

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): October 30, 2019

HUB GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of Incorporation)

0-27754
(Commission File Number)

36-4007085
(I.R.S. Employer Identification No.)

2000 Clearwater Drive
Oak Brook, Illinois 60523
(Address of Principal Executive Offices) (Zip Code)

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

NOT APPLICABLE
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

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

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

Item 2.02. Results of Operations and Financial Condition.

On October 30, 2019, Hub Group, Inc. issued a press release announcing its third quarter 2019 operating results. The press release is furnished as Exhibit 99.1 to this Form 8-K.

Item 9.01. Financial Statements and Exhibits.

- (a) Not Applicable.
 - (b) Not Applicable.
 - (c) Not Applicable.
 - (d) A list of exhibits filed herewith is contained on the Exhibit Index which immediately precedes such exhibits and is incorporated herein by reference.
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EXHIBIT INDEX

Exhibit No.

[99.1](#) [Press release issued on October 30, 2019, announcing third quarter 2019 operating results for Hub Group, Inc.](#)
104 The cover page from this Current Report on Form 8-K, formatted in Inline XBRL

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.

Hub Group, Inc.

Date: October 30, 2019

By: /s/ Terri A. Pizzuto

Terri A. Pizzuto

Executive Vice President, Chief Financial Officer and Treasurer

Hub Group, Inc. Reports Third Quarter 2019 Results

Highlights of the quarter

- **Earnings per share of \$0.78 includes a reduction of \$0.19 per share for legal settlements and consulting costs. Non-GAAP adjusted earnings per share is \$0.97 excluding these costs.**
- **Operating margin is 4.1% and includes \$8.5 million of legal settlements and consulting costs. Non-GAAP adjusted operating margin excluding these costs is 5.0%.**
- **Net income was \$26.1 million. EBITDA increased 21% to \$66.9 million**

OAK BROOK, Ill., Oct. 30, 2019 (GLOBE NEWSWIRE) -- Hub Group, Inc. (NASDAQ:HUBG) announced third quarter 2019 net income of \$26.1 million, or diluted earnings per share of \$0.78. Results were negatively impacted by \$8.5 million of pretax costs, or \$0.19 per share, which are comprised of \$4.8 million for settlement of claims first made in 2013 for alleged misclassification of drivers (in general and administrative expenses), \$3.0 million for settlement of a 2016 auto liability claim (in transportation costs) and \$0.7 million for consulting costs (in general and administrative expense). Excluding these costs, adjusted earnings per share is \$0.97. Income from continuing operations for the third quarter 2018 was \$25.8 million, or \$0.77 per diluted share.

Update on Profit Improvement Initiatives

“We have been focused on executing our strategy, key tenets of which include delivering a best-in-class experience for both our customers and employees, diversifying our service offerings and investing in technology while increasing profitability and our return on invested capital. We’ve improved profitability through operational enhancements, revenue management, and procurement savings in transportation and general and administrative costs. These initiatives have driven our adjusted operating margin to our goal of 5.0% in the third quarter, and more importantly, position Hub for success,” said Dave Yeager, Hub’s Chairman and Chief Executive Officer.

Based on actions taken through the third quarter, the profit improvement initiatives identified above are projected to provide over \$60 million of run-rate savings. These actions include a 9% reduction in non-driver headcount since year-end 2018, reductions in purchased transportation costs, savings related to improved driver and tractor utilization in our drayage operation, investments in efficiency enhancing technologies and profitability improvements at Dedicated. We expect an additional \$40 million of annualized savings based on actions we anticipate taking over the next year.

We continue to invest in technology and anticipate that by mid-2021 we will have fully implemented our Elevate technology program across all business lines. This program is expected to result in additional operating savings and profitability of over \$20 million in 2022, while also fueling our growth as customers will benefit from our enhanced capabilities and freight visibility.

Results of Continuing Operations

Revenue for the current quarter decreased by 2% to \$913 million compared with \$933 million for the third quarter 2018 as a result of a soft freight market, partially offset by our success in providing multimodal solutions to our customers. Operating income for the current quarter includes \$8.5 million of legal settlements and consulting costs. Operating income for the current quarter increased 7% to \$37.2 million versus \$34.7 million for the third quarter 2018, primarily as a result of improved yield management, our diversified model and our intense focus on profit improvement initiatives while maintaining the highest levels of service. Adjusted operating income excluding the \$8.5 million of costs was \$45.7 million and increased 32%.

Third quarter intermodal revenue decreased 7% to \$539 million due primarily to a 9% decline in volume. Volume was down compared to the prior year due to a soft demand environment, increased truckload and intermodal competition, and a 1% volume decrease from lane cancellations. Intermodal gross margin decreased compared to the third quarter of 2018 primarily due to the decline in volumes, the \$3.0 million 2016 auto liability settlement, and rail cost increases, partially offset by the benefits from revenue management, operational improvements, network balance, and better purchasing.

Truck brokerage revenue decreased 10% to \$110 million in the third quarter of 2019 compared to the same quarter of last year. Truck brokerage handled 14% more loads while fuel, price and mix combined were down 24% due primarily to the addition of the CaseStack LTL brokerage business. Contractual truckload volume represented 91% of total truckload volume compared to 78% in the third quarter of 2018. Truck brokerage gross margin increased due to a higher load count, further benefits from our new operating model and yield management strategy, as well as our new technology platform.

Third quarter logistics revenue grew 27% to \$189 million. Revenue and gross margin expanded due to the addition of CaseStack, benefits from continuous improvements, revenue management, new service lines and cross selling to our customers.

Dedicated revenue decreased 5% to \$75 million compared to the same quarter in the prior year due to the impact of lost business, partially offset by growth with new accounts. Dedicated gross margin improved compared to the third quarter of 2018 due to revenue management initiatives and improved operational discipline. We ended the quarter with approximately 1,300 tractors and 5,200 trailers for Dedicated.

Costs and expenses increased to \$98 million in the third quarter of 2019 compared to \$80 million in the third quarter of 2018 due primarily to costs and expenses of \$12.9 million related to CaseStack (which includes \$2.3 million of non-cash amortization expense), \$4.8 million related to settlement of claims first made in 2013 for alleged misclassification of drivers, \$1.5 million of higher technology expenses, \$1.6 million lower gain on sale of equipment, the \$1.1 million contingent consideration adjustment for Dedicated in 2018 and \$0.7 million for a consulting project, partially offset by a decrease of \$5.1 million in compensation expense. Costs and expenses include a total of \$3.4 million of non-cash amortization expense related to CaseStack and Hub Group Dedicated and \$0.6 million of compensation expense associated with restricted stock issued to CaseStack management in connection with the acquisition.

Results of Discontinued Operations

Income from discontinued operations related to the sale of our Mode segment for the third quarter of 2018 was \$88.8 million, or \$2.64 per diluted share.

Cash Flow and Capitalization

Our capital expenditures for the third quarter 2019 totaled \$27 million, primarily for tractors and technology investments. At September 30, 2019, we had cash and cash equivalents of \$89.6 million.

2019 Outlook

We expect that our fourth quarter 2019 diluted earnings per share will range from \$0.81 to \$0.85, resulting in an expected 2019 adjusted earnings per share range from \$3.36 to \$3.40. We estimate flat revenue growth for the full year. We expect gross margin as a percentage of sales to range from 13.9% to 14.2% in the fourth quarter. We estimate our costs and expenses will range from \$89 million to \$91 million in the fourth quarter. We expect annual amortization expense associated with the CaseStack and Hub Group Dedicated acquisitions will be approximately \$13.6 million and compensation expense related to restricted stock issued to CaseStack management in connection with the acquisition will be approximately \$2.5 million in 2019. We project our effective tax rate for 2019 will range from 25% to 26%. We forecast we will spend between \$90 million and \$95 million on capital expenditures in 2019.

Non-GAAP Financial Measure

As required by the rules of the Securities and Exchange Commission (“SEC”), we provide a reconciliation of the non-GAAP financial measure contained in this press release to the most directly comparable measure under GAAP, which is set forth in the attached tables. Management believes that EBITDA provides relevant and useful information, which is widely used by analysts, investors and competitors in our industry as well as by our management. We adjusted GAAP earnings per share and operating margin to exclude the effect of unusually high costs for legal settlements and a consulting project that is non-recurring. We excluded the items we believe may obscure trends in our underlying profitability. By providing these non-GAAP profitability measures, management intends to provide investors with a meaningful, consistent comparison of the Company’s profitability measures for the periods presented.

CONFERENCE CALL

Hub will hold a conference call at 5:00 p.m. Eastern Time on October 30, 2019 to discuss its third quarter 2019 results.

Hosting the conference call will be Dave Yeager, Chief Executive Officer. Also participating on the call will be Phil Yeager, President and Chief Operating Officer and Terri Pizzuto, Executive Vice President and Chief Financial Officer.

This call is being webcast and can be accessed through the Investors link on Hub Group’s web site at www.hubgroup.com. The webcast is listen-only. Those interested in participating in the question and answer session should follow the telephone dial-in instructions below.

To participate in the conference call by telephone, please register at <http://www.yourconferencecenter.com/r.aspx?j=1&a=UjvLetfIjInEoB>. Registrants will be issued a passcode and PIN to use when dialing into the live call which will provide quickest access to the conference. You may register at any time, including up to and after the call start time. On the day of the call, dial (888) 206-4064 approximately ten minutes prior to the scheduled call time; enter the participant passcode and PIN received during registration. The call will be limited to 60 minutes, including questions and answers.

An audio replay will be available through the Investors link on the Company's Web site at www.hubgroup.com. This replay will be available for 30 days.

CERTAIN FORWARD-LOOKING STATEMENTS: Statements in this press release that are not historical, including statements about Hub Group's or management's earnings guidance, intentions, beliefs, expectations, representations, projections, plans or predictions of the future, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are inherently uncertain and subject to risks, and should be viewed with caution. Forward-looking statements may contain words such as “expects”, “expected”, “believe”, “projected”, “estimate”, or similar words, and are based on management's experience and perception of historical trends, current conditions, and anticipated future developments, as well as other factors believed to be appropriate. We believe these statements and the assumptions and estimates contained in this

release are reasonable based on information that is currently available to us. Such statements should be viewed with caution. Actual results or experience could differ materially from the forward-looking statements as a result of many factors. Factors that could cause actual results to differ materially include intermodal costs and prices, the integration of any acquisitions and expenses relating thereto, the future performance of Hub's Intermodal, Truck Brokerage, Dedicated and Logistics business lines, driver shortages, the amount and timing of strategic investments or divestitures by Hub, the failure to implement and integrate critical information technology systems, cyber security incidents, retail customers encountering adverse economic conditions and the factors listed from time to time in Hub Group's SEC reports including, but not limited to, the annual report on Form 10-K for the year ended December 31, 2018. Hub Group assumes no liability to update any such forward-looking statements.

HUB GROUP, INC.
CONSOLIDATED STATEMENTS OF EARNINGS
(in thousands, except per share amounts)
(unaudited)

| | Three Months Ended September 30, | | | |
|--|---|---------------------|---------------|---------------------|
| | 2019 | | 2018 | |
| | Amount | % of Revenue | Amount | % of Revenue |
| Revenue | \$ 913,275 | 100.0% | \$ 933,224 | 100.0% |
| Transportation costs | 778,057 | 85.2% | 818,240 | 87.7% |
| Gross margin | 135,218 | 14.8% | 114,984 | 12.3% |
| Costs and expenses: | | | | |
| Salaries and benefits | 59,765 | 6.5% | 57,123 | 6.1% |
| General and administrative | 30,906 | 3.4% | 19,327 | 2.1% |
| Depreciation and amortization | 7,301 | 0.8% | 3,800 | 0.4% |
| Total costs and expenses | 97,972 | 10.7% | 80,250 | 8.6% |
| Operating income | 37,246 | 4.1% | 34,734 | 3.7% |
| Other income (expense): | | | | |
| Interest expense | (2,780) | -0.3% | (2,411) | -0.2% |
| Interest and dividend income | 613 | 0.1% | 340 | 0.0% |
| Other, net | 56 | 0.0% | 251 | 0.0% |
| Total other expense | (2,111) | -0.2% | (1,820) | -0.2% |
| Income from continuing operations before income taxes | 35,135 | 3.9% | 32,914 | 3.5% |
| Provision for income taxes | 9,030 | 1.0% | 7,150 | 0.7% |
| Income from continuing operations | 26,105 | 2.9% | 25,764 | 2.8% |
| Income from discontinued operations, net of income taxes | - | | 88,846 | |
| Net income | \$ 26,105 | | \$ 114,610 | |
| Earnings per share from continuing operations | | | | |
| Basic | \$ 0.79 | | \$ 0.77 | |
| Diluted | \$ 0.78 | | \$ 0.77 | |
| Earnings per share from discontinued operations | | | | |
| Basic | \$ - | | \$ 2.66 | |
| Diluted | \$ - | | \$ 2.64 | |
| Earnings per share net income | | | | |
| Basic | \$ 0.79 | | \$ 3.43 | |
| Diluted | \$ 0.78 | | \$ 3.41 | |

| | | |
|---|--------|--------|
| Basic weighted average number of shares outstanding | 33,034 | 33,399 |
| Diluted weighted average number of shares outstanding | 33,265 | 33,605 |

HUB GROUP, INC.
CONSOLIDATED STATEMENTS OF EARNINGS
(in thousands, except per share amounts)
(unaudited)

| | Nine Months Ended September 30, | | | |
|--|---------------------------------|--------------|--------------|--------------|
| | 2019 | | 2018 | |
| | Amount | % of Revenue | Amount | % of Revenue |
| Revenue | \$ 2,767,436 | 100.0% | \$ 2,665,300 | 100.0% |
| Transportation costs | 2,372,226 | 85.7% | 2,358,286 | 88.5% |
| Gross margin | 395,210 | 14.3% | 307,014 | 11.5% |
| Costs and expenses: | | | | |
| Salaries and benefits | 182,652 | 6.6% | 163,496 | 6.1% |
| General and administrative | 77,852 | 2.8% | 55,557 | 2.1% |
| Depreciation and amortization | 21,150 | 0.8% | 11,286 | 0.4% |
| Total costs and expenses | 281,654 | 10.2% | 230,339 | 8.6% |
| Operating income | 113,556 | 4.1% | 76,675 | 2.9% |
| Other income (expense): | | | | |
| Interest expense | (8,526) | -0.3% | (6,702) | -0.3% |
| Interest and dividend income | 1,581 | 0.1% | 365 | 0.0% |
| Other, net | (14) | 0.0% | 20 | 0.0% |
| Total other expense | (6,959) | -0.2% | (6,317) | -0.3% |
| Income from continuing operations before income taxes | 106,597 | 3.9% | 70,358 | 2.6% |
| Provision for income taxes | 27,381 | 1.0% | 16,371 | 0.6% |
| Income from continuing operations | 79,216 | 2.9% | 53,987 | 2.0% |
| Income from discontinued operations, net of income taxes | - | | 98,842 | |
| Net income | \$ 79,216 | | \$ 152,829 | |
| Earnings per share from continuing operations | | | | |
| Basic | \$ 2.37 | | \$ 1.62 | |
| Diluted | \$ 2.36 | | \$ 1.61 | |
| Earnings per share from discontinued operations | | | | |
| Basic | \$ - | | \$ 2.96 | |
| Diluted | \$ - | | \$ 2.95 | |
| Earnings per share net income | | | | |
| Basic | \$ 2.37 | | \$ 4.58 | |
| Diluted | \$ 2.36 | | \$ 4.56 | |
| Basic weighted average number of shares outstanding | 33,385 | | 33,387 | |
| Diluted weighted average number of shares outstanding | 33,522 | | 33,548 | |

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

| | September 30, | December 31, |
|---|----------------------|---------------------|
| | 2019 | 2018 |
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 89,628 | \$ 61,435 |
| Accounts receivable trade, net | 434,552 | 477,088 |
| Other receivables | 3,945 | 22,021 |
| Prepaid taxes | 5,238 | 616 |
| Prepaid expenses and other current assets | 26,234 | 27,533 |
| TOTAL CURRENT ASSETS | 559,597 | 588,693 |
| Restricted investments | 21,428 | 19,236 |
| Property and equipment, net | 657,826 | 681,859 |
| Right-of-use assets - operating leases | 37,509 | - |
| Right-of-use assets - financing leases | 6,432 | - |
| Other intangibles, net | 124,422 | 134,788 |
| Goodwill, net | 484,514 | 483,584 |
| Other assets | 18,955 | 16,738 |
| TOTAL ASSETS | \$ 1,910,683 | \$ 1,924,898 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Accounts payable trade | \$ 180,490 | \$ 272,859 |
| Accounts payable other | 13,487 | 10,906 |
| Accrued payroll | 46,915 | 55,535 |
| Accrued other | 96,575 | 82,900 |
| Lease liability - operating leases | 8,665 | - |
| Lease liability - financing leases | 3,021 | 2,845 |
| Current portion of long term debt | 95,772 | 101,713 |
| TOTAL CURRENT LIABILITIES | 444,925 | 526,758 |
| Long term debt | 192,422 | 229,071 |
| Non-current liabilities | 35,011 | 29,619 |
| Lease liability - operating leases | 30,444 | - |
| Lease liability - financing leases | 2,600 | 4,739 |
| Deferred taxes | 160,725 | 153,877 |
| STOCKHOLDERS' EQUITY: | | |
| Preferred stock, \$.01 par value; 2,000,000 shares authorized; no shares issued or outstanding in 2019 and 2018 | - | - |
| Common stock | | |
| Class A: \$.01 par value; 97,337,700 shares authorized and 41,224,792 shares issued in 2019 and 2018; 33,375,328 shares outstanding in 2019 and 33,793,709 shares outstanding in 2018 | 412 | 412 |
| Class B: \$.01 par value; 662,300 shares authorized; 662,296 shares issued and outstanding in 2019 and 2018 | 7 | 7 |
| Additional paid-in capital | 175,749 | 172,220 |
| Purchase price in excess of predecessor basis, net of tax benefit of \$10,306 | (15,458) | (15,458) |
| Retained earnings | 1,151,646 | 1,072,456 |
| Accumulated other comprehensive loss | (211) | (182) |
| Treasury stock; at cost, 7,849,464 shares in 2019 | | |

and 7,431,083 shares in 2018
TOTAL STOCKHOLDERS' EQUITY
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY

| | | |
|--|--------------|--------------|
| | (267,589) | (248,621) |
| | 1,044,556 | 980,834 |
| | \$ 1,910,683 | \$ 1,924,898 |

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

| | Nine Months Ended September 30, | |
|---|--|-------------------|
| | 2019 | 2018 |
| Cash flows from operating activities: | | |
| Net income | \$ 79,216 | \$ 152,829 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 86,719 | 59,184 |
| Deferred taxes | 7,145 | 33,989 |
| Compensation expense related to share-based compensation plans | 12,434 | 9,490 |
| Contingent consideration adjustment | - | (4,703) |
| Gain on sale of assets | (1,313) | (1,458) |
| Gain on disposition | - | (113,601) |
| Changes in operating assets and liabilities: | | |
| Restricted investments | (2,192) | (2,454) |
| Accounts receivable, net | 41,000 | (44,138) |
| Prepaid taxes | (4,622) | 11,918 |
| Prepaid expenses and other current assets | 1,299 | 438 |
| Other assets | (3,365) | 1,572 |
| Accounts payable | (89,800) | 8,070 |
| Accrued expenses | 2,408 | 30,952 |
| Non-current liabilities | (225) | 4,358 |
| Transaction costs for disposition | - | (5,665) |
| Net cash provided by operating activities | <u>128,704</u> | <u>140,781</u> |
| Cash flows from investing activities: | | |
| Proceeds from sale of equipment | 9,072 | 4,035 |
| Purchases of property and equipment | (55,616) | (138,847) |
| Proceeds from the disposition of discontinued operations | 19,439 | 227,986 |
| Cash used in acquisitions | (734) | - |
| Net cash (used in) provided by investing activities | <u>(27,839)</u> | <u>93,174</u> |
| Cash flows from financing activities: | | |
| Purchase of treasury stock | (24,998) | - |
| Proceeds from issuance of debt | 36,557 | 118,809 |
| Repayments of long term debt | (79,147) | (107,341) |
| Stock tendered for payments of withholding taxes | (2,875) | (4,262) |
| Finance lease payments | (2,206) | (2,181) |
| Net cash (used in) provided by financing activities | <u>(72,669)</u> | <u>5,025</u> |
| Effect of exchange rate changes on cash and cash equivalents | <u>(3)</u> | <u>(30)</u> |
| Net increase in cash and cash equivalents | 28,193 | 238,950 |
| Cash and cash equivalents beginning of period | 61,435 | 28,557 |
| Cash and cash equivalents end of period | <u>\$ 89,628</u> | <u>\$ 267,507</u> |

HUB GROUP, INC.
FINANCIAL INFORMATION BY BUSINESS LINE
(in thousands)
(unaudited)

| | Three Months | | Nine Months | |
|-----------------|----------------------------|-------------------|----------------------------|---------------------|
| | Ended September 30, | | Ended September 30, | |
| | 2019 | 2018 | 2019 | 2018 |
| Intermodal | \$ 539,484 | \$ 582,878 | \$ 1,618,407 | \$ 1,615,453 |
| Truck brokerage | 109,543 | 122,059 | 334,211 | 357,013 |
| Logistics | 189,470 | 149,642 | 586,196 | 479,940 |
| Dedicated | 74,778 | 78,645 | 228,622 | 212,894 |
| Total Revenue | <u>\$ 913,275</u> | <u>\$ 933,224</u> | <u>\$ 2,767,436</u> | <u>\$ 2,665,300</u> |

HUB GROUP, INC.
UNAUDITED RECONCILIATION OF NET INCOME TO EBITDA
(in thousands)
(unaudited)

| | Three Months | | Change | Change |
|---------------------------------------|-----------------------------|------------------|---------------|---------------|
| | Ended, September 30, | | | |
| | 2019 | 2018 | \$ | % |
| Net income from continuing operations | \$ 26,105 | \$ 25,764 | \$ 341 | 1.3% |
| Interest expense | 2,780 | 2,411 | 369 | 15.3% |
| Interest and dividend income | (613) | (340) | (273) | 80.3% |
| Other income, net | (56) | (251) | 195 | -77.7% |
| Depreciation and amortization | 29,690 | 20,780 | 8,910 | 42.9% |
| Provision for income taxes | <u>9,030</u> | <u>7,150</u> | 1,880 | 26.3% |
| EBITDA | <u>\$ 66,936</u> | <u>\$ 55,514</u> | \$ 11,422 | 20.6% |

HUB GROUP, INC.
UNAUDITED RECONCILIATION OF NET INCOME TO EBITDA
(in thousands)
(unaudited)

| | Nine Months | | Change | Change |
|---------------------------------------|-----------------------------|-------------|---------------|---------------|
| | Ended, September 30, | | | |
| | 2019 | 2018 | \$ | % |
| Net income from continuing operations | \$ 79,216 | \$ 53,987 | \$ 25,229 | 46.7% |
| Interest expense | 8,526 | 6,702 | 1,824 | 27.2% |
| Interest and dividend income | (1,581) | (365) | (1,216) | 333.2% |

| | | | | |
|-------------------------------|-------------------|-------------------|------------------|---------|
| Other income, net | 14 | (20) | 34 | -170.0% |
| Depreciation and amortization | 86,719 | 58,552 | 28,167 | 48.1% |
| Provision for income taxes | 27,381 | 16,371 | 11,010 | 67.3% |
| EBITDA | <u>\$ 200,275</u> | <u>\$ 135,227</u> | <u>\$ 65,048</u> | 48.1% |

HUB GROUP, INC.
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES
(in thousands, except per share amounts)
(unaudited)

| | Three Months Ended | |
|---|---------------------------|---------------------|
| | September 30, 2019 | |
| | Amount | % of Revenue |
| Revenue | \$ 913,275 | 100.0% |
| Transportation costs | 778,057 | 85.2% |
| Settlement of 2016 auto claim liability | (3,000) | -0.3% |
| Adjusted transportation costs | <u>775,057</u> | 84.9% |
| Adjusted gross margin | 138,218 | 15.1% |
| Costs and expenses: | | |
| Salaries and benefits | 59,765 | 6.5% |
| General and administrative | 30,906 | 3.4% |
| Settlement of claims for alleged misclassification of drivers | (4,750) | -0.5% |
| Consulting project | (700) | -0.1% |
| Adjusted general and administrative | <u>25,456</u> | 2.8% |
| Depreciation and amortization | <u>7,301</u> | 0.8% |
| Adjusted total costs and expenses | 92,522 | 10.1% |
| Adjusted operating income | 45,696 | 5.0% |
| Other income (expense): | | |
| Interest expense | (2,780) | -0.3% |
| Interest and dividend income | 613 | 0.1% |
| Other, net | 56 | 0.0% |
| Total other expense | <u>(2,111)</u> | -0.2% |
| Adjusted income before income taxes | 43,585 | 4.8% |
| Adjusted provision for income taxes | <u>11,201</u> | 1.2% |
| Adjusted net income | <u>\$ 32,384</u> | |
| Adjusted earnings per share | | |
| Basic | <u>\$ 0.98</u> | |
| Diluted | <u>\$ 0.97</u> | |
| Basic weighted average number of shares outstanding | <u>33,034</u> | |

Diluted weighted average number of shares outstanding

33,265

CONTACT: Maralee Volchko of Hub Group, Inc., +1-630-271-3745