

HUB GROUP INC  
Form 10-Q  
April 22, 2011  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

**FORM 10-Q**

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES AND EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2011 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)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

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

**3050 Highland Parkway, Suite 100**  
**Downers Grove, Illinois 60515**  
(Address, including zip code, of principal executive offices)

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

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

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

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

Large Accelerated Filer  Accelerated Filer   
Non-Accelerated Filer  Smaller Reporting Company   
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12-b-2 of the Exchange Act). Yes  No

On April 18, 2011, the registrant had 36,822,409 outstanding shares of Class A common stock, par value \$.01 per share, and 662,296 outstanding shares of Class B common stock, par value \$.01 per share.

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

	March 31, 2011 (unaudited)	December 31, 2010
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 134,903	\$ 115,144
Accounts receivable trade, net	214,269	185,879
Accounts receivable other	12,981	17,958
Prepaid taxes	123	296
Deferred taxes	2,480	3,314
Prepaid expenses and other current assets	4,831	6,569
<b>TOTAL CURRENT ASSETS</b>	<b>369,587</b>	<b>329,160</b>
Restricted investments	12,128	11,421
Property and equipment, net	46,782	47,806
Other intangibles, net	5,725	5,856
Goodwill, net	232,975	233,029
Other assets	2,105	2,135
<b>TOTAL ASSETS</b>	<b>\$ 669,302</b>	<b>\$ 629,407</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable trade	\$ 150,538	\$ 121,078
Accounts payable other	12,833	10,064
Accrued payroll	8,714	14,378
Accrued other	23,564	21,898
<b>TOTAL CURRENT LIABILITIES</b>	<b>195,649</b>	<b>167,418</b>
Non-current liabilities	14,395	13,950
Deferred taxes	72,118	71,739
<b>STOCKHOLDERS EQUITY:</b>		
Preferred stock, \$.01 par value; 2,000,000 shares authorized; no shares issued or outstanding in 2011 and 2010		
Common stock		
Class A: \$.01 par value; 97,337,700 shares authorized and 41,224,792 shares issued in 2011 and 2010; 36,813,882 outstanding in 2011 and 36,638,359 shares outstanding in 2010		
	412	412
Class B: \$.01 par value; 662,300 shares authorized; 662,296 shares issued and outstanding in 2011 and 2010		
	7	7
Additional paid-in capital	165,817	169,722
Purchase price in excess of predecessor basis, net of tax benefit of \$10,306	(15,458)	(15,458)
Retained earnings	353,508	343,010
Other comprehensive income	6	6
Treasury stock; at cost, 4,410,910 shares in 2011 and 4,586,433 shares in 2010	(117,152)	(121,399)
<b>TOTAL STOCKHOLDERS EQUITY</b>	<b>387,140</b>	<b>376,300</b>

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TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 669,302	\$ 629,407
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See notes to unaudited consolidated financial statements.

**Table of Contents****HUB GROUP, INC.****UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**

(in thousands, except per share amounts)

	<b>Three Months Ended March 31,</b>	
	<b>2011</b>	<b>2010</b>
Revenue	\$ 485,379	\$ 417,294
Transportation costs	428,072	368,476
Gross margin	57,307	48,818
Costs and expenses:		
Salaries and benefits	26,801	23,458
General and administrative	12,810	10,145
Depreciation and amortization	936	973
Total costs and expenses	40,547	34,576
Operating income	16,760	14,242
Other income (expense):		
Interest expense	(14)	(14)
Interest and dividend income	32	25
Other, net	209	68
Total other income	227	79
Income before provision for income taxes	16,987	14,321
Provision for income taxes	6,489	5,619
Net income	\$ 10,498	\$ 8,702
Basic earnings per common share	\$ 0.28	\$ 0.23
Diluted earnings per common share	\$ 0.28	\$ 0.23
Basic weighted average number of shares outstanding	36,886	37,527
Diluted weighted average number of shares outstanding	37,022	37,643

See notes to unaudited consolidated financial statements.

**Table of Contents****HUB GROUP, INC.****UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands)

	<b>Three Months Ended March 31,</b>	
	<b>2011</b>	<b>2010</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 10,498	\$ 8,702
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation and amortization	2,629	1,952
Deferred taxes	1,266	3,401
Compensation expense related to share-based compensation plans	1,225	931
(Gain) loss on sale of assets	(13)	63
<b>Changes in operating assets and liabilities:</b>		
Restricted investments	(707)	(188)
Accounts receivable, net	(23,411)	(25,784)
Prepaid taxes	173	461
Prepaid expenses and other current assets	1,738	2,659
Other assets	31	41
Accounts payable	32,229	26,457
Accrued expenses	(560)	(545)
Non-current liabilities	407	125
<b>Net cash provided by operating activities</b>	<b>25,505</b>	<b>18,275</b>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of equipment	68	7
Purchases of property and equipment	(4,880)	(647)
Cash used in acquisitions	(55)	
<b>Net cash used in investing activities</b>	<b>(4,867)</b>	<b>(640)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from stock options exercised	24	12
Purchase of treasury stock	(1,447)	(2,919)
Excess tax benefits from share-based compensation	540	133
<b>Net cash used in financing activities</b>	<b>(883)</b>	<b>(2,774)</b>
Effect of exchange rate changes on cash and cash equivalents	4	12
<b>Net increase in cash and cash equivalents</b>	<b>19,759</b>	<b>14,873</b>
Cash and cash equivalents beginning of period	115,144	126,863
<b>Cash and cash equivalents end of period</b>	<b>\$ 134,903</b>	<b>\$ 141,736</b>
<b>Supplemental disclosures of cash paid for:</b>		
Interest	\$ 14	\$ 14

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Income taxes

See notes to unaudited consolidated financial statements.

1,335

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

The financial statements reflect, in our opinion, all material adjustments (which include only normal recurring adjustments) necessary to fairly present our financial position as of March 31, 2011 and results of operations for the three months ended March 31, 2011 and 2010.

These unaudited consolidated financial statements and notes thereto should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2010. Results of operations in interim periods are not necessarily indicative of results to be expected for a full year due partially to seasonality.

**NOTE 2. Earnings Per Share**

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

	<b>Three Months Ended, March 31,</b>	
	<b>2011</b>	<b>2010</b>
Net income for basic and diluted earnings per share	\$ 10,498	\$ 8,702
Weighted average shares outstanding - basic	36,886	37,527
Dilutive effect of stock options and restricted stock	136	116
Weighted average shares outstanding - diluted	37,022	37,643
Earnings per share - basic	\$ 0.28	\$ 0.23
Earnings per share - diluted	\$ 0.28	\$ 0.23

**NOTE 3. Debt**

On March 31, 2011, we amended our Credit Agreement which increased our maximum unsecured borrowing capacity from \$10.0 million to \$50.0 million and extended the term until March 2014. The interest rate under the Credit Agreement is equal to LIBOR plus 1.75%. The financial covenants require a minimum net worth of \$300.0 million and a cash flow leverage ratio of not more than 2.0 to 1.0. The commitment fee charged on the unused line of credit is 0.375%.

We have standby letters of credit that expire at various dates in 2011 to 2012. As of March 31, 2011, the outstanding letters of credit totaled \$2.6 million.

We had \$47.4 million of unused and available borrowings under our bank revolving line of credit as of March 31, 2011. We were in compliance with our debt covenants as of March 31, 2011.



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**NOTE 4. Commitments and Contingencies**

We are a party to litigation incident to our business, including claims for freight lost or damaged in-transit, freight improperly shipped or improperly billed, property damage and personal injury. Some of the lawsuits to which we are a party are covered by insurance and are being defended by our insurance carriers. Some of the lawsuits are not covered by insurance and we are defending them. Management does not believe that the outcome of this litigation will have a material adverse effect on our financial position or results of operations.

**NOTE 5. Fair Value Measurement**

The carrying value of cash and cash equivalents, accounts receivable and accounts payable approximated fair value as of March 31, 2011 and December 31, 2010 due to their short-term nature.

Cash and cash equivalents included \$128.7 million and \$114.6 million as of March 31, 2011 and December 31, 2010, respectively, invested in a mo