UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2020 or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ____ to ____

Commission file number: 0-27754

HUB GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware	**36-4007085**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

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

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

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

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

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

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

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

Large Accelerated Filer	☒	Accelerated Filer	☐	Non-Accelerated Filer	☐	Smaller Reporting Company	☐
Emerging Growth Company	☐						

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

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

On October 30, 2020, the registrant had 33,494,226 outstanding shares of Class A common stock, par value $.01 per share, and 662,296 outstanding shares of Class B common stock, par value $.01 per share.

HUB GROUP, INC.

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

	September 30, 2020	December 31, 2019
ASSETS	(unaudited)	
CURRENT ASSETS:		
Cash and cash equivalents	$ 185,336	$ 168,729
Accounts receivable trade	559,312	450,451
Allowance for uncollectible trade accounts	(8,574)	(6,912)
Other receivables	1,937	3,237
Prepaid taxes	1,780	630
Prepaid expenses and other current assets	13,661	24,086
TOTAL CURRENT ASSETS	753,452	640,221
Restricted investments	21,516	22,601
Property and equipment, net	638,940	663,165
Right-of-use assets - operating leases	34,400	35,548
Right-of-use assets - financing leases	4,145	5,865
Other intangibles, net	110,890	120,967
Goodwill, net	484,295	484,459
Other assets	17,332	18,748
TOTAL ASSETS	$ 2,064,970	$ 1,991,574
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable trade	$ 307,361	$ 257,247
Accounts payable other	23,008	11,585
Accrued payroll	25,533	45,540
Accrued other	88,344	86,686
Lease liability - operating leases	8,956	8,567
Lease liability - financing leases	2,562	3,048
Current portion of long term debt	86,964	94,691
TOTAL CURRENT LIABILITIES	542,728	507,364
Long term debt	149,004	186,934
Non-current liabilities	49,242	36,355
Lease liability - operating leases	27,191	28,518
Lease liability - financing leases	12	1,820
Deferred taxes	161,782	155,304
STOCKHOLDERS' EQUITY:		
Preferred stock, $.01 par value; 2,000,000 shares authorized; no shares issued or outstanding in 2020 and 2019	-	-
Common stock		
Class A: $.01 par value; 97,337,700 shares authorized and 41,224,792 shares issued in 2020 and 2019; 33,494,661 shares outstanding in 2020 and 33,353,904 shares outstanding in 2019	412	412
Class B: $.01 par value; 662,300 shares authorized; 662,296 shares issued and outstanding in 2020 and 2019	7	7
Additional paid-in capital	183,140	179,637
Purchase price in excess of predecessor basis, net of tax benefit of $10,306	(15,458)	(15,458)
Retained earnings	1,230,772	1,179,601
Accumulated other comprehensive loss	(260)	(186)
Treasury stock; at cost, 7,730,131 shares in 2020 and 7,870,888 shares in 2019	(263,602)	(268,734)
TOTAL STOCKHOLDERS' EQUITY	1,135,011	1,075,279
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 2,064,970	$ 1,991,574

See notes to unaudited consolidated financial statements.

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

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Revenue	$ 924,812	$ 913,275	$ 2,542,914	$ 2,767,436
Transportation costs	816,777	778,057	2,223,036	2,372,226
Gross margin	108,035	135,218	319,878	395,210
Costs and expenses:				
Salaries and benefits	45,576	59,765	146,128	182,652
General and administrative	20,845	30,906	76,151	77,852
Depreciation and amortization	7,697	7,301	22,945	21,150
Total costs and expenses	74,118	97,972	245,224	281,654
Operating income	33,917	37,246	74,654	113,556
Other income (expense):				
Interest expense	(2,237)	(2,780)	(7,698)	(8,526)
Other, net	(122)	669	106	1,567
Total other expense	(2,359)	(2,111)	(7,592)	(6,959)
Income before provision for income taxes	31,558	35,135	67,062	106,597
Income tax expense	6,777	9,030	15,891	27,381
Net income	24,781	26,105	51,171	79,216
Other comprehensive income:				
Foreign currency translation adjustments	23	(33)	(74)	(29)
Total comprehensive income	$ 24,804	$ 26,072	$ 51,097	$ 79,187
Basic earnings per common share	$ 0.75	$ 0.79	$ 1.54	$ 2.37
Diluted earnings per common share	$ 0.74	$ 0.78	$ 1.53	$ 2.36
Basic weighted average number of shares outstanding	33,177	33,034	33,169	33,385
Diluted weighted average number of shares outstanding	33,597	33,265	33,513	33,522

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 June 30, 2019	**41,887,088**	**$ 419**	**$ 170,619**	**$ (15,458)**	**$ 1,125,541**	**$ (178)**	**(7,369,052)**	**$ (248,361)**	**$ 1,032,582**
Purchase of treasury shares	-	-	-	-	-	-	(444,509)	(17,716)	(17,716)
Stock withheld for payments of withholding taxes	-	-	-	-	-	-	(3,168)	(129)	(129)
Issuance of restricted stock awards, net of forfeitures	-	-	1,383	-	-	-	(32,735)	(1,383)	-
Share-based compensation expense	-	-	3,747	-	-	-	-	-	3,747
Net income	-	-	-	-	26,105	-	-	-	26,105
Foreign currency translation adjustment	-	-	-	-	-	(33)	-	-	(33)
Balance September 30, 2019	**41,887,088**	**$ 419**	**$ 175,749**	**$ (15,458)**	**$ 1,151,646**	**$ (211)**	**(7,849,464)**	**$ (267,589)**	**$ 1,044,556**
Balance June 30, 2020	**41,887,088**	**$ 419**	**$ 178,914**	**$ (15,458)**	**$ 1,205,991**	**$ (283)**	**(7,706,638)**	**$ (263,746)**	**$ 1,105,837**
Stock withheld for payments of withholding taxes	-	-	-	-	-	-	(1,896)	(97)	(97)
Issuance of restricted stock awards, net of forfeitures	-	-	(241)	-	-	-	(21,597)	241	-
Share-based compensation expense	-	-	4,467	-	-	-	-	-	4,467
Net income	-	-	-	-	24,781	-	-	-	24,781
Foreign currency translation adjustment	-	-	-	-	-	23	-	-	23
Balance September 30, 2020	**41,887,088**	**$ 419**	**$ 183,140**	**$ (15,458)**	**$ 1,230,772**	**$ (260)**	**(7,730,131)**	**$ (263,602)**	**$ 1,135,011**
Balance December 31, 2018	**41,887,088**	**$ 419**	**$ 172,220**	**$ (15,458)**	**$ 1,072,456**	**$ (182)**	**(7,431,083)**	**$ (248,621)**	**$ 980,834**
Purchase of treasury shares	-	-	-	-	-	-	(626,320)	(24,998)	(24,998)
Stock withheld for payments of withholding taxes	-	-	-	-	-	-	(75,881)	(2,875)	(2,875)
Issuance of restricted stock awards, net of forfeitures	-	-	(8,905)	-	-	-	283,820	8,905	-
Share-based compensation expense	-	-	12,434	-	-	-	-	-	12,434
Net income	-	-	-	-	79,216	-	-	-	79,216
Adoption of ASU 2016-02	-	-	-	-	(26)	-	-	-	(26)
Foreign currency translation adjustment	-	-	-	-	-	(29)	-	-	(29)
Balance September 30, 2019	**41,887,088**	**$ 419**	**$ 175,749**	**$ (15,458)**	**$ 1,151,646**	**$ (211)**	**(7,849,464)**	**$ (267,589)**	**$ 1,044,556**
Balance December 31, 2019	**41,887,088**	**$ 419**	**$ 179,637**	**$ (15,458)**	**$ 1,179,601**	**$ (186)**	**(7,870,888)**	**$ (268,734)**	**$ 1,075,279**
Stock withheld for payments of withholding taxes	-	-	-	-	-	-	(77,491)	(4,041)	(4,041)
Issuance of restricted stock awards, net of forfeitures	-	-	(9,173)	-	-	-	218,248	9,173	-
Share-based compensation expense	-	-	12,676	-	-	-	-	-	12,676
Net income	-	-	-	-	51,171	-	-	-	51,171
Foreign currency translation adjustment	-	-	-	-	-	(74)	-	-	(74)
Balance September 30, 2020	**41,887,088**	**$ 419**	**$ 183,140**	**$ (15,458)**	**$ 1,230,772**	**$ (260)**	**(7,730,131)**	**$ (263,602)**	**$ 1,135,011**

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

	Nine Months Ended September 30,	
	2020	2019
Cash flows from operating activities:		
Net Income	$ 51,171	$ 79,216
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	91,798	86,719
Deferred taxes	7,436	7,145
Compensation expense related to share-based compensation plans	12,676	12,434
Loss (gain) on sale of assets	94	(1,313)
Donated equipment	5,626	-
Changes in operating assets and liabilities:		
Restricted investments	1,085	(2,192)
Accounts receivable, net	(105,918)	41,000
Prepaid taxes	(1,154)	(4,622)
Prepaid expenses and other current assets	10,379	1,299
Other assets	(429)	(3,365)
Accounts payable	61,549	(89,800)
Accrued expenses	(17,834)	2,408
Non-current liabilities	6,209	(225)
Net cash provided by operating activities	122,688	128,704
Cash flows from investing activities:		
Proceeds from sale of equipment	1,298	9,072
Purchases of property and equipment	(55,352)	(55,616)
Acquisitions, net of cash acquired	-	(734)
Proceeds from the disposition of discontinued operations	-	19,439
Net cash used in investing activities	(54,054)	(27,839)
Cash flows from financing activities:		
Proceeds from issuance of debt	128,762	36,557
Repayments of long term debt	(174,419)	(79,147)
Stock withheld for payments of withholding taxes	(4,041)	(2,875)
Finance lease payments	(2,278)	(2,206)
Purchase of treasury stock	-	(24,998)
Net cash used in financing activities	(51,976)	(72,669)
Effect of exchange rate changes on cash and cash equivalents	(51)	(3)
Net increase in cash and cash equivalents	$ 16,607	$ 28,193
Cash and cash equivalents beginning of the period	$ 168,729	$ 61,435
Cash and cash equivalents end of the period	$ 185,336	$ 89,628
Supplemental disclosures of cash paid for:		
Interest	$ 7,331	$ 8,436
Income taxes	$ 12,406	$ 32,917

See notes to unaudited consolidated financial statements.

NOTE 1. Interim Financial Statements

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

The financial statements reflect, in our opinion, all material adjustments (which include only normal recurring adjustments) necessary to fairly present our financial position as of September 30, 2020 and results of operations for the three and nine months ended September 30, 2020 and 2019.

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, 2019. 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. Earnings Per Share

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net income	$ 24,781	$ 26,105	$ 51,171	$ 79,216
Weighted average shares outstanding - basic	33,177	33,034	33,169	33,385
Dilutive effect of stock options and restricted stock	420	231	344	137
Weighted average shares outstanding - diluted	33,597	33,265	33,513	33,522
Earnings per share - basic	$ 0.75	$ 0.79	$ 1.54	$ 2.37
Earnings per share - diluted	$ 0.74	$ 0.78	$ 1.53	$ 2.36

NOTE 3. Revenue from Contracts with Customers

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

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

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

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

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

The Company capitalizes commissions incurred in connection with obtaining a Dedicated contract. In 2020 and 2019, the amount of commissions that were capitalized and the amortization related to these commissions 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.

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

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2020	**2019**	**2020**	**2019**
Intermodal	$ 559,759	$ 539,484	$ 1,515,759	$ 1,618,407
Logistics	175,892	189,470	522,890	586,196
Truck brokerage	119,994	109,543	304,686	334,211
Dedicated	69,167	74,778	199,579	228,622
Total revenue	$ 924,812	$ 913,275	$ 2,542,914	$ 2,767,436

NOTE 4. Fair Value Measurement

The carrying value of cash and cash equivalents, accounts receivable and accounts payable approximated fair value as of September 30, 2020 and December 31, 2019. As of September 30, 2020 and December 31, 2019, the fair value of the Company's fixed-rate borrowings was $7.3 million more and $3.8 million more than the historical carrying value of $236.0 million and $281.6 million, respectively. The fair value of the fixed-rate borrowings was estimated using an income approach based on current interest rates available to the Company for borrowings on similar terms and maturities.

We consider as cash equivalents all highly liquid instruments with an original maturity of three months or less. As of September 30, 2020 and December 31, 2019, our cash is with high quality financial institutions in demand deposit accounts, savings accounts and an interest bearing checking account.

Restricted investments included $21.5 million and $22.6 million as of September 30, 2020 and December 31, 2019, respectively, of mutual funds, which are reported at fair value.

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

NOTE 5. Allowance for Credit Losses

On January 1, 2020, we adopted ASU 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASC 326), which replaces the incurred loss methodology with an expected loss methodology that is referred to as the Current Expected Credit Loss ("CECL"). The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including trade receivables. Results for reporting periods beginning January 1, 2020 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable generally accepted accounting principles. The impact of adopting the standard was immaterial. In accordance with the standard, trade receivables are reported at amortized cost net of the allowance for credit losses.

The allowance for credit losses is a valuation account that is deducted from the trade receivables' amortized cost basis to present the net amount expected to be collected on the receivables. Trade receivables are charged off against the allowance when we believe the uncollectability of a receivable balance is confirmed, and the expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off. Management continuously reviews and assesses the environment, especially with the rapidly-changing COVID-19 pandemic and its potential impact on the credit worthiness and collectability of our accounts receivable with customers most affected by the COVID-19 pandemic. Our allowance for credit losses is presented in the allowance for uncollectible trade accounts and is immaterial at September 30, 2020 and December 31, 2019.

NOTE 6. Long-Term Debt and Financing Arrangements

On July 1, 2017, we entered into a $350 million unsecured credit agreement (the "Credit Agreement") that matures on July 1, 2022. In March 2020, we elected to borrow $100 million under the Credit Agreement as a precautionary measure in order to increase our cash position and preserve financial flexibility in light of uncertainty in the global markets resulting from the COVID-19 pandemic. We repaid the $100 million in June 2020. At September 30, 2020, we had standby letters of credit that expire at various dates in 2020 and 2021. As of September 30, 2020, our letters of credit totaled $32.6 million.

Our unused and available borrowings were $317.4 million as of September 30, 2020 and $318.5 million as of December 31, 2019. We were in compliance with our debt covenants as of September 30, 2020.

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

	September 30, 2020	December 31, 2019
	(in thousands)	
Interim Funding for a deposit on equipment expected to be received in the fourth quarter of 2020; interest paid monthly at a variable rate	$ 3,820	$ -
Secured Equipment Notes due on various dates in 2025 commencing on various dates in 2020; interest is paid monthly at a fixed annual rate between 1.51% and 1.80%	22,036	-
Secured Equipment Notes due on various dates in 2024 commencing on various dates in 2017 to 2020; interest is paid monthly at a fixed annual rate between 2.49% and 3.59%	53,497	62,690
Secured Equipment Notes due on various dates in 2023 commencing on various dates in 2016 to 2019; interest is paid monthly at a fixed annual rate between 2.23% and 4.16%	123,314	153,350
Secured Equipment Notes due on various dates in 2022 commencing on various dates in 2015 to 2017; interest is paid monthly at a fixed annual rate of between 2.16% and 2.85%	10,687	16,892
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%	20,043	35,076
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 1.84% and 2.74%	2,571	13,617
	235,968	281,625
Less current portion	(86,964)	(94,691)
Total long-term debt	$ 149,004	$ 186,934

NOTE 7. Legal Matters

Robles

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

Although the Company believes that the California drivers were properly classified as independent contractors at all times, because litigation is expensive, time-consuming and could interrupt our business operations, HGT decided to make settlement offers to individual drivers with respect to the claims alleged in this lawsuit, without admitting liability. In late 2014, HGT converted its model from independent contractors to employee drivers in California. In early 2016, HGT closed its operations in Southern California.

Adame

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

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

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

NOTE 8. New Accounting Pronouncements

In 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. We adopted this standard on January 1, 2020, as required. The adoption of Topic 350 did not have a material effect on our financial statements.

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement. This standard is effective for public business entities in fiscal years beginning after December 15, 2019, and for interim periods within those fiscal years. This standard requires changes to the disclosure requirements for fair value measurements for certain Level 3 items and specifies that some of the changes must be applied prospectively, while others should be applied retrospectively. We adopted the standard as of January 1, 2020, but it did not have an impact on our financial statements.

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. This ASU clarifies and simplifies accounting for income taxes by eliminating certain exceptions for intraperiod tax allocation principles, the methodology for calculating income tax rates in an interim period, and recognition of deferred taxes for outside basis differences in an investment, among other updates. The effective date of this ASU is for fiscal years and interim periods beginning after December 15, 2020. The Company is evaluating the impact of this ASU.

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

Forward-Looking Information

The information contained in this quarterly report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "expects," "hopes," "believes," "intends," "estimates," "anticipates," "predicts," "projects," "potential," "may," "could," "might," "should," and variations of these words and similar expressions are intended to identify these forward-looking statements. Forward-looking statements are neither historical facts nor assurance of future performance. Instead, they are based on our beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Such factors include, but are not limited to, uncertainties caused by adverse economic conditions, including, without limitation, as a result of extraordinary events or circumstances such as the coronavirus (COVID-19) pandemic, and their impact on our customers' businesses and workforce levels, disruptions of our business and operations, or the operations of our customers.

Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. All forward-looking statements made by us in this report are based upon information available to us on the date of this report and speak only as of the date in which they are made. Except as required by law, we expressly disclaim any obligations to publicly update any forward-looking statements, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements, in addition to those identified in "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2019 (the "2019 10-K") as well as in Part II, Item 1A of this Quarterly Report on Form 10-Q, include the following as they may be affected, either individually, or in the aggregate, by the ongoing effects of the COVID-19 outbreak:

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

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

Current Update and Effects of COVID-19 Outbreak

For the fourth quarter of 2020 we expect high single digit intermodal volume growth. Revenue for our logistics, truck brokerage and dedicated business lines is expected to decline due to the impact of business lost earlier in the year which is not yet being fully offset by our new business wins. Gross margin is being impacted by lower pricing, increased repositioning, rail and other transportation costs, as well as higher insurance expense.

We provided assistance and support to hospitals, food banks and other organizations across the United States by donating refrigerated trailers to be used by emergency responders in fighting the COVID-19 pandemic. We donated refrigerated trailers with a carrying value of approximately $5.4 million during the second quarter of 2020 and $5.6 million in total for the nine months ended September 30, 2020.

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 mission is to continuously elevate each customer’s business to drive long term success. Our vision is to build the industry’s premier customer-centric supply chain solutions. 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, typically over long distances of 750 miles or more. We contract with railroads to provide transportation for the long-haul portion of the shipment between rail terminals. Local pickup and delivery services between origin or destination and rail terminals (referred to as “drayage”) are provided by our Hub Group Trucking (“HGT”) subsidiary and third-party local trucking companies.

For the nine months ended September 30, 2020, HGT accounted for approximately 54% of our drayage needs by assisting us in providing reliable, cost effective intermodal services to our customers. As of September 30, 2020, HGT operated approximately 1,500 tractors and 200 trailers, employed approximately 1,500 drivers and contracted with approximately 950 owner-operators.

Our dedicated operation contracts with customers who seek to outsource a portion of their trucking transportation needs. We offer a dedicated fleet of equipment and drivers to each customer, as well as the management and infrastructure to operate according to the customer’s high service expectations. Contracts with customers generally include fixed and variable pricing arrangements and may include charges for early termination which serves to reduce the financial risk we bear with respect to the utilization of our equipment. Our dedicated operation currently operates a fleet of approximately 1,150 tractors and 5,500 trailers at 69 locations throughout the U.S. As of September 30, 2020, our dedicated operation employed approximately 1,400 drivers.

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

American retailers. These services offer our customers shipment visibility, transportation cost savings, high service and compliance with retailers' increasingly stringent supply chain requirements.

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

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

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

Our top 50 customers represent approximately 72% of revenue for the nine months ended September 30, 2020. We use various performance indicators to manage our business. We closely monitor profitability of our top 50 customers. We also evaluate on-time performance, customer service, cost per load and trade receivables of these customer accounts. Vendor cost changes and vendor service issues are also monitored closely. Management continuously reviews and assesses the environment, especially with the rapidly-changing COVID-19 pandemic and its potential impact on the credit worthiness and collectability of our accounts receivable with customers most affected by the COVID-19 pandemic.

RESULTS OF OPERATIONS

Three Months Ended September 30, 2020 Compared to the Three Months Ended September 30, 2019

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

	Three Months Ended September 30,	
	2020	2019
Intermodal	$ 559,759	$ 539,484
Logistics	175,892	189,470
Truck brokerage	119,994	109,543
Dedicated	69,167	74,778
Total revenue	$ 924,812	$ 913,275

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

	Three Months Ended September 30,			
	2020		2019	
Revenue	$ 924,812	100.0%	$ 913,275	100.0%
Transportation costs	816,777	88.3%	778,057	85.2%
Gross margin	108,035	11.7%	135,218	14.8%
Costs and expenses:				
Salaries and benefits	45,576	4.9%	59,765	6.5%
General and administrative	20,845	2.3%	30,906	3.4%
Depreciation and amortization	7,697	0.8%	7,301	0.8%
Total costs and expenses	74,118	8.0%	97,972	10.7%
Operating income	$ 33,917	3.7%	$ 37,246	4.1%

Revenue

Revenue increased 1.3% to $924.8 million in 2020 from $913.3 million in 2019. Intermodal revenue increased 3.8% to $559.8 million primarily due to a 9.3% increase in volume, partially offset by lower customer pricing. Logistics revenue decreased 7.2% to

$175.9 million as new customer wins and growth from existing customers was more than offset by the impact of customer losses earlier this year. Truck brokerage revenue increased 9.5% to $120.0 million due to a 19.3% increase in fuel, price and mix combined, partially offset by a 9.8% decrease in volume. Dedicated's revenue decreased 7.5% to $69.2 million primarily due to the impact of lost business, partially offset by growth with new accounts.

Transportation Costs

Transportation costs increased 5.0% to $816.8 million in 2020 from $778.1 million in 2019. Transportation costs in 2020 consisted of purchased transportation costs of $654.5 million and equipment and driver related costs of $162.3 million compared to 2019 purchased transportation costs of $615.5 million and equipment and driver related costs of $162.6 million. The increase in purchased transportation costs was due primarily to increases in intermodal volumes, rail costs and third-party carrier costs. Equipment and driver related costs decreased slightly compared to 2019.

Gross Margin

Gross margin decreased 20.1% to $108.0 million in 2020 from $135.2 million in 2019. The margin decrease of $27.2 million was the result of gross margin decreases for all lines of business. Intermodal gross margin decreased compared to the third quarter of 2019 primarily due to lower prices, increased purchased transportation costs, and higher equipment repositioning costs, partially offset by an increase in intermodal volume and the benefits from operational improvements in our trucking operation. Logistics gross margin decreased primarily due to lost customers and lower volume, partially offset by benefits from continuous improvements and growth with new customers. Truck brokerage gross margin decreased primarily due to growth of higher margin spot freight that was more than offset by the impact of higher purchased transportation costs on our contractual freight, as well as less project and less-than-truckload business. Dedicated gross margin decreased primarily due to business we exited and higher insurance and repair costs. Due to the aforementioned reasons, gross margin as a percentage of revenue decreased to 11.7% in 2020 from 14.8% in 2019.

CONSOLIDATED OPERATING EXPENSES

Salaries and Benefits

Salaries and benefits expense decreased to $45.6 million in 2020 from $59.8 million in 2019. As a percentage of revenue, Hub's salaries and benefits decreased to 4.9% in 2020 from 6.5% in 2019. The decrease of $14.2 million was primarily due to lower variable compensation and lower headcount, including reductions in bonus expense of $8.6 million, salaries expense of $4.2 million and employee benefits expense of $1.0 million. Headcount as of September 30, 2020 and 2019 was 1,849 and 2,104 respectively, which excludes drivers, as driver costs are included in transportation costs. The decrease in headcount is primarily due to technology driven efficiencies and improved processes.

General and Administrative

General and administrative expenses decreased to $20.8 million in 2020 from $30.9 million in 2019. These expenses, as a percentage of revenue, decreased to 2.3% in 2020 from 3.4% in 2019. The decrease of $10.1 million in general and administrative expense was primarily due to a decrease in claims expense related to a $4.8 million settlement of a claim first made in 2013 for the alleged misclassification of drivers, a $3.0 million decrease in professional services which included a consulting project in 2019, a $1.3 million decrease in travel and meals and entertainment expenses and the impact of our cost reduction efforts.

Depreciation and Amortization

Depreciation and amortization expense increased to $7.7 million in 2020 from $7.3 million in 2019 related primarily to the deployment of IT initiatives. This expense as a percentage of revenue remained consistent at 0.8% in both 2020 and 2019.

Other Expense

Other expense increased to $2.4 million in 2020 from $2.1 million in 2019 due to lower interest income on cash balances due to the decrease in interest rates and lower foreign currency gains, partially offset by lower interest expense related to lower borrowings.

Provision for Income Taxes

The provision for income taxes decreased to $6.8 million in 2020 from $9.0 million in 2019, while we provided for income taxes using an effective rate of 21.5% in 2020 versus an effective rate of 25.7% in 2019. The provision and effective tax rate were significantly lower in 2020 due primarily to the combination of $0.3 million state tax credits claimed on an amended return this quarter as well as the release of a $0.4 million reserve for an uncertain tax position this quarter. We expect our effective tax rate for the entire year of 2020 will range from 24.0% to 25.0%.

Net Income

Net income decreased to $24.8 million in 2020 from $26.1 million in 2019 due primarily to decreases in gross margin, partially offset by lower costs and expenses, and income tax expenses.

Nine Months Ended September 30, 2020 Compared to the Nine Months Ended September 30, 2019

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

	Nine Months Ended September 30,	
	2020	**2019**
Intermodal	$ 1,515,759	$ 1,618,407
Logistics	522,890	586,196
Truck brokerage	304,686	334,211
Dedicated	199,579	228,622
Total revenue	$ 2,542,914	$ 2,767,436

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

	Nine Months Ended September 30,			
	2020		**2019**	
Revenue	$ 2,542,914	100.0%	$ 2,767,436	100.0%
Transportation costs	2,223,036	87.4%	2,372,226	85.7%
Gross margin	319,878	12.6%	395,210	14.3%
Costs and expenses:				
Salaries and benefits	146,128	5.7%	182,652	6.6%
General and administrative	76,151	3.0%	77,852	2.8%
Depreciation and amortization	22,945	0.9%	21,150	0.8%
Total costs and expenses	245,224	9.6%	281,654	10.2%
Operating income	$ 74,654	3.0%	$ 113,556	4.1%

Revenue

Revenue decreased 8.1% to $2.5 billion from $2.8 billion in 2019. Intermodal revenue decreased 6.3% to $1.5 billion primarily due to lower prices, a 2.0% decrease in volume, and increased intermodal competition. Logistics revenue decreased 10.8% to $522.9 million related primarily to lost customers and a soft demand environment, partially offset by new accounts. Truck brokerage revenue decreased 8.8% to $304.7 million primarily due to a 10.5% decrease in volume, partially offset by a 1.7% increase in fuel, mix, and price. Dedicated's revenue decreased 12.7% to $199.6 million due to the impact of business we exited, partially offset by growth with new accounts.

Transportation Costs

Transportation cost decreased 6.3% to $2.2 billion in 2020 from $2.4 billion in 2019. Transportation costs in 2020 consisted of purchased transportation costs of $1.8 billion and equipment and driver related costs of $471.9 million compared to 2019 purchased transportation costs of $1.9 billion and equipment and driver related costs of $471.9 million. Purchased transportation costs were down 7.9% for the comparable periods. The 7.9% decline in purchased transportation costs were due primarily to decreases in intermodal and brokerage volumes, partially offset by rail cost increases. Equipment and driver related costs were flat compared to 2019.

Gross Margin

Gross margin decreased 19.1% to $319.9 million from $395.2 million in 2019. The $75.3 million gross margin decline was the result of decreases in all service lines. Intermodal gross margin decreased primarily due to a 2.0% decline in volumes, lower prices and higher rail costs. Partially offsetting the intermodal gross margin decrease was higher fuel surcharge margin. Logistics gross margin decreased primarily due to lost customers, partially offset by growth with existing customers. Truck brokerage gross margin decreased due to a 10.5% decrease in volume, partially offset by the benefits from our yield management strategy and technology. Dedicated gross margin decreased primarily due to business we exited, partially offset by revenue management initiatives and improved operational discipline. Due to the aforementioned reasons, gross margin as a percentage of revenue decreased to 12.6% in 2020 from 14.3% in 2019.

CONSOLIDATED OPERATING EXPENSES

Salaries and Benefits

Salaries and benefits expense decreased $36.5 million to $146.1 million in 2020 from $182.7 million in 2019. As a percentage of revenue, Hub's salaries and benefits decreased to 5.7% in 2020 from 6.6% in 2019. The decrease of $36.5 million was primarily due to lower variable compensation and lower headcount, including a decrease in bonus expense of $20.6 million, salaries expense of $11.3 million, employee benefits expense of $2.1 million and payroll tax expense of $1.9 million.

General and Administrative

General and administrative expense decreased to $76.2 million in 2020 from $77.9 million in 2019. These expenses, as a percentage of revenue, increased to 3.0% in 2020 from 2.8% in 2019. The decrease of $1.7 million was primarily due to a decrease in claims expense related to a $4.8 million settlement of a claim first made in 2013 for the alleged misclassification of drivers, a decrease of travel and entertainment expenses of $3.7 million, temporary labor expenses of $0.9 million and the impact of our cost reduction efforts. These decreases were offset by $5.9 million of expense related to donations of refrigerated trailers in support of COVID-19 efforts, a $2.2 million increase in professional services related primarily to a consulting project and lower gains on the sale of equipment of $1.4 million.

Depreciation and Amortization

Depreciation and amortization expense increased to $22.9 million in 2020 from $21.2 million in 2019 related primarily to the deployment of IT initiatives. This expense as a percentage of revenue increased to 0.9% in 2020 from 0.8% in 2019.

Other Expense

Other expense increased to $7.6 million in 2020 from $7.0 million in 2019 due to lower interest income on cash balances due to the decrease in interest rates and higher foreign currency losses, partially offset by lower interest expense related to lower borrowings.

Provision for Income Taxes

The provision for income taxes decreased to $15.9 million in 2020 from $27.4 million in 2019 while the effective tax rate decreased to 23.7% from 25.7%. The provision for income taxes decreased primarily due to significantly lower pre-tax income in 2020, while the 2020 effective tax rate was lower primarily due to a combination of more tax credits claimed in 2020 and an excess tax benefit related to stock-based compensation in 2020 compared to a tax shortfall related to stock-based compensation realized in 2019.

Net Income

Net income decreased to $51.2 million in 2020 from $79.2 million in 2019 due primarily to decreases in gross margin, partially offset by lower costs and expenses, and income tax expenses.

LIQUIDITY AND CAPITAL RESOURCES

During the first nine months of 2020, we funded operations, capital expenditures, payments for 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 including our revolver and cash on hand. In March 2020, we elected to borrow $100 million under the Credit Agreement as a precautionary measure in order to increase our cash position and preserve financial flexibility in light of current uncertainty in the global markets resulting from the COVID-19 pandemic. We repaid the $100 million of borrowings in June 2020. We believe that our cash, cash flows from operations and borrowings available under the Credit Agreement will be sufficient to meet our cash needs for at least the next twelve months.

Cash provided by operating activities for the nine months ended September 30, 2020 was $122.7 million, which resulted primarily from net income of $51.2 million adjusted for non-cash items of $117.6 million partially offset by the change in operating assets and liabilities of $46.1 million.

Cash provided by operating activities decreased $6.0 million in 2020 versus 2019. The total decrease is due to lower net income of $28.0 million, partially offset by a change of $12.6 million in non-cash items and a $9.4 million change in operating assets and liabilities.

The change in non-cash items was due to the increase in donated equipment of $5.6 million, an increase in depreciation and amortization of $5.1 million related to equipment purchases as well as lease amortization, lower gains on the sale of equipment of $1.4

million, an increase in deferred taxes of $0.3 million and an increase in compensation expense related to stock-based compensation plans of $0.2 million. The increase in the change of operating assets and liabilities of $9.4 million was caused by increases in the change of accounts payable of $151.3 million, prepaid expenses of $9.1 million, non-current liabilities of $6.4 million, prepaid taxes of $3.5 million, restricted investments of $3.3 million and other assets of $2.9 million. These increases were partially offset by decreases in the changes in accounts receivable of $146.9 million and accrued expenses of $20.2 million.

Net cash used in investing activities for the nine months ended September 30, 2020 was $54.1 million which included capital expenditures of $55.4 million, partially offset by proceeds from the sale of equipment of $1.3 million. Capital expenditures of $55.4 million related primarily to construction of a new building on our corporate headquarters campus of $19.7 million, containers of $14.6 million, technology investments of $11.1 million, trailers of $9.6 million and the remainder for leasehold improvements.

We estimate our capital expenditures for the remainder of 2020 will range from $70 million to $75 million and will primarily consist of purchases for containers, tractors, and technology to support growth in our business. We plan to fund these expenditures with a combination of cash and debt.

The net cash provided by investing activities for the nine months ended September 30, 2019 was $27.8 million. The net cash used in investing activities increased $26.2 million in 2020 from 2019 due to no proceeds from the disposition of discontinued operations which was $19.4 million in 2019 and a decrease of $7.8 million of proceeds from the sale of equipment, partially offset by $0.7 million less cash used in acquisitions and a decrease in capital expenditures of $0.3 million.

The net cash used in financing activities for the nine months ended September 30, 2019 was $52.0 million which resulted from the repayment of long-term debt and borrowings on our revolver of $174.4 million, stock withheld for payments of withholding taxes of $4.0 million and finance lease payments of $2.3 million, partially offset by proceeds from the issuance of debt of $128.7 million.

The decrease in net cash used in financing activities of $20.7 million from 2020 versus 2019 is primarily due to the increase in proceeds from the issuance of debt of $92.2 million and $25.0 million less purchases of treasury stock, partially offset by an increase in the repayments of long term debt and our revolver of $95.3 million and stock withheld for payments of withholding taxes of $1.2 million.

In 2020, we expect our cash paid for taxes to be significantly lower than in 2019 due to lower pre-tax income in 2020. We expect our cash used to pay taxes in 2020 will be lower than our income tax expense because of favorable timing differences related to depreciation for 2020.

Our unused and available borrowings were $317.4 million as of September 30, 2020 and $318.5 million as of December 31, 2019. We had standby letters of credit that expire at various dates in 2020 and 2021. As of September 30, 2020, our letters of credit were $32.6 million. We were in compliance with our debt covenants as of September 30, 2020 and December 31, 2019.

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

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our market risk as of September 30, 2020 from that presented in our 2019 10-K.

Item 4. CONTROLS AND PROCEDURES

1. *Disclosure Controls and Procedures.* As of September 30, 2020, an evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as such term is defined in Exchange Act Rule 13a-15(e)). Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2020.
2. *Changes in Internal Control over Financial Reporting.* During the quarter ended September 30, 2020, our Dedicated division implemented our new enterprise resource planning ("ERP") system. We expect the implementation of the ERP system to reduce the number of financial systems across the Company and enhance our internal controls over financial reporting. The implementation has resulted in certain changes to business processes and internal controls over financial reporting. We have taken steps to monitor and maintain appropriate internal control over financial reporting and will continue to evaluate the operating effectiveness of related controls.

Except as set forth above, no other changes in our internal control over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f)) during the fiscal quarter ended September 30, 2020 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 nine months ended September 30, 2020, there have been no material developments from the legal proceedings disclosed in our 2019 10-K, except those disclosed in Note 7 to the unaudited consolidated financial statements under “Legal Matters,” which is incorporated herein by reference.

Item 1A. Risk Factors

Investing in shares of our stock involves certain risks, including those identified and described in Part I, Item 1A of our 2019 10-K, as well as cautionary statements contained in this Quarterly Report on Form 10-Q, including those under the caption “Forward-Looking Information” in Part I, Item 2 of this Quarterly Report on Form 10-Q and in our other filings with the SEC.

The Company is providing the following additional risk factor to supplement the risk factors contained in Part I, Item 1A of our 2019 10-K.

The COVID-19 pandemic has disrupted and has and could materially and adversely affect our business, financial condition and results of operations, and the ultimate impacts of the pandemic on our business, financial condition and results of operations will depend on future developments and other factors that are highly uncertain and will be affected by the scope and duration of the pandemic and actions taken by individuals and governmental authorities in response to the pandemic.

The ongoing COVID-19 pandemic has caused and will continue to cause significant disruption in the international and United States economies and financial markets and has had and may continue to have a significant and a material adverse effect on our business, financial condition and results of operations. The spread of COVID-19 has caused illness, quarantines, cancellation of events and travel, business and school shutdowns, reduction in business activity and financial transactions, supply chain interruptions and overall economic and financial market instability. In response to the COVID-19 pandemic, the governments of most states have taken preventative or protective actions, such as imposing restrictions on travel and business operations, advising or requiring individuals to limit or forego their time outside of their homes, and ordering temporary closures of businesses that have been deemed to be non-essential.

The ultimate duration of the pandemic and of responsive governmental regulations, including shelter-in-place orders and mandated business closures, is uncertain. New and changing government and private actions to address the COVID-19 pandemic have been occurring daily. We have been closely monitoring the COVID-19 pandemic and its impacts and potential impacts on our business. However, because developments with respect to the spread of COVID-19 and its impacts have been occurring so rapidly, we are unable to predict the extent and duration of the impact of COVID-19 on our business, financial condition and results of operations. These restrictions and other consequences of the pandemic, however, have resulted in significant adverse effects for many different types of businesses, including, among others, those in the retail, travel, hospitality and food and beverage industries, and have resulted in a significant number of layoffs and furloughs of employees nationwide and in the regions in which we operate.

We have been deemed an essential business and have been permitted to continue to operate in all of the jurisdictions in which we operate, including jurisdictions that have mandated the closure of certain businesses, and we expect to be permitted to continue to operate in the future. Nevertheless, there is no assurance that we will continue to be permitted to operate under every future government order or other restriction and in every location.

In addition, the COVID-19 pandemic has caused, and may in the future continue to cause, disruptions, and in some cases severe disruptions, to the business and operations of our customers as a result of quarantines, worker absenteeism as a result of illness or other factors, social distancing measures, consumer concerns, and other travel, health-related, business or other restrictions. Certain of our customers have been, and may in the future be, required to close or operate at a lower capacity, which as a result, has and will continue to affect our business, financial condition and results of operations. There can be no assurance that any decrease in revenues resulting from the COVID-19 pandemic will be offset by increased revenues in the future. The ultimate effects of the COVID-19 pandemic on the broader economy and the markets that we serve are not known nor is the ultimate length of the restrictions described above and any accompanying effects. Additional impacts of the COVID-19 pandemic on our business could be widespread and material, and may include, or exacerbate, among other consequences, any of the risk factors described in the 2019 10-K or in any of the following:

- Adverse effects on our growth and strategic plans;
- The risk that government programs meant to address COVID-19, including the additional lending facilities announced by the Federal Reserve, prove to be ineffective;
- Decline in the credit quality of our customers, owing to the effects of the COVID-19 pandemic in the markets we serve, as a result of layoffs, furloughs, closure orders, business slowdowns and lack of consumer confidence, all of which could lead to a need to increase our allowance for credit losses;
- Volatility or increases in the allowance for credit losses, either alone or as that may be affected by conditions arising out of the COVID-19 pandemic;
- Reductions in our operating effectiveness as our employees work from home;
- Increased cybersecurity risks as a result of many of our employees working remotely;
- Unavailability of key personnel necessary to conduct our business activities;
- Effects on key employees, including operational management personnel and those charged with preparing, monitoring and evaluating our financial reporting and internal controls;
- Sustained changes in consumer behavior, including reductions in consumer discretionary spending even after the crisis has subsided, due to both job losses, lack of consumer confidence and other effects attributable to the COVID-19 pandemic;
- Unprecedented volatility in United States financial markets, which may cause the price of our securities to fluctuate irrespective of the performance of our company; and
- Declines in demand resulting from businesses being deemed to be “non-essential” by governments in the markets we serve, and from “non-essential” and “essential” businesses suffering adverse effects from reduced levels of economic activity in our markets.

These factors, together or in combination with other events or occurrences that may not yet be known or anticipated, may materially and adversely affect our business, financial condition and results of operations.

The ongoing COVID-19 pandemic has resulted in meaningfully lower stock prices for many companies, as well as the trading prices for many other securities. The further spread of the COVID-19 outbreak, as well as ongoing or new governmental, regulatory and private sector responses to the pandemic, may materially disrupt banking and other economic activity generally and in the areas in which we operate. This could result in further decline in demand for our services, and could negatively affect, among other things, our liquidity, regulatory capital and our growth strategy. Any one or more of these developments could have a material adverse effect on our business, financial condition and results of operations.

Although we are taking precautions to protect the safety and well-being of our team members and customers, no assurance can be given that the steps being taken will be adequate or deemed to be appropriate, nor can we predict the level of disruption which will occur to our team members’ ability to provide customer support and service. If we are unable to recover from a business disruption on a timely basis, our business, financial condition and results of operations could be materially and adversely affected. We may also incur additional costs to remedy damages caused by such disruptions, which could further adversely affect our business, financial condition and results of operations.

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

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

Item 6. Exhibits

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

EXHIBIT INDEX

Exhibit No.	Description
31.1	Certification of David P. Yeager, Chairman and Chief Executive Officer, Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
31.2	Certification of Geoffrey F. DeMartino, Executive Vice President, Chief Financial Officer and Treasurer, Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
32.1	Certification of David P. Yeager and Geoffrey F. DeMartino, Chief Executive Officer and Chief Financial Officer, respectively, Pursuant to 18 U.S.C. Section 1350.
101	Interactive data files for Hub Group, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2020, formatted in Inline XBRL: (i) the Consolidated Balance Sheets (unaudited); (ii) the Unaudited Consolidated Statements of Income and Comprehensive Income; (iii) the Unaudited Consolidated Statements of Stockholders' Equity; (iv) the Unaudited Consolidated Statements of Cash Flows (unaudited); and (v) the Notes to Unaudited Consolidated Financial Statements. XBRL Instance Document-the XBRL Instance Document does not appear in the Interactive Data file because its XBRL tags are embedded within the Inline XBRL document.
104	The cover page from Hub Group, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2020 (formatted in Inline XBRL and included in Exhibit 101).

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

HUB GROUP, INC.

DATE: November 5, 2020

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

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

Exhibit 31.1

CERTIFICATION

I, David P. Yeager, certify that:

1) I have reviewed this report on Form 10-Q of Hub Group, Inc.;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting and;

5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2020

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

Exhibit 31.2

CERTIFICATION

I, Geoffrey F. DeMartino, certify that:

1) I have reviewed this report on Form 10-Q of Hub Group, Inc.;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting and;

5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2020

/s/ Geoffrey F. DeMartino
Name: Geoffrey F. DeMartino
Title: Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)

Exhibit 32.1

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

The following statement is provided by the undersigned to accompany the Form 10-Q for the quarter ended September 30, 2020 of Hub Group, Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350) and shall not be deemed filed pursuant to any provision of the Exchange Act of 1934 or any other securities law.

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

Date: November 5, 2020

/s/ David P. Yeager
David P. Yeager
Chairman and Chief Executive Officer
Hub Group, Inc.

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