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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. (Check one):

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

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

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

On October 30, 2018, the registrant had 33,612,071 outstanding shares of Class A common stock, par value \$.01 per share, and 662,296 outstanding shares of Class B common stock, par value \$.01 per share.

HUB GROUP, INC.

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HUB GROUP, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share amounts)

	September 30, 2018	December 31, 2017
ASSETS	(unaudited)	
CURRENT ASSETS:		
Cash and cash equivalents	\$267,507	\$28,557
Accounts receivable trade, net	457,694	424,679
Accounts receivable other	4,575	5,704
Prepaid taxes	171	12,088
Prepaid expenses and other current assets	25,001	25,414
Current assets held for sale	-	159,616
TOTAL CURRENT ASSETS	754,948	656,058
Restricted investments	22,168	20,143
Property and equipment, net	662,755	561,214
Other intangibles, net	61,116	64,747
Goodwill, net	318,662	319,272
Other assets	3,552	5,491
Non-current assets held for sale	-	44,016
TOTAL ASSETS	\$1,823,201	\$1,670,941
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable trade	\$247,332	\$238,230
Accounts payable other	13,959	13,903
Accrued payroll	46,443	26,674
Accrued other	84,559	53,508
Current portion of capital lease	2,820	2,777
Current portion of long term debt	95,946	77,266
Current liabilities held for sale	-	107,185
TOTAL CURRENT LIABILITIES	491,059	519,543
Long term debt	207,596	214,808
Non-current liabilities	36,634	33,599
Long term portion of capital lease	5,472	7,696
Deferred taxes	154,485	121,095
Non-current liabilities held for sale	-	4,328
STOCKHOLDERS' EQUITY:		
Preferred stock, \$.01 par value; 2,000,000 shares authorized; no shares issued or outstanding in 2018 and 2017	-	-
Common stock	412	412

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Class A: \$.01 par value; 97,337,700 shares authorized and 41,224,792 shares issued in 2018 and 2017; 33,612,071 shares outstanding in 2018 and 33,447,070 shares outstanding in 2017		
Class B: \$.01 par value; 662,300 shares authorized; 662,296 shares issued and outstanding in 2018 and 2017		
	7	7
Additional paid-in capital	175,442	173,011
Purchase price in excess of predecessor basis, net of tax benefit of \$10,306	(15,458)	(15,458)
Retained earnings	1,023,545	870,715
Accumulated other comprehensive loss	(168)	(193)
Treasury stock; at cost, 7,612,721 shares in 2018 and 7,777,722 shares in 2017	(255,825)	(258,622)
TOTAL STOCKHOLDERS' EQUITY	927,955	769,872
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$1,823,201	\$1,670,941
See notes to unaudited consolidated financial statements.		

HUB GROUP, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

AND COMPREHENSIVE INCOME

(in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenue	\$933,224	\$824,809	\$2,665,300	\$2,213,824
Transportation costs	818,240	738,482	2,358,286	1,982,800
Gross margin	114,984	86,327	307,014	231,024
Costs and expenses:				
Salaries and benefits	57,123	45,978	163,496	127,643
General and administrative	19,327	20,637	55,557	57,681
Depreciation and amortization	3,800	3,966	11,286	8,331
Total costs and expenses	80,250	70,581	230,339	193,655
Operating income	34,734	15,746	76,675	37,369
Other income (expense):				
Interest expense	(2,411)	(2,345)	(6,702)	(4,474)
Interest and dividend income	340	42	365	332
Other, net	251	355	20	533
Total other expense	(1,820)	(1,948)	(6,317)	(3,609)
Income from Continuing Operations Before Income Taxes	32,914	13,798	70,358	33,760
Provision for income taxes	7,150	2,210	16,371	10,060
Income from Continuing Operations	25,764	11,588	53,987	23,700
Income from Discontinued Operations, net of income taxes	\$88,846	\$3,746	\$98,842	\$11,510
Net income	\$114,610	\$15,334	\$152,829	\$35,210
Other comprehensive income:				
Foreign currency translation adjustments	22	9	25	101
Total comprehensive income	\$114,632	\$15,343	\$152,854	\$35,311
Earnings per share from continuing operations				
Basic	\$0.77	\$0.35	\$1.62	\$0.71

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Diluted	\$0.77	\$0.35	\$1.61	\$0.71
Earnings per share from discontinued operations				
Basic	\$2.66	\$0.11	\$2.96	\$0.35
Diluted	\$2.64	\$0.11	\$2.95	\$0.35
Earnings per share net income				
Basic	\$3.43	\$0.46	\$4.58	\$1.06
Diluted	\$3.41	\$0.46	\$4.56	\$1.06
Basic weighted average number of shares outstanding	33,399	33,227	33,387	33,217
Diluted weighted average number of shares outstanding	33,605	33,335	33,548	33,323

See notes to unaudited consolidated financial statements.

HUB GROUP, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Nine Months Ended September 30, 2018	2017
Cash flows from operating activities:		
Net income	\$ 152,829	\$ 35,210
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	59,184	43,531
Deferred taxes	33,989	19,983
Compensation expense related to share-based compensation plans	9,490	7,402
Contingent consideration adjustment	(4,703)	-
(Gain) loss on sale of assets	(1,458)	360
Gain on Disposition	(113,601)	-
Changes in operating assets and liabilities:		
Restricted investments	(2,454)	(3,189)
Accounts receivable, net	(44,138)	(37,448)
Prepaid taxes	11,918	(11,839)
Prepaid expenses and other current assets	438	(3,059)
Other assets	1,572	(3,505)
Accounts payable	8,070	51,459
Accrued expenses	30,952	(13,179)
Non-current liabilities	4,358	1,419
Transaction costs for Disposition	(5,665)	-
Net cash provided by operating activities	140,781	87,145
Cash flows from investing activities:		
	4,035	3,052

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Proceeds from sale of equipment		
Purchases of property and equipment	(138,847)	(39,936)
Acquisitions, net of cash acquired	-	(165,933)
Proceeds from the disposition of discontinued operations	227,986	-
Net cash provided by (used in) investing activities	93,174	(202,817)
Cash flows from financing activities:		
Proceeds from issuance of debt	118,809	73,606
Repayments of long term debt	(107,341)	(59,921)
Stock tendered for payments of withholding taxes	(4,262)	(3,410)
Capital lease payments	(2,181)	(2,101)
Payment of debt issuance costs	-	(1,397)
Net cash provided by financing activities	5,025	6,777
Effect of exchange rate changes on cash and cash equivalents		
	(30)	49
Net increase (decrease) in cash and cash equivalents		
	238,950	(108,846)
Cash and cash equivalents beginning of the period		
	28,557	127,404
Cash and cash equivalents end of the period		
	\$ 267,507	\$ 18,558
Supplemental disclosures of cash paid for:		
Interest	\$ 6,740	\$ 4,033
Income taxes	\$ 2,759	\$ 12,880

See notes to unaudited consolidated financial statements.

HUB GROUP, INC.

NOTES TO UNAUDITED

CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. Interim Financial Statements

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

The financial statements reflect, in our opinion, all material adjustments (which include only normal recurring adjustments) necessary to fairly present our financial position as of September 30, 2018 and results of operations for the three and nine months ended September 30, 2018 and 2017.

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, 2017. Results of operations in interim periods are not necessarily indicative of results to be expected for a full year due partially to seasonality.

On August 31, 2018, Hub Group, Inc. entered into a purchase agreement (“the Purchase Agreement”) with Mode Transportation, LLC, (“Mode LLC”) a direct wholly-owned subsidiary of the Company, and Mode Purchaser, Inc., an affiliate of York Capital Management (“Purchaser”), pursuant to which the Company sold all of the issued and outstanding membership interests of Mode LLC to Purchaser (the “Disposition”). Mode LLC’s temperature protected division (“Temstar”) was not included in the Disposition. Temstar was retained by the Company and is now included in Hub’s intermodal line of business. As part of the Disposition, the Company conveyed to the Purchaser the majority of working capital assets and liabilities associated with Mode LLC. Unless otherwise stated, the information disclosed in the footnotes accompanying the financial statements refer to continuing operations. Prior to the Disposition, Hub historically reported two distinct business segments. See Note 2 for additional information regarding results from discontinued operations.

Accounting Standards Update. On January 1, 2018 we adopted the Accounting Standards Codification (ASC) topic 606, Revenue from Contracts with Customers. Under this new standard our significant accounting policy for revenue is as follows:

Revenue: Revenue is recognized at the time (1) persuasive evidence of an arrangement exists, (2) services have been rendered, (3) the sales price is fixed and determinable and (4) collectability is reasonably assured. We generally recognize revenue over time because of continuous transfer of control to the customer. Since control is transferred over time, revenue and related transportation costs are recognized based on relative transit time, which is based on the extent of progress towards completion of the related performance obligation. We enter into contracts that can include various combinations of services, which are capable of being distinct and accounted for as separate performance obligations. We account for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of

consideration is probable. Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Company from a customer, are excluded from revenue. Further, in most cases, we report our revenue on a gross basis because we are the primary obligor as we are responsible for providing the service desired by the customer. Our customers view us as responsible for fulfillment including the acceptability of the service. Service requirements may include, for example, on-time delivery, handling freight loss and damage claims, setting up appointments for pick-up and delivery and tracing shipments in transit. We have discretion in setting sales prices and as a result, the amount we earn varies. In addition, we have the discretion to select our vendors from multiple suppliers for the services ordered by our customers. These factors, discretion in setting prices and discretion in selecting vendors, further support reporting revenue on a gross basis for most of our revenue.

The Company capitalizes commissions incurred in connection with obtaining a contract. The Company capitalized commissions associated with dedicated services of \$0.4 million at September 30, 2018. Capitalized commission fees are amortized based on the transfer of services to which the assets relate and are included in selling, general and administrative expenses. In 2018, the amount of amortization was approximately \$54,000.

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

The Company applied Topic 606 retrospectively using the practical expedient in paragraph 606-10-65-1(f)(3), under which the Company does not disclose the amount of consideration allocated to the remaining performance obligations or an explanation of when the Company expects to recognize that amount as revenue for all reporting periods presented before January 1, 2018. We do not

generally have a remaining performance obligation due to revenue generally being recognized using relevant transit time. We only had one significant accounting policy change that is disclosed below.

Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction and collected by Hub Group from a customer were previously recorded on a gross basis. Under Topic 606, these taxes are excluded from revenue. This change had an effect of \$0.7 million and \$2.2 million on revenue and transportation costs for the three and nine months ending September 30, 2017, respectively.

Hub offers comprehensive multimodal solutions including intermodal, truck brokerage, logistics and dedicated services. Our employees operate the freight through a network of operating centers and terminals located in the United States, Canada and Mexico. Each operating center is strategically located in a market with a significant concentration of shipping customers and one or more railheads. Hub has full time employees located throughout the United States, Canada and Mexico.

Intermodal. As an intermodal provider, we arrange for the movement of our customers' freight in containers and trailers, typically over long distances of 750 miles or more. We contract with railroads to provide transportation for the long-haul portion of the shipment and with local trucking companies, known as "drayage companies," for pickup and delivery. As part of our intermodal services, we negotiate rail and drayage rates, electronically track shipments in transit, consolidate billing and handle claims for freight loss or damage on behalf of our customers.

Truck Brokerage (Highway Services). We are one of the largest truck brokers in the United States, providing customers with a highway service option for their transportation needs. We match the customers' needs with carriers' capacity to provide the most effective service and price combination. We have contracts with a substantial base of carriers allowing us to meet the varied needs of our customers. As part of the truck brokerage services, we negotiate rates, track shipments in transit and handle claims for freight loss and damage on behalf of our customers.

Logistics and Other Services. Hub's logistics business operates under the name of Unyson Logistics. Unyson Logistics is comprised of a network of logistics professionals dedicated to developing, implementing and operating customized logistics solutions for customers. Unyson Logistics offers a wide range of transportation management services and technology solutions including shipment optimization, load consolidation, mode selection, carrier management, load planning and execution and web-based shipment visibility. Unyson Logistics operates throughout North America, providing services through its main operating location in St. Louis with additional support locations in the Boston and Chicago metro areas.

Dedicated: Our dedicated service line contracts with customers who wish to outsource a portion of their transportation needs. We offer a dedicated fleet of equipment and drivers to each customer, as well as the management and infrastructure to operate according to the customer's high service expectations.

The following tables summarizes our disaggregated revenue by business line (in thousands) for the quarter ended September 30:

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017
Intermodal	\$ 576,478	