended March 31, 2019. We use various performance indicators to manage our business. We closely monitor margin and gains and losses for our top 50 customers. We also evaluate on-time performance, customer service, cost per load and daily sales outstanding by customer account. Vendor cost changes and vendor service issues are also monitored closely.

**Strategic Transactions**

On August 31, 2018, we sold the membership interests of our Mode Transportation, LLC ("Mode") subsidiary to an affiliate of York Capital Management ("Purchaser"). Mode's temperature protected division ("Temstar") was not included in the transaction and is now included in our intermodal line of business.

Prior to the decision to sell Mode, Hub historically reported two distinct and reportable business segments. As a result of the decision to sell Mode, which was accounted for as discontinued operations in 2018, we have one reporting segment. Revenue and costs related to Hub's business that did not comprise Mode are reported within results from continuing operations. All revenues and costs related to Mode's business are presented in results from discontinued operations. Unless otherwise stated, the information disclosed in Management's Discussion and Analysis refers to continuing operations. See Note 3 of the Consolidated Financial Statements for additional information regarding results from discontinued operations.

On December 3, 2018, a subsidiary of Hub Group, Inc. closed on the Agreement and Plan of Merger (the "Merger Agreement") to acquire CaseStack, Inc. ("CaseStack"). Total consideration for the transaction was $252.9 million. To facilitate the acquisition we paid $248.7 million in cash, $3.5 million was a deferred purchase consideration and $0.7 million was a working capital adjustment that was paid in cash in April 2019.

**RESULTS OF OPERATIONS**

*Three Months Ended March 31, 2019 Compared to the Three Months Ended March 31, 2018*

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

| | Three Months Ended March 31, | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| Intermodal | $ | 536,032 | $ | 494,452 |
| Truck brokerage | | 117,587 | | 120,018 |
| Logistics | | 203,263 | | 162,476 |
| Dedicated | | 76,116 | | 60,396 |
| **Total revenue** | $ | 932,998 | $ | 837,342 |

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 March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | | 2018 | | |
| Revenue | $ | 932,998 | 100.0% | $ | 837,342 | 100.0% |
| Transportation costs | | 805,709 | 86.4% | | 746,303 | 89.1% |
| Gross margin | | 127,289 | 13.6% | | 91,039 | 10.9% |
| | | | | | | |
| Costs and expenses: | | | | | | |
| Salaries and benefits | | 62,028 | 6.6% | | 52,304 | 6.3% |
| General and administrative | | 22,918 | 2.5% | | 18,437 | 2.2% |
| Depreciation and amortization | | 6,754 | 0.7% | | 3,763 | 0.4% |
| Total costs and expenses | | 91,700 | 9.8% | | 74,504 | 8.9% |
| | | | | | | |
| Operating income | $ | 35,589 | 3.8% | $ | 16,535 | 2.0% |

**Revenue**

Hub's revenue increased 11.4% to $933.0 million in 2019 from $837.3 million in 2018. Intermodal revenue increased 8.4% to $536.0 million due to improved pricing and higher fuel revenue, partially offset by a 1.2% decrease in volume. Truck brokerage revenue decreased 2.0% to $117.6 million. Truck brokerage handled 19.5% more loads while fuel, price and mix combined were down 21.5% due primarily to the addition of CaseStack, which handles LTL freight. Logistics revenue increased 25.1% to $203.3 million due to the addition of CaseStack, benefits from continuous improvements and cross selling to our customers and improved yield processes partially offset by lost customers. Dedicated revenue increased 26.0% to $76.1 million primarily due to improved pricing and growth with new accounts which was partially offset by lost customers.

**Transportation Costs**

Hub's transportation costs increased 8.0% to $805.7 million in 2019 from $746.3 million in 2018. Transportation costs in 2019 consisted of purchased transportation costs of $652.8 million and equipment and driver related costs of $152.9 million compared to 2018, which consisted of purchased transportation costs of $608.2 million and equipment and driver related costs of $138.1 million. The 7.3% increase in purchased transportation costs was primarily due to rail cost increases, an increase in fuel costs, higher third-party carrier costs and higher volumes primarily in truck brokerage, and the addition of CaseStack. Equipment and driver related costs increased 10.7% in 2019 primarily due to the equipment and driver related costs of Dedicated.

**Gross Margin**

Hub's gross margin increased 39.8% to $127.3 million in 2019 from $91.0 in 2018. The $36.3 million gross margin increase was the result of increases in all lines of business and the addition of CaseStack. Intermodal gross margin increased due to implementing our pricing strategy which improved network balance. Partially offsetting the intermodal gross margin growth were higher rail and drayage costs and 0.9 days worse utilization primarily due to rail service. Truck brokerage gross margin increased due to the implementation of our new operating and procurement processes, pricing philosophy, compensation changes, and increased alignment with the sales organization, as well as the addition of CaseStack. Logistics gross margin increased due to the addition of CaseStack, price increases and benefits from continuous improvement efforts partially offset by lost customers and changes in customer mix. Dedicated gross margin improved due to the implementation of our yield management processes and improved operational discipline.

As a percentage of revenue, Hub's gross margin increased to 13.6% in 2019 from 10.9% in 2018. Intermodal gross margin as a percentage of sales increased 200 basis points because of improved pricing, partially offset by rail and drayage transportation cost increases. Truck brokerage gross margin as a percentage of sales increased 250 basis points due to improved procurement processes and the addition of CaseStack. Logistics gross margin as a percentage of sales increased 570 basis points due to the addition of CaseStack, price increases and improved yield processes. Dedicated gross margin as a percentage of sales increased 140 basis points due to improved pricing.

**CONSOLIDATED OPERATING EXPENSES**

**Salaries and Benefits**

Hub's salaries and benefits increased to $62.0 million in 2019 from $52.3 million in 2018. As a percentage of revenue, Hub's salaries and benefits increased to 6.6% in 2019 from 6.3% in 2018.

Hub's salaries and benefits increase of $9.7 million was primarily due to the addition of CaseStack employees. Additional increases included $2.5 million for additional compensation expenses.

Hub's headcount as of March 31, 2019 and 2018 was 2,247 and 1,897 respectively, which excludes drivers, as driver costs are included in transportation costs. The increase in Hub's headcount is due primarily to the acquisition of CaseStack.

**General and Administrative**

Hub's general and administrative expenses increased to $22.9 million in 2019 from $18.4 million in 2018. These expenses, as a percentage of revenue, increased to 2.5% in 2019 from 2.2% in 2018.

The increase of $4.5 million was due to $2.1 million of general and administrative expenses related to the acquisition of CaseStack, outside services, primarily IT consulting services, of $2.2 million and an increase in insurance expense of $0.2 million.

**Depreciation and Amortization**

Hub's depreciation and amortization increased to $6.8 million in 2019 from $3.8 million 2018. As a percentage of revenue, these expenses increased to 0.7% in 2019 from 0.4% in 2018. This increase was related primarily to the $2.3 million of amortization for CaseStack customer relationships.

**Other Income (Expense)**

Hub's other expense increased to $2.7 million in 2019 from $2.1 million in 2018 due to the additional interest costs related to our equipment debt, partially offset by more interest income.

**Provision for Income Taxes**

The provision for income taxes increased to $9.0 million in 2019 from $3.3 million in 2018. We provided for income taxes using an effective rate of 27.3% in 2019 and an effective rate of 23.0% in 2018. The 2019 effective tax rate was higher primarily due to a tax shortfall related to stock-based compensation realized in the first quarter of 2019, compared to an excess tax benefit realized in the first quarter of 2018. We expect our effective tax rate for the entire year of 2019 will range from 25.0% to 26.0%.

**Net Income**

Net income increased to $23.9 million in 2019 from $11.1 million in 2018 due primarily to increased margin, partially offset by the increase in operating costs.

**LIQUIDITY AND CAPITAL RESOURCES**

During the first three months of 2019, 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, 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 three months ended March 31, 2019 was $63.4 million, which resulted primarily from income of $23.9 million, non-cash charges of $38.8 million and a positive change in operating assets and liabilities of $0.7 million.

Cash provided by operating activities increased $30.2 million in 2019 versus 2018. The increase was due to a $12.1 million increase in non-cash items, a $10.4 million increase in the changes of operating assets and liabilities and $7.7 higher net income in 2019 as compared to 2018.

The positive change in non-cash items was due to an increase in depreciation and amortization related to equipment purchases as well as additional amortization incurred for lease accounting of $9.8 million, an increase in deferred taxes of $1.6 million and compensation expense related to stock-based compensation plans of $1.4 million, partially offset by the increase in the gain on sale of equipment of $0.7 million. The increase in the changes of operating assets and liabilities of $10.4 million was caused by increases in the change of accounts receivable of $21.3 million, prepaid expenses of $5.9 million, accounts payable of $5.0 million, non-current liabilities of $2.4 million and prepaid taxes of $0.5 million. These increases were partially offset by decreases in accrued expenses of $19.2 million, restricted investments of $2.8 million and other assets of $2.7 million.

Net cash provided by investing activities for the three months ended March 31, 2019 was $6.2 million. Proceeds from the disposition of discontinued operations was $19.4 million while the increase in proceeds from the sale of equipment was $3.8 million. Capital expenditures of $17.0 million related primarily to containers of $7.1 million, technology investments of $6.6 million and tractors of $3.2 million.

Net cash used in investing activities for the quarter ended March 31, 2018 was $21.7 million. The increase in net cash provided by investing activities of $27.8 million in 2019 versus 2018 was due primarily to higher proceeds related to the disposition of discontinued operations of $19.4 million and the increase in proceeds from the sale of equipment of $3.3 million partially offset by the decrease in capital expenditures of $5.1 million related primarily to tractors and transportation equipment.

We estimate our capital expenditures will range from $115 million to $125 million in 2019, primarily for tractors, containers, trailers and a new building in Oak Brook as well as technology investments.

The net cash used in financing activities for the three months ended March 31, 2019 was $18.6 million, which resulted from the repayment of long-term debt of $25.8 million, stock tendered for payments of withholding taxes of $2.6 million and finance lease payments of $0.7 million partially offset by proceeds from the issuance of long-term debt of $10.5 million.

The decrease in net cash used in financing activities of $3.5 million in 2019 versus 2018 was primarily due to a decrease in the repayments of long-term debt of $8.5 million and stock tendered for payments of withholding taxes of $1.3 million partially offset by a decrease of proceeds from the issuance of long-term debt of $6.3 million.

As a result of anticipated favorable timing differences related to depreciation, we expect our cash paid for income taxes in 2019 to be less than our income tax expense.

At March 31, 2019, we are authorized to borrow up to $350 million under a revolving line of credit. We have standby letters of credit that expire at various dates in 2019. As of March 31, 2019, our letters of credit were $28.5 million and we had no borrowings under our bank revolving line of credit. Our unused and available borrowings were $321.5 million as of March 31, 2019 and $323.0 as of December 31, 2018. We were in compliance with our debt covenants as of March 31, 2019.

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

We are exposed to market risk related to changes in interest rates on our bank line of credit which may adversely affect our results of operations and financial condition. Although we conduct business in foreign countries, international operations are not material to our consolidated financial position, results of operations, or cash flows. Additionally, foreign currency transaction gains and losses were not material to our results of operations for the three months ended March 31, 2019. Accordingly, we are not currently subject to material foreign currency exchange rate risks from the effects that exchange rate movements of foreign currencies would have on our future costs or on future cash flows we would receive from our foreign investment. To date, we have not entered into any foreign currency forward exchange contracts or other derivative financial instruments to hedge the effects of adverse fluctuations in foreign currency exchange rates. We do not use financial instruments for trading purposes.

We have both fixed and variable rate debt as described in Note 7 to the unaudited consolidated financial statements. Any material increase in market interest rates would not have a material impact on the results of operations for the quarter ended March 31, 2019.

As of March 31, 2019, we had no borrowings under our bank revolving line of credit. Our unused and available borrowings were $321.5 million and $323.0 million as of March 31, 2019 and December 31, 2018.

## Item 4. CONTROLS AND PROCEDURES

As of March 31, 2019, an evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures. Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures were effective as of March 31, 2019. There have been no changes in our internal control over financial reporting identified in connection with such evaluation that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

# PART II. Other Information

## Item 1. Legal Proceedings

During the three months ended March 31, 2019, there have been no material developments from the legal proceedings disclosed in our Annual Report on Form 10-K for our fiscal year ended December 31, 2018, except those disclosed in Note 10 to the unaudited consolidated financial statements under "Legal Matters," which is incorporated herein by reference.

## Item 1A. Risk Factors

During the three months ended March 31, 2019, there have been no material changes from the risk factors disclosed in our Annual Report on Form 10-K for our year ended December 31, 2018.

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

We do not currently have a share repurchase plan in place. During the first quarter of 2019, we purchased 68,908 shares at a weighted average price of $37.42 per share related to employee withholding upon vesting of restricted stock.

## Item 6. Exhibits

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

**EXHIBIT INDEX**

| Exhibit No. | Description |
|---|---|
| 10.1 | Separation Agreement dated January 3, 2019 between Hub Group, Inc. and David Marsh. |
| 31.1 | Certification of David P. Yeager, Chairman and Chief Executive Officer, Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. |
| 31.2 | Certification of Terri A. Pizzuto, Executive Vice President, Chief Financial Officer and Treasurer, Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. |
| 32.1 | Certification of David P. Yeager and Terri A. Pizzuto, Chief Executive Officer and Chief Financial Officer, respectively, Pursuant to 18 U.S.C. Section 1350. |
| 101 | The following financial statements and footnotes from the Hub Group Quarterly Report on Form 10-Q for the quarter ended March 31, 2019 formatted in XBRL: (i) Consolidated Balance Sheets; (ii) Unaudited Consolidated Statements of Income and Other Comprehensive Income; (iii) Unaudited Consolidated Statements of Cash Flows; and (iv) Notes to Unaudited Consolidated Financial Statements. |

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: May 6, 2019

/s/ Terri A. Pizzuto

Terri A. Pizzuto
Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)

# SEPARATION AGREEMENT

This Separation Agreement (the "Agreement") is between David Marsh, on behalf of himself, his spouse, beneficiaries, heirs, agents, successors, assigns, dependents, and anyone acting on his behalf (collectively referred to throughout this Agreement as "Employee"), and Hub Group, Inc., on behalf of itself, its subsidiaries, affiliate companies, directors, officers, predecessors, successors, employees, general partners, agents and anyone acting for it (collectively referred to throughout this Agreement as "Hub").

1. **Separation Date.** Employee agrees that Employee's employment and compensation are terminated effective January 3, 2019 ("Separation Date").

2. **General Waiver and Release of Claims.** Employee and Hub agree that, in exchange for Hub not contesting any unemployment claims Employee may make and in exchange for the payment to Employee of severance in the sum of $301,231.40, less applicable tax withholdings and payroll deductions; pay-out of Employee's 2018 bonus as described in Section 3(b) below; COBRA continuation as specified in this Agreement**;** and executive outplacement services, Employee waives and releases Hub from any and all claims of any type to date arising out of or relating to Employee's employment, the separation of Employee's employment, or the renewal of Employee's employment. This waiver and release includes, but is not limited to, any and all allegations that the Employer:

- has discriminated or retaliated against Employee in violation of the Age Discrimination in Employment Act ("ADEA"), or on the basis of race, color, sex (including sexual harassment and pregnancy), national origin, ancestry, disability (including the Americans With Disabilities Act), religion, sexual orientation, gender identity and expression, marital status, parental status, veteran status, source of income, entitlement to benefits, union activities, or any other status protected by local, state or federal laws, constitutions, regulations, ordinances or executive orders; or
- has violated the Fair Labor Standards Act, the Family Medical Leave Act, the Employee Retirement Income Security Act, the Workers Adjustment and Retraining Notification Act, the National Labor Relations Act, the Labor-Management Relations Act, Sarbanes-Oxley, and all other federal, state or local laws; or
- has violated its personnel policies, procedures, handbooks, any covenant of good faith and fair dealing, or any express or implied contract of any kind; or
- has violated public policy, statutory or common law, including claims for: personal injury; breach of fiduciary duty; invasion of privacy; retaliatory discharge; negligent hiring, retention or supervision; defamation; intentional or negligent infliction of emotional distress and/or mental anguish; intentional interference with contract; negligence; whistleblowing; detrimental reliance; loss of consortium to Employee or any member of Employee's family; and/or promissory estoppel; or
- except as otherwise expressly provided in this Agreement, is in any way obligated for any reason to pay Employee salary, compensation, benefits, commissions, bonuses, vacation, paid time off, stock grants, stock options, other stock-related benefits, profit-sharing, damages, expenses, litigation costs (including attorneys' fees), backpay, frontpay, disability or welfare or retirement benefits (other than any accrued pension benefits), compensatory damages, punitive damages, and/or interest.

3. **Payments Under the Separation Agreement.**

   a. The severance payment set forth in paragraph 1 will be made in sixteen (16) payments on Hub's regular payroll dates, beginning on the next available pay date after the revocation period has passed. Payments #1 through #15 will be in the amount of $18,826.96, less applicable taxes and withholdings. Payment #16 will be in the amount of $18,827.00, less applicable taxes and withholdings.

b. Employee will receive payment under the 2018 bonus plan as if he continued to be employed by Hub. Employee's bonus pay-out will be calculated based on 100% achievement of Employee's personal goals and at the earnings-per-share payout rate set by the Hub Board of Directors' Compensation Committee. Such bonus payment will be calculated in February 2019 and paid out, less applicable taxes and withholdings, in accordance with Hub's established process once it is approved by the Hub Board of Directors' Compensation Committee.

4. **ADEA Waiver and Release.** Among the claims being released by Employee in this Agreement are claims under the Age Discrimination in Employment Act of 1967, as amended ("ADEA"), 29 U.S.C. Sections 621-34. Pursuant to and in compliance with the Older Workers Benefit Protection Act, 29 U.S.C. Section 626(f), Employee acknowledges that:

a. This Agreement is written in a manner calculated to be understood by Employee, and that Employee in fact understands all of the terms of this Agreement;
b. In addition to the waiver and release of all other possible claims, this Agreement results in the waiver and release by Employee of all claims arising under the ADEA;
c. In exchange for the waiver and release by Employee of all ADEA claims, Employee is receiving consideration in addition to anything of value to which Employee is already entitled;
d. Employee is not waiving rights or claims that may arise after the date Employee signs this Agreement;
e. Employee has been advised in writing to consult with an attorney prior to executing this Agreement;
f. Employee was provided the period of at least twenty-one (21) days within which to consider this Agreement;
g. Employee has seven (7) days following execution of this Agreement to revoke this Agreement and that this Agreement shall not become effective or enforceable until this revocation period has expired. A revocation will not be effective unless it is in writing and received by the Hub Vice President of Human Resources located at Hub Group, Inc., 2000 Clearwater Drive, Oak Brook, IL 60523, within such seven-day period.

5. **Exclusions from General Release and ADEA Waiver.** Excluded from the above General Waiver and Release and ADEA Waiver above are any rights and claims which cannot be waived by law, including the right to file a charge with or participate in an investigation or proceeding conducted by the Equal Employment Opportunity Commission. To the extent that claims not waivable by law are pursued on the Employee's behalf, however, he agrees to waive any right to monetary recovery.

6. **Continuing Cooperation**. Following the Separation Date, Employee agrees to cooperate with all reasonable requests for information made by or on behalf of Company with respect to Hub operations. Moreover, Employee agrees to fully cooperate with the Company and its legal counsel in connection with any action, proceeding, or dispute arising out of matters with which Employee was directly or indirectly involved while employed by the Company, including without limitation the U.S. Xpress, Inc. litigation against Hub, recently dismissed without prejudice in the Lucas County, Ohio Court of Common Pleas. This cooperation includes meeting with, and providing information to, Hub and its legal counsel, maintaining the confidentiality of any past or future privileged communications with the Company's legal counsel, and being available to testify truthfully by affidavit, in depositions, or in any other forum on behalf of Hub. In connection with any such requests or matters requiring Employee's cooperation, the Employer shall reimburse Employee for all out-of-pocket expenses reasonably and necessarily incurred in responding to such request(s).

7. **Non-Disparagement**. Employee agrees that Employee will not make or solicit any comments or statements to any person, the media, on any form of social media or in any private or public forum, or to any entity with which Hub has a relationship, that may be considered derogatory or detrimental to the good name or business reputation of Hub or any of its officers or directors.

8. **Return of Company Property.** Employee agrees, prior to the receipt of the payment provided under paragraph 1, to return to Hub all property, including computer hardware and software, documents, and electronically stored data belonging or relating to Hub.

9. **Confidential Information.** Employee agrees that he will not use, for any purpose, or disclose to any person or entity, any confidential information which he acquired during the course of his employment with Hub. Confidential

information includes, but is not limited to, customer lists, marketing materials, human resource materials, pricing information, proprietary system information, operational materials, trade secrets, and financial records.

10. **Remedy for Other Breach.** If Employee breaches the "Continuing Cooperation" paragraph, "Non-Disparagement" paragraph, "Confidential Information" paragraph, "Return of Company Property" paragraph, "Non-Solicitation of Employees and Contractors" paragraph, "Non-Solicitation of Customers" paragraph, or "Non-Competition and Non-Solicitation-Home Depot" paragraph, and legal action results, then Employee will be liable for Hub's reasonable attorneys' fees and court costs associated with the legal action.

11. **Non-Admissions.** This Agreement does not constitute, is not intended to be, and shall not be construed, interpreted or treated in any respect, for any purpose whatsoever, as being an admission of liability or wrongdoing by Hub.

12. **No Verbal Amendments.** This Agreement may be amended only in writing signed by both parties.

13. **Jurisdiction and Venue.** This Agreement will be governed by and construed in accordance with the laws of the State of Illinois, without regard to any choice of law principles of any other state to the contrary. Each party irrevocably consents to exclusive jurisdiction and venue in the state and federal courts located in or with jurisdiction over DuPage County, Illinois, such as the United States District Court for the Northern District of Illinois, Eastern Division, with respect to any matter, dispute or court proceeding arising out of or relating to this Agreement.

14. **Entire Agreement.** Except as provided in the "Other Agreements" paragraph, this Agreement reflects the parties' entire agreement regarding the terms of Employee's separation from employment with Hub. Other than what is provided in this Agreement, Hub is not obligated to provide Employee with any other or additional monetary or other benefits.

15. **Final Resolution and Consideration.** This Agreement is intended to and in fact resolves all matters between Employee and Hub. The payment and benefits being provided to Employee exceeds the amount that would normally be received by Employee upon separation of employment from Hub.

16. **Other Agreements.** Except for (i) the Transition Agreement; (ii) any non-competition agreements, (iii) any confidentiality agreements, (iv) any restricted stock agreements, or (v) the Proprietary Interest Protection and Non-Solicitation Agreement signed by Employee on December 18, 2003, all previous agreements between Employee and Hub, express or implied, are terminated as of the effective date of this Agreement.

17. **Knowing and Voluntary Agreement.** Employee agrees that Employee is signing this Agreement knowingly, voluntarily, and with a complete understanding of its significance, that Employee has not been coerced, threatened or intimidated into signing this Agreement, that Employee has not been promised anything else in exchange for signing this Agreement, and that Employee has had reasonable and sufficient time to consider this Agreement.

18. **Medical Benefits.** Employee acknowledges that he and his eligible dependents are entitled to obtain COBRA health insurance benefits. In return for signing this Agreement, if Employee elects COBRA continuation coverage, Hub agrees to pay the premiums for Employee's COBRA benefits through September 30, 2019. After September 30, 2019, Employee will be responsible for these payments.

19. **Non-Solicitation of Employees and Contractors.** Employee agrees that until and including January 3, 2022**,** he will not directly or indirectly, whether on Employee's own behalf or on behalf of any other entity (for example as an employee, agent, partner or consultant): (a) hire, solicit, attempt to persuade or otherwise encourage any individual who was an employee, contractor, or consultant working with Hub Group's Highway division, including but not limited to the Hub Capacity Solutions division in the Toledo and Pittsburgh offices, within the six months preceding the termination of Employee's employment with Hub, to terminate any employment or contractual relationship with Hub; or (b) disclose or use information about Hub Capacity Solutions or Highway employees or contractors that could be used to solicit or otherwise encourage those individuals or entities to form new business relationships with another individual or entity; or (c) otherwise interfere with the performance by current or former Hub Capacity Solutions or Hub Highway employees or contractors of their obligations or responsibilities to Hub. With regard to all other employees or contractors of Hub Group, including its subsidiaries and affiliates, Employee agrees that until and

including January 3, 2020**,** he will not directly contact or communicate with any person employed by or contracted to Hub Group within the six months preceding the termination of Employee's employment with Hub regarding possible employment or association with any entity or person other than Hub.

20. **Non-Solicitation of Customers.** Except as provided below for Home Depot, Employee agrees that until and including January 3, 2020, he will not directly or indirectly, through himself or through the entity by whom he is employed or associated with, contract or communicate with or attempt to solicit business from any person or entity who was a customer of Hub at the time of Employee's separation with Hub.

21. **Non-Competition and Non-Solicitation – Home Depot**. In addition to the restrictions above, and because of Employee's long-standing relationship with Home Depot, including his participation in and specialized knowledge of Hub Group's contract negotiations and operations with Home Depot, as well as access to Confidential Information about Home Depot, Employee agrees that he will not, on Employee's own behalf or on behalf of any other entity (for example as an employee, agent, partner, independent contractor or broker), provide, supervise, manage, contract for, or support the development, manufacture, marketing, sales or operation of any product or service that competes or is intended to compete with any product or service sold, offered, or otherwise provided by Hub to Home Depot, including any of its subsidiaries and affiliates, until and including January 3, 2023. Moreover, Employee agrees that until and including January 3, 2023, he will not directly or indirectly, through himself or through the entity by whom he is employed or associated with, contact or communicate with or attempt to solicit business from Home Depot or any of its subsidiaries or affiliates.

22. **Reformation.** It is expressly understood and agreed that Employee and Hub consider the restrictions contained in this Agreement to be reasonable and necessary to protect unique, long-standing customer relationships and the proprietary information of Company and its affiliates. Nevertheless, if any of the aforesaid restrictions are found by a court having jurisdiction to be unreasonable, or overly broad as to geographic area or time, or otherwise unenforceable, Hub and Employee intend for the restrictions therein set forth to be modified by such courts so as to be reasonable and enforceable and, as so modified by the court, to be fully enforced.

23. **Severability.** If any of the terms or conditions in this Agreement are held invalid for any reason by a court or other tribunal of competent jurisdiction, then such terms or conditions shall be deemed severed from this agreement and the remaining terms and conditions shall continue in full force and effect.

24. **Non-Disclosure of Agreement.** Employee agrees to keep confidential and not disclose the existence, terms, and conditions of, facts, events and/or circumstances giving rise to, this Agreement, to any other person or entity, other than (A) to his spouse; (B) to his legal advisors, tax preparer and/or financial advisor, (C) as required by law, or (D) to enforce this Agreement, provided that, with respect to (A) and (B), such persons agree to keep such information confidential.

25. **Effective Date.** This Agreement shall not be binding on Hub until signed by a representative of Hub. This Agreement shall be effective on the later of a) the 8th day after Employee signs this Agreement, if not revoked before then, or b) the date Hub signs this Agreement.

Name: /s/ David Marsh

/s/ Douglas G. Beck
On Behalf of Hub Group, Inc.

Dated: 1/4/2019

Dated: 1/8/2019

**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: May 6, 2019

/s/ David P.Yeager

Name: David P. Yeager
Title: Chairman and Chief Executive Officer

**Exhibit 31.2**

CERTIFICATION

I, Terri A. Pizzuto, 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: May 6, 2019

/s/ Terri A. Pizzuto

Name: Terri A. Pizzuto
Title: Executive Vice President,
Chief Financial Officer and Treasurer

**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 March 31, 2019 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: May 6, 2019

| /s/ David P.Yeager | /s/ Terri A. Pizzuto |
|---|---|
| David P. Yeager | Terri A. Pizzuto |
| Chairman and Chief Executive Officer | Executive Vice President, Chief Financial Officer and Treasurer |
| Hub Group, Inc. | Hub Group, Inc. |