

**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 **June 30, 2024** or

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

For the transition period from _____ to

Commission file number: **0-27754**

HUB GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

36-4007085

(I.R.S. Employer Identification No.)

**2001 Hub Group Way
Oak Brook, Illinois 60523**

(Address, including zip code, of principal executive offices)

(630) 271-3600

Registrant's telephone number, including area code

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

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 July 26, 2024, the registrant had 61,597,319 outstanding shares of Class A common stock, par value \$.01 per share, and 574,903 outstanding shares of Class B common stock, par value \$.01 per share.

HUB GROUP, INC.
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PART I. FINANCIAL INFORMATION**Item 1. Financial Statements**

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

	<u>June 30,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
ASSETS	(unaudited)	
CURRENT ASSETS:		
Cash and cash equivalents	\$ 220,247	\$ 187,270
Accounts receivable trade, net	583,759	600,197
Accounts receivable other	3,771	3,358
Prepaid taxes	12,791	17,331
Prepaid expenses and other current assets	16,139	41,089
TOTAL CURRENT ASSETS	<u>836,707</u>	<u>849,245</u>
Restricted investments	21,044	20,763
Property and equipment, net	759,779	791,692
Right-of-use assets - operating leases	196,465	210,742
Right-of-use assets - financing leases	1,538	2,522
Other intangibles, net	248,391	304,607
Goodwill	771,894	733,695
Other non-current assets	22,885	22,781
TOTAL ASSETS	<u>\$ 2,858,703</u>	<u>\$ 2,936,047</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable trade	\$ 325,569	\$ 349,378
Accounts payable other	24,143	14,471
Accrued payroll	29,429	21,731
Accrued other	111,874	121,253
Lease liability - operating leases	40,142	44,690
Lease liability - financing leases	805	1,579
Current portion of long-term debt	103,192	105,108
TOTAL CURRENT LIABILITIES	<u>635,154</u>	<u>658,210</u>
Long-term debt	209,875	245,574
Other non-current liabilities	53,213	55,287
Lease liability - operating leases	163,669	177,699
Lease liability - financing leases	664	865
Deferred taxes	154,998	163,767
STOCKHOLDERS' EQUITY:		
Preferred stock, \$.01 par value; 2,000,000 shares authorized; no shares issued or outstanding in 2024 and 2023.	-	-
Common stock		
Class A: \$.01 par value; 97,337,700 shares authorized; 72,303,228 shares issued in 2024 and 75,524,189 shares issued in 2023; 61,653,003 shares outstanding in 2024 and 62,200,921 shares outstanding in 2023.	723	755
Class B: \$.01 par value; 662,300 shares authorized; 574,903 shares issued and outstanding in 2024 and 2023.	6	6
Additional paid-in capital	211,346	209,830
Retained earnings	1,989,600	1,949,110
Accumulated other comprehensive loss	(200)	(129)
Treasury stock; at cost, 10,650,225 shares in 2024 and 13,323,268 shares in 2023.	(560,345)	(524,927)
TOTAL STOCKHOLDERS' EQUITY	<u>1,641,130</u>	<u>1,634,645</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 2,858,703</u>	<u>\$ 2,936,047</u>

See notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Operating revenue	\$ 986,495	\$ 1,040,462	\$ 1,985,988	\$ 2,192,727
Operating expenses:				
Purchased transportation and warehousing	727,236	763,609	1,467,408	1,630,540
Salaries and benefits	141,856	141,823	286,352	279,254
Depreciation and amortization	37,772	35,386	76,103	70,835
Insurance and claims	12,639	11,676	25,257	24,359
General and administrative	27,877	26,757	55,111	52,298
Gain on sale of assets, net	(413)	(859)	(910)	(4,834)
Total operating expenses	946,967	978,392	1,909,321	2,052,452
Operating income	39,528	62,070	76,667	140,275
Other income (expense):				
Interest expense	(3,689)	(3,116)	(7,588)	(6,086)
Interest income	1,808	2,087	3,201	3,463
Other, net	(66)	69	(236)	108
Total other expense, net	(1,947)	(960)	(4,623)	(2,515)
Income before provision for income taxes	37,581	61,110	72,044	137,760
Provision for income taxes	8,566	14,605	15,976	29,475
Net income	29,015	46,505	56,068	108,285
Other comprehensive income:				
Foreign currency translation adjustments	(63)	44	(71)	78
Total comprehensive income	\$ 28,952	\$ 46,549	\$ 55,998	\$ 108,363
Basic earnings per common share	\$ 0.48	\$ 0.73	\$ 0.92	\$ 1.68
Diluted earnings per common share	\$ 0.47	\$ 0.72	\$ 0.91	\$ 1.66
Basic weighted average number of shares outstanding	60,710	64,074	61,018	64,586
Diluted weighted average number of shares outstanding	61,108	64,586	61,387	65,132

See notes to unaudited condensed consolidated financial statements.

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

	Class A & B Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock		Total
	Shares Issued	Amount				Shares	Amount	
Balance March 31, 2023	76,099,092	\$ 761	\$ 190,311	\$ 1,843,362	\$ (180)	(9,542,030)	\$ (375,206)	\$ 1,659,048
Stock tendered for payments of withholding taxes related to awards vested	-	-	-	-	-	(2,695)	(212)	(212)
Purchase of treasury stock	-	-	-	-	-	(1,323,425)	(100,026)	(100,026)
Issuance of restricted stock awards, net of forfeitures	-	-	2,868	-	-	(32,507)	(2,868)	-
Share-based compensation expense	-	-	5,377	-	-	-	-	5,377
Net income	-	-	-	46,505	-	-	-	46,505
Foreign currency translation adjustment	-	-	-	-	44	-	-	44
Balance June 30, 2023	<u>76,099,092</u>	<u>\$ 761</u>	<u>\$ 198,556</u>	<u>\$ 1,889,867</u>	<u>\$ (136)</u>	<u>(10,900,657)</u>	<u>\$ (478,312)</u>	<u>\$ 1,610,736</u>
Balance March 31, 2024	72,878,131	\$ 729	\$ 208,964	\$ 1,968,361	\$ (137)	(10,455,784)	\$ (555,701)	\$ 1,622,216
Stock tendered for payments of withholding taxes related to awards vested	-	-	-	-	-	(4,237)	(178)	(178)
Purchase of treasury stock	-	-	-	-	-	(179,875)	(7,182)	(7,182)
Federal excise tax on purchased treasury stock	-	-	-	-	-	-	(295)	(295)
Issuance of restricted stock awards, net of forfeitures	-	-	(3,011)	-	-	(10,329)	3,011	-
Share-based compensation expense	-	-	5,393	-	-	-	-	5,393
Dividends paid	-	-	-	(7,604)	-	-	-	(7,604)
Dividends accrued	-	-	-	(172)	-	-	-	(172)
Net income	-	-	-	29,015	-	-	-	29,015
Foreign currency translation adjustment	-	-	-	-	(63)	-	-	(63)
Balance June 30, 2024	<u>72,878,131</u>	<u>\$ 729</u>	<u>\$ 211,346</u>	<u>\$ 1,989,600</u>	<u>\$ (200)</u>	<u>(10,650,225)</u>	<u>\$ (560,345)</u>	<u>\$ 1,641,130</u>
Balance December 31, 2022	76,099,092	\$ 761	\$ 192,365	\$ 1,781,582	\$ (214)	(9,656,044)	\$ (374,892)	\$ 1,599,602
Stock tendered for payments of withholding taxes related to awards vested	-	-	-	-	-	(98,209)	(7,818)	(7,818)
Purchase of treasury stock	-	-	-	-	-	(1,323,425)	(100,026)	(100,026)
Issuance of restricted stock awards, net of forfeitures	-	-	(4,424)	-	-	177,021	4,424	-
Share-based compensation expense	-	-	10,615	-	-	-	-	10,615
Net income	-	-	-	108,285	-	-	-	108,285
Foreign currency translation adjustment	-	-	-	-	78	-	-	78
Balance June 30, 2023	<u>76,099,092</u>	<u>\$ 761</u>	<u>\$ 198,556</u>	<u>\$ 1,889,867</u>	<u>\$ (136)</u>	<u>(10,900,657)</u>	<u>\$ (478,312)</u>	<u>\$ 1,610,736</u>
Balance December 31, 2023	76,099,092	\$ 761	\$ 209,830	\$ 1,949,110	\$ (129)	(13,323,268)	\$ (524,927)	\$ 1,634,645
Adjustment related to stock split	(3,220,961)	(32)	32	-	-	3,220,961	-	-
Stock tendered for payments of withholding taxes related to awards vested	-	-	-	-	-	(190,304)	(8,664)	(8,664)
Purchase of treasury stock	-	-	-	-	-	(767,803)	(32,938)	(32,938)
Federal excise tax on purchased treasury stock	-	-	-	-	-	-	(1,765)	(1,765)
Issuance of restricted stock awards, net of forfeitures	-	-	(7,949)	-	-	410,189	7,949	-
Share-based compensation expense	-	-	9,433	-	-	-	-	9,433
Dividends paid	-	-	-	(15,230)	-	-	-	(15,230)
Dividends accrued	-	-	-	(348)	-	-	-	(348)
Net income	-	-	-	56,068	-	-	-	56,068
Foreign currency translation adjustment	-	-	-	-	(71)	-	-	(71)
Balance June 30, 2024	<u>72,878,131</u>	<u>\$ 729</u>	<u>\$ 211,346</u>	<u>\$ 1,989,600</u>	<u>\$ (200)</u>	<u>(10,650,225)</u>	<u>\$ (560,345)</u>	<u>\$ 1,641,130</u>

See notes to unaudited condensed consolidated financial statements.

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

	Six Months Ended June 30,	
	2024	2023
Cash flows from operating activities:		
Net income	\$ 56,068	\$ 108,285
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of intangibles and right-of-use assets	99,100	91,474
Impairment of right-of-use asset	-	2,012
Deferred taxes	(9,249)	10,837
Non-cash share-based compensation expense	9,433	10,615
Gain on sale of assets, net	(910)	(4,834)
Changes in operating assets and liabilities, net of acquisition:		
Restricted investments	(281)	(2,197)
Accounts receivable, net	15,784	103,270
Prepaid taxes	4,537	1,729
Prepaid expenses and other current assets	19,697	17,469
Other non-current assets	(1,503)	(1,899)
Accounts payable	(14,270)	(55,085)
Accrued expenses	(6,542)	(47,700)
Non-current liabilities	(21,399)	(12,595)
Net cash provided by operating activities	150,465	221,381
Cash flows from investing activities:		
Proceeds from sale of equipment	5,750	15,135
Purchases of property and equipment	(31,255)	(65,635)
Acquisitions, net of cash acquired	3,701	108
Net cash used in investing activities	(21,804)	(50,392)
Cash flows from financing activities:		
Repayments of long-term debt	(53,233)	(56,191)
Purchase of treasury stock	(32,938)	(100,026)
Dividends paid	(15,230)	-
Stock withheld for payments of withholding taxes	(8,664)	(7,818)
Finance lease payments	(1,217)	(1,501)
Proceeds from issuance of debt	15,618	50,289
Net cash used in financing activities	(95,664)	(115,247)
Effect of exchange rate changes on cash and cash equivalents	(20)	45
Net increase in cash and cash equivalents	32,977	55,787
Cash and cash equivalents beginning of the period	187,270	286,642
Cash and cash equivalents end of the period	\$ 220,247	\$ 342,429
Supplemental disclosures of cash paid for:		
Interest paid	\$ 7,413	\$ 6,688
Income taxes paid, net	\$ 20,684	\$ 14,410

See notes to unaudited condensed consolidated financial statements.

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

NOTE 1. Interim Financial Statements

Our accompanying unaudited condensed consolidated financial statements of Hub Group, Inc. (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 June 30, 2024 and results of operations for the three and six months ended June 30, 2024 and 2023.

These unaudited condensed consolidated financial statements and notes thereto should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2023 (the “2023 10-K”). Results of operations in interim periods are not necessarily indicative of results to be expected for a full year due partially to seasonality.

On January 4, 2024, the Company announced a two-for-one stock split of the Company’s Class A and Class B common stock. The stock split was implemented in the form of a distribution of one additional Class A share for each share outstanding. The record date for the stock split was as of the close of business on January 16, 2024. The Company distribution date of the additional shares was January 26, 2024. As a result of the stock split, the number of authorized shares remained unchanged. Additionally, the par value per share of the common stock remains unchanged. All other share amounts in our condensed consolidated balance sheets, condensed consolidated statements of income and comprehensive income, condensed consolidated statements of stockholders' equity and related footnote disclosures have been adjusted and presented as though the stock split had occurred as of the earliest period presented.

On February 22, 2024, the Board declared a quarterly cash dividend of \$0.125 per share on the Company’s Class A and Class B common stock. The dividend was paid on March 27, 2024 to stockholders of record as of March 8, 2024. On May 23, 2024, the Board declared a quarterly cash dividend of \$0.125 per share on the Company’s Class A and Class B common stock. The dividend was paid on June 26, 2024 to stockholders of record as of June 7, 2024. The declarations and payments of the quarterly cash dividends were subject to the approval of the Board at its sole discretion and in compliance with applicable laws and regulations.

In October 2023, the Board authorized the purchase of up to \$250 million of our Class A Common Stock pursuant to a share repurchase program. During the quarter ended June 30, 2024, we purchased 179,875 shares for approximately \$7 million. During the six months ended June 30, 2024, we purchased 767,803 shares for approximately \$33 million.

Due to presentation changes made in our condensed consolidated balance sheets and condensed consolidated statement of shareholders' equity, certain prior year amounts have been reclassified to conform with the current year presentation.

NOTE 2. Earnings Per Share

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

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Net income for basic and diluted earnings per share	\$ 29,015	\$ 46,505	\$ 56,068	\$ 108,285
Weighted average shares outstanding - basic	60,710	64,074	61,018	64,586
Dilutive effect of restricted stock	398	512	369	546
Weighted average shares outstanding - diluted	61,108	64,586	61,387	65,132
Earnings per share - basic	\$ 0.48	\$ 0.73	\$ 0.92	\$ 1.68
Earnings per share - diluted	\$ 0.47	\$ 0.72	\$ 0.91	\$ 1.66

NOTE 3. Acquisitions

Forward Air Final Mile Acquisition

On December 20, 2023, we acquired 100% of the equity interest of Forward Air Final Mile (“FAFM”). FAFM provides residential last mile delivery services and installation of big and bulky goods, with a focus on appliances, throughout the United States. Total consideration for the transaction was \$257.2 million. \$260.9 million was paid in cash in December 2023 while \$3.7 million was received from the seller in the second quarter of 2024 as part of the post-closing true-up of net working capital. The financial results of FAFM, since the date of acquisition, are included in our Logistics segment.

The FAFM acquisition expanded our final mile services to include the delivery and installation of appliances. FAFM provides residential last mile delivery services through a non-asset business model, working with a network of over 350 carriers throughout the country.

The initial accounting for the acquisition of FAFM is incomplete as we, with the support of our valuation specialist, are in the process of finalizing the fair market value calculations of the acquired net assets. Based on refined inputs incorporated into the fair market value calculations during the quarter ended June 30, 2024, we have estimated that the fair value of intangible assets totals \$94.7 million as of December 20, 2023. This represents a \$39.8 million decrease relative to the initial estimated fair value of the intangible assets and results in a corresponding increase to goodwill. The amounts recorded in the condensed consolidated financial statements related to the FAFM acquisition are preliminary pending finalization of the fair market value analyses, and 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):

	December 20, 2023
Accounts receivable trade	\$ 28,355
Prepaid expenses and other current assets	2,305
Property and equipment	2,792
Right-of-use assets - operating leases	15,258
Other intangibles	94,700
Goodwill	142,122
Other assets	173
Total assets acquired	<u>\$ 285,705</u>
Accounts payable trade	\$ 155
Accounts payable other	2,298
Accrued payroll	1,271
Accrued other	9,488
Lease liability - operating leases short-term	5,697
Other long-term liabilities	19
Lease liability - operating leases long-term	9,560
Total liabilities assumed	<u>\$ 28,488</u>
Total consideration, net	<u>\$ 257,217</u>
Cash paid, net	<u>\$ 257,217</u>

The FAFM 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 condensed consolidated balance sheet at their estimated fair values as of December 20, 2023 with the remaining unallocated purchase price recorded as goodwill. The goodwill recognized in the FAFM acquisition was primarily attributable to potential expansion and future development of the acquired business.

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

The components of “Other intangibles” listed in the table above as of the acquisition date are preliminary and are pending finalization of the fair market valuations of the acquired intangibles. Amounts for these components are as follows (in thousands):

	<u>Amount</u>	<u>Accumulated Amortization</u>	<u>Balance at June 30, 2024</u>	<u>Estimated Useful Life</u>
Customer relationships	\$ 92,500	\$ 3,854	\$ 88,646	13 years
Developed technology	\$ 1,200	\$ 325	\$ 875	2 years
Independent service provider network	\$ 1,000	\$ 542	\$ 458	1 year

The above intangible assets are amortized using the straight-line method. Amortization expense related to this acquisition was \$1.7 million and \$4.3 million for the three months and six months ended June 30, 2024, respectively. The intangible assets have a remaining weighted average useful life of approximately 12.25 years.

Amortization expense related to FAFM for the next five years is expected to be as follows (in thousands):

	<u>Total</u>
2024 (Remainder of year)	\$ 4,316
2025	7,690
2026	7,115
2027	7,115
2028	7,115

FAFM's actual results are included in our condensed consolidated financial statements since the acquisition date of December 20, 2023. The following unaudited pro forma condensed consolidated results of operations present the effects of FAFM as though it had been acquired as of January 1, 2023 (in thousands, except for per share amounts):

	<u>Three Months Ended June 30, 2023</u>	<u>Six Months Ended June 30, 2023</u>
Revenue	\$ 1,109,022	\$ 2,330,644
Net income	\$ 46,953	\$ 108,767
Earnings per share		
Basic	\$ 0.73	\$ 1.68
Diluted	\$ 0.73	\$ 1.67

The unaudited pro forma condensed consolidated results for the periods above were prepared using the acquisition method of accounting and are based on the historical financial information of Hub and FAFM. 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 condensed consolidated results are not necessarily indicative of what our condensed consolidated results of operations actually would have been had we completed the FAFM acquisition as of January 1, 2023.

NOTE 4. Segment Reporting

We have two reportable segments: Intermodal and Transportation Solutions (“ITS”) and Logistics which are based primarily on the services each segment provides. Our ITS segment includes our asset-light business lines: intermodal and dedicated trucking. Our Logistics segment includes our non-asset business lines: managed transportation, truck brokerage, final mile, consolidation, warehousing and fulfillment.

Intermodal and Transportation Solutions. Our Intermodal and Transportation Solutions segment offers high service, nationwide door-to-door intermodal transportation, providing value, visibility and reliability in both transcontinental and local lanes by combining rail transportation with local trucking. This segment includes our trucking operations which provides our customers with local pickup and delivery (referred to as “drayage”) as well as high service local and regional trucking transportation using equipment dedicated to their needs. We arrange for the movement of our customers’ freight in one of our approximately 50,000 containers. We contract with railroads to provide transportation for the long-haul portion of the shipment between rail terminals. Drayage between origin or destination and rail terminals are provided by our own trucking operations and third parties with whom we contract. Our dedicated service operation offers fleets of equipment and drivers to each customer on a contract basis, as well as the management and infrastructure to operate according to the customer’s high service expectations. As of June 30, 2024, our trucking transportation operation consisted of approximately 2,200 tractors, 2,900 employee drivers and 4,300 trailers. We also contract for services with approximately 400 independent owner-operators.

Logistics. Our Logistics segment offers a wide range of services including transportation management, freight brokerage services, shipment optimization, load consolidation, mode selection, carrier management, load planning and execution, warehousing, fulfillment, cross-docking, consolidation services and final mile delivery. These services include a full range of trucking transportation services, including dry van, expedited, less-than-truckload, refrigerated and flatbed, all of which is provided by third party carriers with whom we contract. We also leverage proprietary technology along with collaborative relationships with third party service providers to deliver cost savings and performance-enhancing supply chain services to our clients. Our transportation management offering also serves as a source of volume for our ITS segment.

The following tables summarize our financial and operating data by segment (in thousands):

Operating Revenue	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Intermodal and Transportation Solutions	\$ 561,033	\$ 614,632	\$ 1,113,066	\$ 1,323,881
Logistics	459,088	453,549	939,312	922,690
Inter-segment eliminations	(33,626)	(27,719)	(66,390)	(53,844)
Total operating revenue	<u>\$ 986,495</u>	<u>\$ 1,040,462</u>	<u>\$ 1,985,988</u>	<u>\$ 2,192,727</u>

Operating Income	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Intermodal and Transportation Solutions	\$ 13,639	\$ 31,777	\$ 26,670	\$ 80,981
Logistics	25,889	30,293	49,997	59,294
Total operating income	<u>\$ 39,528</u>	<u>\$ 62,070</u>	<u>\$ 76,667</u>	<u>\$ 140,275</u>

Depreciation and Amortization	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Intermodal and Transportation Solutions	\$ 27,270	\$ 27,117	\$ 54,319	\$ 54,003
Logistics	10,502	8,269	21,784	16,832
Total depreciation and amortization	<u>\$ 37,772</u>	<u>\$ 35,386</u>	<u>\$ 76,103</u>	<u>\$ 70,835</u>

Separate balance sheets are not presented by segment to our Chief Operating Decision Maker (“CODM”). Our CODM uses consolidated asset information to make capital decisions.

NOTE 5. Fair Value Measurement

The carrying value of cash and cash equivalents, accounts receivable and accounts payable approximated fair value as of June 30, 2024 and December 31, 2023. As of June 30, 2024, the fair value of the Company’s fixed-rate borrowings was \$2.1 million less than the historical carrying value of \$313.1 million. As of December 31, 2023, the fair value of the Company’s fixed-rate borrowings was \$1.4 million less than the historical carrying value of \$350.7 million. 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 June 30, 2024 and December 31, 2023, our cash and temporary investments were with high quality financial institutions in demand deposit accounts, savings accounts, checking accounts and money market accounts.

Restricted investments included \$21.0 million and \$20.8 million as of June 30, 2024 and December 31, 2023, respectively, of mutual funds and other security investments which are reported at fair value. These investments relate to our non-qualified deferred compensation plan and insurance deposits.

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, accounts receivable, accounts payable and mutual funds and related liabilities are defined as "Level 1," while long-term debt is defined as "Level 2" of the fair value hierarchy in the Fair Value Measurements and Disclosures Topic of the Codification.

NOTE 6. Long-Term Debt and Financing Arrangements

In February 2022, we entered into a five-year, \$350 million unsecured credit agreement (the "Credit Agreement"). Borrowings under the Credit Agreement generally bear interest at a variable rate equal to (i) the secured overnight financing rate (published by the Federal Reserve Bank of New York, "SOFR"), plus a specified margin based on the term of such borrowing, plus a specified margin based upon Hub's total net leverage ratio (as defined in the Credit Agreement) (the "Total Net Leverage Ratio"), or (ii) the base rate (which is the highest of (a) the administrative agent's prime rate, (b) the federal funds rate plus 0.50% or (c) the sum of 1% and one-month SOFR) plus a specified margin based upon the Total Net Leverage Ratio. The specified margin for SOFR loans varies from 100.0 to 175.0 basis points per annum. The specified margin for base rate loans varies from 0.0 to 75.0 basis points per annum. Hub must also pay (1) a commitment fee ranging from 10.0 to 25.0 basis points per annum (based upon the Total Net Leverage Ratio) on the aggregate unused commitments and (2) a letter of credit fee ranging from 100.0 to 175.0 basis points per annum (based upon the Total Net Leverage Ratio) on the undrawn amount of letters of credit.

We have standby letters of credit that expire in both 2024 and 2025. As of June 30, 2024 and December 31, 2023, our letters of credit were \$0.8 million and \$0.9 million, respectively.

As of June 30, 2024 and December 31, 2023, we had no borrowings under the Credit Agreement and our unused and available borrowings were \$349.2 million and \$349.1 million, respectively. We were in compliance with our debt covenants as of June 30, 2024 and December 31, 2023.

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

Our outstanding Notes are as follows (in thousands):

	<u>June 30,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
Interim funding for equipment received and expected to be converted to an equipment note in a subsequent period; interest paid at a variable rate	\$ -	\$ 3,265
Secured Equipment Notes due on various dates in 2029 commencing on various dates in 2024; interest is paid monthly at a fixed annual rate between 5.73% and 6.24%	18,096	-
Secured Equipment Notes due on various dates in 2028 commencing on various dates in 2023; interest is paid monthly at a fixed annual rate between 5.21% and 6.32%	95,683	105,744
Secured Equipment Notes due on various dates in 2027 commencing on various dates in 2022 and 2023; interest is paid monthly at a fixed annual rate between 2.07% and 6.45%	128,222	147,192
Secured Equipment Notes due on various dates in 2026 commencing on various dates in 2021; interest is paid monthly at a fixed annual rate between 1.48% and 2.41%	47,617	55,797
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%	21,585	30,930
Secured Equipment Notes due on various dates in 2024 commencing on various dates in 2017, 2019 and 2020; interest is paid monthly at a fixed annual rate between 2.50% and 3.40%	<u>1,864</u>	<u>7,754</u>
Total debt	313,067	350,682
Less current portion of long-term debt	(103,192)	(105,108)
Total long-term debt	<u>\$ 209,875</u>	<u>\$ 245,574</u>

NOTE 7. Legal Matters

The Company is involved in certain claims and pending litigation arising from the normal conduct of business, including putative class-action lawsuits involving employment related claims. Based on management's present knowledge, management does not believe that any potential unrecorded 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 for settlements or losses determined to be probable and estimable. However, actual outcomes could be material to the Company's financial position, operating results, or cash flows for any particular period.

NOTE 8. Subsequent Event

In June 2024, we entered into a lease agreement for nearly one million square feet of additional warehouse space in Pennsylvania. The lease commenced on July 1, 2024 and includes a non-cancellable lease term of seven years. The total undiscounted non-cancellable lease payments over the lease term are estimated to be approximately \$47 million.

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

Forward-Looking Statements

Statements in this section and other parts of this Quarterly Report on Form 10-Q that are not historical facts are forward-looking statements, provided pursuant to the safe harbor established under the Private Securities Litigation Reform Act of 1995. These forward-looking statements are not guarantees of future performance and involve risks, uncertainties and other factors that might cause the actual performance of the Company to differ materially from those expressed or implied by this discussion and, therefore, should be viewed with caution. Further information on the risks that may affect the Company's business is included in filings it makes with the SEC from time to time, including those discussed under the "Risk Factors" section in the 2023 10-K and subsequent filings. The Company assumes no obligation to update any such forward-looking statements.

EXECUTIVE SUMMARY

We are a leading supply chain solutions provider in North America that offers comprehensive transportation and logistics management services focused on reliability, visibility and value for our customers. Our service offerings include a full range of freight transportation and logistics services, some of which are provided by assets we own and operate, and some of which are provided by third parties with whom we contract. Our services include intermodal, truckload, less-than-truckload, flatbed, temperature-controlled, dedicated and regional trucking. Other services include full outsource logistics solutions, transportation management services, freight consolidation, warehousing and fulfillment, final mile delivery, parcel and international services.

We service a large and diversified customer base in a broad range of industries, including retail, consumer products and durable goods. We believe our strategy to offer multi-modal supply chain management solutions serves to strengthen and deepen our relationships with our customers and allows us to provide a more cost effective and higher service solution.

Intermodal and Transportation Solutions. Our Intermodal and Transportation Solutions segment offers high service, nationwide door-to-door intermodal transportation, providing value, visibility and reliability in both transcontinental and local lanes by combining rail transportation with local trucking. This segment includes our trucking operations which provides our customers with local pickup and delivery as well as high service local and regional trucking transportation using equipment dedicated to their needs. In the first six months of 2024, approximately 75% of our drayage services was provided by our own fleet. We arrange for the movement of our customers' freight in one of our approximately 50,000 containers. We contract with railroads to provide transportation for the long-haul portion of the shipment between rail terminals. Drayage between origin or destination and rail terminals are provided by our own trucking operations and third parties with whom we contract. Our dedicated service operation offers fleets of equipment and drivers to each customer on a contract basis, as well as the management and infrastructure to operate according to the customer's high service expectations. As of June 30, 2024, our trucking transportation operation consisted of approximately 2,200 tractors, 2,900 employee drivers and 4,300 trailers. We also contract for services with approximately 400 independent owner-operators. These assets and contractual services are used to support drayage for our intermodal service offering and to serve our customers who require high service local and regional trucking transportation using equipment dedicated to their needs. Our dedicated service operation offers fleets of equipment and drivers to each customer on a contract basis, as well as the management and infrastructure to operate according to the customer's high service expectations.

Logistics. Our Logistics segment offers a wide range of non-asset-based services including transportation management, freight brokerage services, shipment optimization, load consolidation, mode selection, carrier management, load planning and execution, warehousing, fulfillment, cross-docking, consolidation services and final mile delivery. Logistics includes our brokerage business which consists of a full range of trucking transportation services, including dry van, expedited, less-than-truckload ("LTL"), refrigerated and flatbed, all of which is provided by third-party carriers with whom we contract. We leverage proprietary technology along with collaborative relationships with third-party service providers to deliver cost savings and performance-enhancing supply chain services to our clients. Our transportation management offering also serves as a source of volume for our ITS segment. Many of the customers for these solutions are consumer goods companies who sell into the retail channel. Our final mile delivery offering provides residential final mile delivery and installation of appliances and big and bulky goods. Final mile operates through a network of independent service providers in company, customer and third-party facilities throughout the continental United States. Our business operates or has access to approximately 10 million square feet of warehousing and cross-dock space across North America, to which our customers ship their goods to be stored and distributed to destinations including residences, retail stores and other commercial locations. These services offer our customers shipment visibility, transportation cost savings, high service and compliance with retailers' increasingly stringent supply chain requirements.

On December 20, 2023, we acquired 100% of the equity interest of Forward Air Final Mile (“FAFM”). Total consideration for the transaction was \$257.2 million. \$260.9 million was paid in cash in December 2023 while \$3.7 million was received from the seller in the second quarter of 2024 as part of the post-closing true-up of net working capital.

We are focused on several margin enhancement projects including network optimization, matching of inbound and outbound loads, reducing empty miles, improving our recovery of accessorial costs, increasing our driver and asset utilization, reducing repositioning costs, providing holistic solutions and improving low profit freight. Hub’s top 50 customers represent approximately 71% of revenue for the six months ended June 30, 2024, while one customer accounted for more than 10% of our revenue in both segments for both the six months ended June 30, 2024 and 2023. We use various performance indicators to manage our business. We closely monitor operating cash flow, profit levels for our top customers, daily sales outstanding by customer account and vendor cost changes. On-time performance, customer service, cost per load and vendor service levels are also monitored closely.

The following table includes the one customer that represented 10% or more of our revenue by segment for the six months ending June 30, 2024 and 2023, respectively:

Customer A	Six Months Ended	
	June 30,	
	2024	2023
ITS	19%	14%
Logistics	15%	10%
Total operating revenue	18%	13%

Uncertainties and risks to our outlook include inflation, increased healthcare costs, a slowdown in consumer spending (driven by, among other factors, inflation, increases in interest rates, an economic recession and geopolitical concerns), a shift by consumers to spending on services at the expense of goods, an increase of retailers’ inventory levels, the ability of customers to pay our accounts receivable, elevated levels of transportation supply in the marketplace, aggressive pricing actions by our competitors and any inability to pass cost increases, such as transportation and warehouse costs, through to our customers, all of which could have a materially negative impact on our revenue, profitability and cash flow in 2024. Exiting of truckload capacity, retail inventory levels declining leading to restocking demand, a return of typical shipping peak season demands and a stronger used tractor market could have a materially positive impact on our revenue, profitability and cash flows in 2024.

RESULTS OF OPERATIONS

Three Months Ended June 30, 2024 Compared to the Three Months Ended June 30, 2023

The following table summarizes our operating revenue by segment (in thousands):

Operating Revenue	Three Months Ended	
	June 30,	
	2024	2023
Intermodal and Transportation Solutions	\$ 561,033	\$ 614,632
Logistics	459,088	453,549
Inter-segment eliminations	(33,626)	(27,719)
Total operating revenue	\$ 986,495	\$ 1,040,462

The following table summarizes our operating income by segment (in thousands):

Operating Income	Three Months Ended	
	June 30,	
	2024	2023
Intermodal and Transportation Solutions	\$ 13,639	\$ 31,777
Logistics	25,889	30,293
Total operating income	\$ 39,528	\$ 62,070

Total consolidated operating revenue decreased 5% to \$986 million in 2024 from \$1,040 million in 2023.

Intermodal and Transportation Solutions (“ITS”) revenue decreased 9% to \$561 million primarily due to lower fuel revenue, lower accessorial revenue, price declines and mix, partially offset by an 8% increase in intermodal volume and a 4% increase in dedicated revenue resulting from growth of existing customers. ITS operating income decreased to \$14 million, 2.4% of revenue, as compared to \$32 million, 5.2% of revenue, in the prior year due to lower customer rates and lower accessorial revenue. These headwinds were partially offset by lower equipment costs, lower drayage costs and lower accessorial costs.

Logistics revenue increased 1% to \$459 million primarily due to the recent acquisition in final mile, partially offset by lower revenue in our brokerage service line and consolidation and fulfillment service lines. Brokerage revenue per load declined 13% due to lower pricing, fuel and customer mix and a 4% decline in volume. Logistics operating income decreased to \$26 million, 5.6% of revenue, as compared to \$30 million, 6.7% of revenue, due to lower brokerage margins, partially offset by our recent acquisition in final mile.

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

	Three Months Ended			
	June 30,			
	<u>2024</u>		<u>2023</u>	
Operating revenue	\$ 986,495	100.0%	\$ 1,040,462	100.0%
Operating expenses:				
Purchased transportation and warehousing	727,236	73.7%	763,609	73.4%
Salaries and benefits	141,856	14.4%	141,823	13.6%
Depreciation and amortization	37,772	3.8%	35,386	3.4%
Insurance and claims	12,639	1.3%	11,676	1.1%
General and administrative	27,877	2.8%	26,757	2.6%
Gain on sale of assets, net	(413)	0.0%	(859)	-0.1%
Total operating expenses	<u>946,967</u>	<u>96.0%</u>	<u>978,392</u>	<u>94.0%</u>
Operating income	\$ 39,528	4.0%	\$ 62,070	6.0%
Other income (expense):				
Interest expense	(3,689)	-0.4%	(3,116)	-0.3%
Interest income	1,808	0.2%	2,087	0.2%
Other, net	(66)	0.0%	69	0.0%
Total other expense, net	<u>(1,947)</u>	<u>-0.2%</u>	<u>(960)</u>	<u>-0.1%</u>
Income before provision for income taxes	37,581	3.8%	61,110	5.9%
Provision for income taxes	<u>8,566</u>	<u>0.9%</u>	<u>14,605</u>	<u>1.4%</u>
Net income	<u>\$ 29,015</u>	<u>2.9%</u>	<u>\$ 46,505</u>	<u>4.5%</u>

CONSOLIDATED OPERATING EXPENSES, OTHER EXPENSES AND INCOME TAXES

Purchased Transportation and Warehousing

Purchased transportation and warehousing costs decreased 5% to \$727 million in 2024 from \$764 million in 2023. As a percentage of revenue, purchased transportation and warehousing costs increased to 73.7% in 2024 from 73.4% in 2023.

Purchased transportation and warehousing costs declined as compared to prior year due to rail cost decreases, lower outside carrier costs, lower accessorial costs and lower fuel costs, partially offset by higher volumes in intermodal.

Salaries and Benefits

Salaries and benefits remained consistent at \$142 million in 2024 and 2023. As a percentage of revenue, salaries and benefits increased to 14.4% in 2024 from 13.6% in 2023.

While an increase of \$10 million was primarily due to the acquisition of FAFM on December 20, 2023, this increase was partially offset by decreases in driver costs of \$7 million and office employee compensation expense of \$3 million, both related to lower headcount, which excludes FAFM.

Headcount, which includes drivers, warehouse personnel and office employees, was 5,813, which includes 582 employees of FAFM, as of June 30, 2024 and 5,851 as of June 30, 2023, respectively. The decrease in headcount related primarily to drivers, partially offset by increases in office and warehouse employees due to the FAFM acquisition.

Depreciation and Amortization

Depreciation and amortization expense increased to \$38 million in 2024 from \$35 million in 2023. This increase was related primarily to the amortization of intangibles related to the acquisition of FAFM on December 20, 2023, as well as increased technology, container and warehouse depreciation expense. This expense, as a percentage of revenue, increased to 3.8% in 2024 from 3.4% in 2023. Depreciation expense includes transportation equipment, technology investments, leasehold improvements, warehouse equipment, office equipment and building improvements.

Insurance and Claims

Insurance and claims expense increased to \$13 million in 2024 from \$12 million in 2023. This increase was primarily due to increased auto liability expense related to claim costs. These expenses, as a percentage of revenue, increased to 1.3% in 2024 from 1.1% in 2023.

General and Administrative

General and administrative expenses increased to \$28 million in 2024 from \$27 million in 2023. These expenses, as a percentage of revenue, increased to 2.8% in 2024 from 2.6% in 2023.

This increase in general and administrative expenses was primarily due to the acquisition of FAFM on December 20, 2023, as well as increases in use tax expense and legal expense of \$1 million each, partially offset by less impairment of right-of-use assets of \$2 million and a decrease in bad debt expense of \$1 million.

Gain on Sale of Assets, Net

Net gains on the sale of equipment decreased to \$0.4 million in 2024 from \$1 million in 2023. This decrease resulted from both less units sold and a lower average gain per unit sold in 2024 as compared to 2023.

Other Income (Expense)

Other expense increased to \$2 million in 2024 from \$1 million in 2023 primarily due to an increase in interest expense due to higher interest rates on our debt.

Provision for Income Taxes

The provision for income taxes decreased to \$9 million in 2024 from \$15 million in 2023 due primarily to lower pre-tax income in 2024. We provided for income taxes using an effective rate of 22.8% in 2024 and an effective rate of 23.9% in 2023. The second quarter 2024 effective tax rate of 22.8% was lower than the rate from 2023, as in 2024 we received a one-time benefit from amending state tax returns.

Six Months Ended June 30, 2024 Compared to the Six Months Ended June 30, 2023

The following table summarizes our operating revenue by segment (in thousands):

Operating Revenue	Six Months Ended June 30,	
	2024	2023
Intermodal and Transportation Solutions	\$ 1,113,066	\$ 1,323,881
Logistics	939,312	922,690
Inter-segment eliminations	(66,390)	(53,844)
Total operating revenue	<u>\$ 1,985,988</u>	<u>\$ 2,192,727</u>

The following table summarizes our operating income by segment (in thousands):

Operating Income	Six Months Ended June 30,	
	2024	2023
Intermodal and Transportation Solutions	\$ 26,670	\$ 80,981
Logistics	49,997	59,294
Total operating income	<u>\$ 76,667</u>	<u>\$ 140,275</u>

Total consolidated operating revenue decreased 9% to \$1,986 million in 2024 from \$2,193 million in 2023.

Intermodal and Transportation Solutions (“ITS”) revenue decreased 16% to \$1,113 million primarily due to price declines, lower fuel revenue, lower accessorial revenue, a 1% decline in intermodal volume due to lower transportation demand and mix, partially offset by a 3% increase in dedicated revenue resulting from growth of existing customers. ITS operating income decreased to \$27 million, 2.4% of revenue, as compared to \$81 million, 6.1% of revenue, in the prior year, due to lower customer rates, lower accessorial revenue and lower volume. These headwinds were partially offset by lower drayage costs, lower equipment costs and lower accessorial costs.

Logistics revenue increased 2% to \$939 million primarily due to the recent acquisition in final mile, partially offset by lower revenue in our brokerage service line and consolidation and fulfillment service lines. Brokerage revenue per load declined 16% due to lower pricing, fuel and customer mix. Brokerage volume declined by 1%. Logistics operating income decreased to \$50 million, 5.3% of revenue, as compared to \$59 million, 6.4% of revenue, due to lower brokerage margins, partially offset by our recent acquisition in final mile.

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

	Six Months Ended			
	June 30,			
	2024		2023	
Operating revenue	\$ 1,985,988	100.0%	\$ 2,192,727	100.0%
Operating expenses:				
Purchased transportation and warehousing	1,467,408	73.9%	1,630,540	74.4%
Salaries and benefits	286,352	14.4%	279,254	12.7%
Depreciation and amortization	76,103	3.8%	70,835	3.2%
Insurance and claims	25,257	1.3%	24,359	1.1%
General and administrative	55,111	2.8%	52,298	2.4%
Gain on sale of assets, net	(910)	-0.1%	(4,834)	-0.2%
Total operating expenses	1,909,321	96.1%	2,052,452	93.6%
Operating income	\$ 76,667	3.9%	\$ 140,275	6.4%
Other income (expense):				
Interest expense	(7,588)	-0.4%	(6,086)	-0.3%
Interest income	3,201	0.2%	3,463	0.2%
Other, net	(236)	0.0%	108	0.0%
Total other expense, net	(4,623)	-0.2%	(2,515)	-0.1%
Income before provision for income taxes	72,044	3.7%	137,760	6.3%
Provision for income taxes	15,976	0.8%	29,475	1.3%
Net income	\$ 56,068	2.9%	\$ 108,285	5.0%

CONSOLIDATED OPERATING EXPENSES, OTHER EXPENSES AND INCOME TAXES

Purchased Transportation and Warehousing

Purchased transportation and warehousing costs decreased 10% to \$1,467 million in 2024 from \$1,631 million in 2023.

Purchased transportation and warehousing costs declined as compared to prior year due to rail cost decreases, lower outside carrier costs, lower accessorial costs, lower fuel costs and lower volumes.

Salaries and Benefits

Salaries and benefits increased to \$286 million in 2024 from \$279 million in 2023. As a percentage of revenue, salaries and benefits increased to 14.4% in 2024 from 12.7% in 2023.

Decreases in driver related expenses of \$11 million related to lower driver headcount, lower office compensation expense of \$7 million and lower restricted stock expense of \$1 million were more than offset by increases primarily due to the acquisition of FAFM, as well as increases in incentive compensation expense of \$5 million and payroll tax expense of \$2 million.

Depreciation and Amortization

Depreciation and amortization expense increased to \$76 million in 2024 from \$71 million in 2023. This increase was related primarily to the amortization of intangibles related to the acquisition of FAFM, as well as increased technology, container and warehouse depreciation expense. This expense, as a percentage of revenue, increased to 3.8% in 2024 from 3.2% in 2023. Depreciation expense includes transportation equipment, technology investments, leasehold improvements, warehouse equipment, office equipment and building improvements.

Insurance and Claims

Insurance and claims expense increased to \$25 million in 2024 from \$24 million in 2023. This increase was primarily due to increased claim costs. These expenses, as a percentage of revenue, increased to 1.3% in 2024 from 1.1% in 2023.

General and Administrative

General and administrative expenses increased to \$55 million in 2024 from \$52 million in 2023. These expenses, as a percentage of revenue, increased to 2.8% in 2024 from 2.4% in 2023.

This increase in general and administrative expenses was primarily due to the acquisition of FAFM, as well as increases in use tax expense and property tax expense of \$1 million each, partially offset by less impairment of right-of-use assets of \$2 million and a decrease in bad debt expense of \$1 million.

Gain on Sale of Assets, Net

Net gains on the sale of equipment decreased to \$1 million in 2024 from \$5 million in 2023. The decrease resulted from both less units sold and a lower average gain per unit sold in 2024 as compared to 2023.

Other Income (Expense)

Other expense increased to \$5 million in 2024 from \$3 million 2023 primarily due to an increase in interest expense due to higher interest rates on our debt.

Provision for Income Taxes

The provision for income taxes decreased to \$16 million in 2024 from \$29 million in 2023 due primarily to lower pre-tax income in 2024. We provided for income taxes using an effective rate of 22.2% in 2024 as compared to an effective rate of 21.4% in 2023. The effective tax rate was lower in 2023 as compared to 2024 as a change in state apportionment methodology made in 2023 had a larger impact on the 2023 tax rate than it did in 2024.

LIQUIDITY AND CAPITAL RESOURCES

Our financing and liquidity strategy is to fund operating cash payments through cash received from the provision of services, cash on hand, and to a lesser extent, from cash received from the sale of equipment. As of June 30, 2024, we had \$220 million of cash and \$21.0 million of restricted investments. We generally fund our purchases of transportation equipment through the issuance of secured, fixed rate Equipment Notes. In prior years, we have funded our business acquisitions from cash on hand. Payments for our other investing activities, such as the construction of our office buildings and our capitalized technology investments, have been funded by cash on hand or cash flows from operations. Cash used in financing activities, including the purchase of treasury stock and dividend payments have been funded by cash from operations or cash on hand. We have not historically used our Credit Facility to fund our operating, investing, or financing cash needs, though it is available to fund future cash requirements as needed. Based on past performance and current expectations, we believe cash on hand and cash received from the provision of services, along with our Credit Facility and other potential financing sources, will provide us the necessary capital to fund transactions and achieve our planned growth for the next twelve months and the foreseeable future.

Cash provided by operating activities for the six months ended June 30, 2024 was approximately \$150 million, which resulted primarily from net income of \$56 million plus non-cash charges of \$98 million, partially offset by the changes in operating assets and liabilities of \$4 million.

Cash provided by operating activities totaled \$150 million in 2024 compared to \$221 million in 2023. The \$71 million decrease in cash flow was primarily due to a decrease in net income of \$52 million, a decrease in non-cash charges of \$12 million and a negative change in operating assets and liabilities of \$7 million, primarily due to the change in accounts receivable.

Net cash used in investing activities for the six months ended June 30, 2024 was \$22 million which resulted from capital expenditures of \$31 million, partially offset by proceeds from the sale of equipment of \$6 million and \$4 million related to the FAFM acquisition. Capital expenditures of \$31 million related primarily to tractors of \$14 million, technology investments of \$9 million and warehouse equipment of \$6 million.

Capital expenditures decreased by approximately \$34 million in 2024 as compared to 2023. The 2024 decrease was due to lower spend on tractors of \$21 million, decreases in container purchases of \$11 million, leasehold improvements of \$2 million and warehouse equipment of \$1 million. These decreases were partially offset by increases in the technology investments of \$1 million.

In 2024, we estimate capital expenditures will range from \$45 million to \$65 million. Expected purchases include replacement tractors, technology projects and warehouse equipment. We plan to fund these expenditures with a combination of cash and debt.

Net cash used in financing activities for the six months ended June 30, 2024 was \$96 million which includes repayments of long-term debt of \$53 million, purchases of treasury stock of \$33 million, dividends paid of \$15 million, cash for stock tendered for payments of withholding taxes of \$9 million and finance lease payments of \$1 million, partially offset by proceeds from the issuance of debt of \$16 million. Debt incurred in 2024 was used to fund the purchase of transportation equipment.

The \$20 million decrease in cash used in financing activities for 2024 versus 2023 was primarily due to the decrease in the purchase of treasury stock of \$67 million and less repayments of long-term debt of \$3 million, partially offset by less proceeds from the issuance of debt of \$35 million and an increase in dividends paid of \$15 million.

As a result of anticipated unfavorable timing differences, primarily related to depreciation and compensation, we expect our cash paid for income taxes in 2024 to exceed our income tax expense.

See Note 6 of the condensed consolidated financial statements for details related to interest rates and commitment fees.

We have standby letters of credit that expire in 2024 and 2025. As of both June 30, 2024 and December 31, 2023, our letters of credit were \$1 million.

As of both June 30, 2024, and December 31, 2023, we had no borrowings under the Credit Agreement and our unused and available borrowings were \$349 million. We were in compliance with our debt covenants as of June 30, 2024 and December 31, 2023.

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.

We do not have any off-balance sheet transactions, arrangements, obligations (including contingent obligations) or liabilities.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Refer to the company's 2023 10-K for a complete discussion regarding our critical accounting policies and estimates. As of June 30, 2024, there were no material changes to our critical accounting policies and estimates.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our market risk as of June 30, 2024 from that presented in our 2023 10-K.

Item 4. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures. As of June 30, 2024, 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 June 30, 2024.

(b) Changes in Internal Control over Financial Reporting. There have been no changes in our internal control over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f)) during the fiscal quarter ended June 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

On December 20, 2023, we completed the acquisition of Forward Air Final Mile ("FAFM"). We are currently integrating processes, employees, technologies and operations. Management will continue to evaluate our internal controls over financial reporting as we complete our integration.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

For information regarding legal proceedings, see Note 7 “Legal Matters” to the Condensed Consolidated Financial Statements included in Part I, Item 1. “Financial Statements.”

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 2023 10-K under the heading “Risk Factors.” When any one or more of these risks materialize from time to time, the Company’s business and stock price can be materially and adversely affected. There have been no material changes to the Company’s risk factors since the 2023 Form 10-K.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

In October 2023, the Board authorized the purchase of up to \$250 million of our Class A Common Stock pursuant to a share repurchase program (the “2023 Program”). Under the 2023 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. The approved share repurchase program does not obligate us to repurchase any dollar amount or number of shares and the program may be modified, suspended or discontinued at any time.

During the three months ended June 30, 2024, we purchased 179,875 shares for approximately \$7 million under the 2023 Program. During the six months ended June 30, 2024, we purchased 767,803 shares for approximately \$33 million under the 2023 Program.

During the three months ended June 30, 2024, we purchased 4,237 shares for approximately \$0.2 million related to withholding upon vesting of restricted stock. During the six months ended June 30, 2024, we purchased 190,304 shares for approximately \$8.7 million related to withholding upon vesting of restricted stock.

The table below includes information on a monthly basis regarding shares purchased under the 2023 Program and the number of shares delivered to us to satisfy the mandatory tax withholding requirement upon vesting of restricted stock during the quarter ended June 30, 2024. Shares delivered to us to satisfy the mandatory tax withholding requirement upon vesting of restricted stock do not reduce the repurchase authority under the 2023 Program.

	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan	Maximum Value of Shares that May Yet Be Purchased Under the Program (in 000’s)
April 2024	139,483	\$ 39.81	135,707	\$ 192,450
May 2024	44,498	\$ 40.39	44,168	\$ 190,667
June 2024	131	\$ 43.03	-	\$ 190,667
Total	184,112	\$ 39.96	179,875	\$ 190,667

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None of the Company’s directors or officers adopted, modified or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement during the Company’s fiscal quarter ended June 30, 2024, as such terms are defined under Item 408(a) of Regulation S-K.

Item 6. Exhibits**INDEX TO EXHIBITS**

<u>Number</u>	<u>Exhibit</u>
31.1	Rule 13a-14(a) Certification of Phillip D. Yeager, Chief Executive Officer.
31.2	Rule 13a-14(a) Certification of Kevin W. Beth, Chief Financial Officer.
32.1	Section 1350 Certifications of Phillip D. Yeager and Kevin W. Beth, Chief Executive Officer and Chief Financial Officer, respectively.
101	Interactive data files for this Quarterly Report on Form 10-Q, formatted in Inline XBRL: (i) the Condensed Consolidated Balance Sheets (unaudited); (ii) the Unaudited Condensed Consolidated Statements of Income and Comprehensive Income; (iii) the Unaudited Condensed Consolidated Statements of Stockholders' Equity; (iv) the Unaudited Condensed Consolidated Statements of Cash Flows (unaudited); and (v) the Notes to Unaudited Condensed 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 this Quarterly Report on Form 10-Q (formatted in Inline XBRL and included in Exhibit 101).

SIGNATURE

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.

DATE: August 2, 2024

HUB GROUP, INC.

/s/ Kevin W. Beth

Kevin W. Beth
Executive Vice President, Chief Financial
Officer and Treasurer
(Principal Financial Officer)

/s/ Brent M. Rhodes

Brent M. Rhodes
Executive Vice President, Chief
Accounting Officer
(Principal Accounting Officer)

CERTIFICATION

I, Phillip D. 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: August 2, 2024

/s/ Phillip D. Yeager

Name: Phillip D. Yeager

Title: Chief Executive Officer

CERTIFICATION

I, Kevin W. Beth, 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: August 2, 2024

/s/ Kevin W. Beth

Name: Kevin W. Beth

Title: Chief Financial Officer

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 June 30, 2024 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: August 2, 2024

/s/ Phillip D. Yeager

Phillip D. Yeager
Chief Executive Officer
Hub Group, Inc.

/s/ Kevin W. Beth

Kevin W. Beth
Chief Financial Officer
Hub Group, Inc.
