

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities and Exchange Act of 1934

For the quarterly period ended March 31, 2000 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.)

377 EAST BUTTERFIELD ROAD, SUITE 700
LOMBARD, ILLINOIS 60148

(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 X No ___

On May 10, 2000, the registrant had 7,046,050 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.
 UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
 (in thousands)

	MARCH 31, 2000	DECEMBER 31, 1999
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 10	\$ 1,865
Accounts receivable, net	183,110	190,221
Prepaid expenses and other current assets	5,637	2,771
TOTAL CURRENT ASSETS	188,757	194,857
PROPERTY AND EQUIPMENT, net	29,527	24,244
GOODWILL, net	218,213	219,648
DEFERRED TAXES	898	898
OTHER ASSETS	1,865	1,962
TOTAL ASSETS	\$ 439,260	\$ 441,609
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable:		
Trade	\$ 150,884	\$ 141,592
Other	8,163	11,246
Accrued expenses:		
Payroll	5,514	7,936
Other	6,184	6,384
Current portion of long-term debt	6,021	6,195
TOTAL CURRENT LIABILITIES	176,766	173,353
LONG-TERM DEBT, EXCLUDING CURRENT PORTION	125,116	131,414
DEFERRED TAXES	5,819	4,959
CONTINGENCIES AND COMMITMENTS		
MINORITY INTEREST	721	759
STOCKHOLDERS' EQUITY:		
Preferred stock	-	-
Common stock	77	77
Additional paid-in capital	110,817	110,786
Purchase price in excess of predecessor basis	(25,764)	(25,764)
Tax benefit of purchase price in excess of predecessor basis	10,306	10,306
Retained earnings	35,402	35,719
TOTAL STOCKHOLDERS' EQUITY	130,838	131,124
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 439,260	\$ 441,609

See notes to unaudited condensed consolidated financial statements.

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

	THREE MONTHS ENDED MARCH 31,	
	2000	1999
Revenue	\$ 328,568	\$ 307,682
Transportation costs	289,103	268,513
Net revenue	39,465	39,169
Costs and expenses:		
Salaries and benefits	23,176	20,846
Selling, general and administrative	11,367	9,123
Depreciation and amortization of property and equipment	1,153	1,052
Amortization of goodwill	1,435	762
Total costs and expenses	37,131	31,783
Operating income	2,334	7,386
Other income (expense):		
Interest expense	(3,184)	(522)
Interest income	172	302
Other, net	103	17
Total other expense	(2,909)	(203)
Income (loss) before minority interest and provision for income taxes	(575)	7,183
Minority interest	(38)	3,890
Income (loss) before provision for income taxes	(537)	3,293
Provision for (benefit from) income taxes	(220)	1,350
Net income (loss)	\$ (317)	\$ 1,943
Basic earnings (loss) per common share	\$ (0.04)	\$ 0.25
Diluted earnings (loss) per common share	\$ (0.04)	\$ 0.25

See notes to unaudited condensed consolidated financial statements.

HUB GROUP, INC.
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS
 OF STOCKHOLDERS' EQUITY
 For the three months ended March 31, 2000
 (in thousands, except shares)

	COMMON STOCK		ADDITIONAL	PURCHASE	TAX BENEFIT	RETAINED	TOTAL
	SHARES	AMOUNT	PAID-IN	PRICE IN	OF PURCHASE	EARNINGS	STOCKHOLDERS'
			CAPITAL	EXCESS OF	PRICE		EQUITY
				PREDECESSOR	IN EXCESS OF		
				BASIS	PREDECESSOR		
					BASIS		
Balance at December 31, 1999	7,706,246	\$ 77	\$ 110,786	\$ (25,764)	\$ 10,306	\$ 35,719	\$ 131,124
Net loss	-	-	-	-	-	(317)	(317)
Exercise of non-qualified stock options	2,100	-	31	-	-	-	31
Balance at March 31, 2000	7,708,346	\$ 77	\$ 110,817	\$ (25,764)	\$ 10,306	\$ 35,402	\$ 130,838

See notes to unaudited condensed consolidated financial statements.

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

	THREE MONTHS ENDED MARCH 31,	
	2000	1999
Cash flows from operating activities:		
Net income (loss)	\$ (317)	\$ 1,943
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	1,369	1,312
Amortization of goodwill	1,435	762
Deferred taxes	860	442
Minority interest	(38)	3,890
Loss/(Gain) on sale of assets	(28)	82
Changes in working capital, net of effects of purchase transactions:		
Accounts receivable, net	7,111	(13,960)
Prepaid expenses and other current assets	(2,866)	693
Accounts payable	6,209	8,803
Accrued expenses	(2,622)	(800)
Other assets	97	25
Net cash provided by operating activities	11,210	3,192
Cash flows from investing activities:		
Purchases of property and equipment, net	(6,624)	(984)
Net cash used in investing activities	(6,624)	(984)
Cash flows from financing activities:		
Proceeds from sale of common stock	31	-
Distributions to minority interest	-	(4,672)
Payments on long-term debt	(6,472)	(3,572)
Proceeds from issuance of long-term debt	-	2,141
Net cash used in financing activities	(6,441)	(6,103)
Net decrease in cash and cash equivalents	(1,855)	(3,895)
Cash and cash equivalents, beginning of period	1,865	15,178
Cash and cash equivalents, end of period	\$ 10	\$ 11,283
Supplemental disclosures of cash flow information		
Cash paid for:		
Interest	\$ 3,351	\$ 304
Income taxes	1,415	150

See notes to unaudited condensed consolidated financial statements.

HUB GROUP, INC.

NOTES TO UNAUDITED CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated financial statements of Hub Group, Inc. (the "Company") 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 condensed or omitted pursuant to those rules and regulations. However, the Company believes that the disclosures contained herein are adequate to make the information presented not misleading.

The financial statements reflect, in the opinion of management, all material adjustments (which include only normal recurring adjustments) necessary to present fairly the Company's financial position and results of operations.

NOTE 2. EARNINGS (LOSS) PER SHARE

The following is a reconciliation of the Company's Earnings per Share:

	THREE MONTHS ENDED MARCH 31, 2000			THREE MONTHS ENDED MARCH 31, 1999		
	(000'S)			(000'S)		
	LOSS	SHARES	Per-Share AMOUNT	INCOME	SHARES	Per-Share AMOUNT
BASIC EARNINGS (LOSS) PER SHARE						
Income (loss) available to common stockholders	\$(317)	7,706	\$(0.04)	\$1,943	7,672	\$0.25
EFFECT OF DILUTIVE SECURITIES						
Stock options	-	34	-	-	59	-
DILUTED EARNINGS (LOSS) PER SHARE						
Income (loss) available to common stockholders plus assumed exercises	\$(317)	7,740	\$(0.04)	\$1,943	7,731	\$0.25

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	MARCH 31, 2000	DECEMBER 31, 1999
	(000'S)	
Building and improvements	\$ 59	\$ 56
Leasehold improvements	1,654	1,526
Computer equipment and software	28,608	23,795
Furniture and equipment	7,491	6,365
Transportation equipment and automobiles	4,367	4,742
	42,179	36,484
Less: Accumulated depreciation and amortization	(12,652)	(12,240)
PROPERTY AND EQUIPMENT, net	\$ 29,527	\$ 24,244

HUB GROUP, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 2000 COMPARED TO THREE MONTHS ENDED MARCH 31, 1999

REVENUE

Revenue for Hub Group, Inc. (the "Company") increased 6.8% to \$328.6 million from \$307.7 million in 1999. Intermodal revenue increased 3.4% over 1999. Management believes that the slower than historical growth in intermodal is due in part to the termination of a significant customer contract in November 1999 and in part to the service disruption from the split-up of Conrail which began on June 1, 1999. Truckload brokerage revenue increased 9.3% over 1999. The Company experienced an unusually soft market in truckload brokerage. Logistics revenue, which includes revenue from the Company's core logistics services and all revenue from Hub Group Distribution Services ("Hub Distribution"), increased 27.1% compared to 1999. This increase is primarily due to the growth in the Company's core logistic services.

NET REVENUE

Net revenue increased to \$39.5 million from \$39.2 million in 1999. As a percentage of revenue, net revenue decreased to 12.0% of revenue from 12.7% in 1999. This decrease in percentage is primarily due to lower margins at Hub Distribution and fuel surcharges absorbed by the Company prior to obtaining an agreed upon pass through to customers. The decrease in Hub Distribution's margin was primarily the result of a high margin project that was conducted in the first quarter of 1999 which was not repeated in the first quarter of 2000.

SALARIES AND BENEFITS

Salaries and benefits increased 11.2% to \$23.2 million from \$20.8 million in 1999. As a percentage of revenue, salaries and benefits increased to 7.1% of revenue from 6.8% in 1999. The increase in the percentage is primarily attributed to one-time charges of severance payments related to operational changes at several operating units, increased headcount supporting the Company's information technology initiatives and increased headcount in the field supporting operational growth.

SELLING, GENERAL AND ADMINISTRATIVE

Selling, general and administrative expenses increased 24.6% to \$11.4 million from \$9.1 million in 1999. These expenses, as a percentage of revenue, increased to 3.5% from 3.0% in 1999. The increase in percentage is primarily attributed to expenditures related to outside services and advertising primarily by Hub Distribution to support its e-business initiatives.

DEPRECIATION AND AMORTIZATION OF PROPERTY AND EQUIPMENT

Depreciation and amortization increased 9.6% to \$1.2 million from \$1.1 million in 1999. This expense as a percentage of revenue increased to 0.4% from 0.3% in 1999. The increase in depreciation is primarily attributed to internally developed operating systems for the point of purchase installation and logistics services offered by Hub Distribution.

AMORTIZATION OF GOODWILL

Amortization of goodwill increased 88.3% to \$1.4 million from \$0.8 million in 1999. The expense as a percentage of revenue increased to 0.4% from 0.2%. The increase in expense is primarily attributable to the amortization of the goodwill associated with the April 1999 purchase of the remaining 70% minority interests in Hub City Alabama, L.P., Hub City Atlanta, L.P., Hub City Boston, L.P., Hub City Canada, L.P., Hub City Cleveland, L.P., Hub City Detroit, L.P., Hub City Florida, L.P., Hub City Indianapolis, L.P., Hub City Kansas City, L.P., Hub City Mid-Atlantic, L.P., Hub City New York/New Jersey, L.P., Hub City New York State, L.P., Hub City Ohio, L.P., Hub City Philadelphia, L.P., Hub City Pittsburgh, L.P., Hub City Portland, L.P., and Hub City St. Louis, L.P. (collectively referred to as the "April 1999 Purchase").

OTHER INCOME (EXPENSE)

Other income (expense) netted to \$(2.9) million in 2000 compared to \$(0.2) million in 1999.

Interest expense increased to \$3.2 million in 2000 from \$0.5 million in 1999. The increase in interest expense is due primarily to the additional debt required to fund the purchase of the remaining 70% minority interests in connection with the April 1999 Purchase.

Interest income decreased to \$0.2 million in 2000 from \$0.3 million in 1999. The primary cause for this decrease is the Company's increased concentration of its cash balances to reduce debt and minimize interest expense.

MINORITY INTEREST

Minority interest decreased 100.0% to \$0.0 million from \$3.9 million in 1999. The decrease in the percentage is primarily attributed to the purchase of the remaining 70% minority interests in connection with the April 1999 Purchase. The negative minority interest in 2000 is due to the loss incurred by Hub Distribution due primarily to lower margins and costs incurred in the development of their e-business initiative.

INCOME TAXES

The provision for income taxes decreased 116.3% to \$(0.2) million from \$1.4 million in 1999. The Company is providing for income taxes at an effective rate of 41% in 2000.

NET INCOME

Net income decreased 116.3% to \$(0.3) million from \$1.9 million in 1999. Net income is lower than the prior year due primarily to a loss of profitability by Hub Distribution, the impact of fuel surcharges and as a result of the items discussed above.

EARNINGS (LOSS) PER SHARE

Earnings (loss) per share decreased 116.0% to \$(0.04) from \$0.25 in 1999.

LIQUIDITY AND CAPITAL RESOURCES

The Company maintains a bank facility with Harris Trust and Savings Bank ("Harris"). The facility is comprised of \$50.0 million in term debt and a \$50.0 million revolving line of credit. At March 31, 2000, there was \$46.3 million of outstanding term debt and \$29.0 million outstanding and \$21.0 million unused and available under the line of credit with Harris. Borrowings under the line of credit are unsecured and have a five-year term, that began on April 30,

1999, with a floating interest rate based upon the LIBOR (London Interbank Offered Rate) or Prime Rate. The term debt has quarterly payments ranging from \$1,250,000 to \$2,000,000 with a balloon payment of \$19.0 million due on March 31, 2004.

The Company maintains \$50.0 million of private placement debt (the "Notes"). These Notes are unsecured and have an eight-year average life with a coupon interest rate of 8.64% paid quarterly. These Notes mature on June 25, 2009, with annual payments of \$10.0 million commencing on June 25, 2005.

The Company maintains a bank line of credit with Cass Bank and Trust Company for \$5.0 million. The interest rate is set at the bank's discretion at a rate less than or equal to the bank's prime rate. The Company had no outstanding advances on the line at March 31, 2000.

OUTLOOK, RISKS AND UNCERTAINTIES

This "Outlook, Risks and Uncertainties" section contains statements regarding expectations, hopes, beliefs, intentions or strategies regarding the future which 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. 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. The Company assumes no liability to update any such forward-looking statements. In addition to those mentioned elsewhere in this section, such risks and uncertainties include the impact of competitive pressures in the marketplace, including the entry of new, web-based competitors, the degree and rate of market growth in the intermodal, brokerage and logistics markets served by the Company, changes in rail and truck capacity, further consolidation of rail carriers, rail service conditions, changes in governmental regulation, adverse weather conditions, fuel shortages, changes in the cost of services from rail, drayage and other vendors and fluctuations in interest rates.

LIQUIDITY AND CAPITAL RESOURCES

The Company believes that cash, cash to be provided by operations, cash available under its lines of credit and the Company's ability to obtain additional credit capacity will be sufficient to meet the Company's short-term working capital and capital expenditure needs. The Company believes that the aforementioned items are sufficient to meet its anticipated long-term working capital, capital expenditure and debt repayment needs.

PART II. OTHER INFORMATION

None.

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

HUB GROUP, INC.

DATE: May 10, 2000

/S/ JAY E. PARKER

Jay E. Parker
Vice President-Finance and
Chief Financial Officer
(Principal Financial Officer)

This schedule contains summary financial information extracted from Unaudited Condensed Consolidated Statements of Operations and Unaudited Condensed Consolidated Balance Sheets and is qualified in its entirety by reference to such financial statements.

	1,000	
3-MOS	DEC-31-2000	MAR-31-2000
	0	10
	186221	3111
	0	0
	188757	42179
	12652	
	439260	
176766	0	
0	0	
	77	
	130761	
439260	0	
	328568	0
	289103	
	37131	
	114	
	3184	
	(537)	
	(220)	
2334	0	
0	0	
	(317)	
	(0.04)	
	(0.04)	