HUB GROUP INC
Form S-3
June 09, 2004
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As filed with the Securities and Exchange Commission on June 9, 2004

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-3

REGISTRATION STATEMENT UNDER

THE SECURITIES ACT OF 1933

HUB GROUP, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**36-4007085**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

3050 Highland Parkway, Suite 100

Downers Grove, IL 60515

(630) 271-3600

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant s Principal Executive Offices)

David C. Zeilstra

Hub Group, Inc.

3050 Highland Parkway, Suite 100

Downers Grove, IL 60515

(630) 271-3600

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

with copies to:

Philip J. Niehoff
Mayer, Brown, Rowe & Maw LLP
190 South LaSalle Street
Chicago, IL 60603
(312) 782-0600

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6225 Smith Avenue
Baltimore, MD 21209
(410) 580-4274

Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this registration statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. ¨

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. ¨

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered (1)	Proposed maximum offering price per share (2)	Proposed maximum aggregate offering price (1)(2)	Amount of registration fee
Class A common stock, par value $0.01 per share	2,185,000 shares	$ 33.56	$ 73,328,600	$ 9,290.73

(1) Includes an aggregate of 285,000 shares of Class A common stock that may be purchased by the underwriters to cover over-allotments, if any.

(2) Estimated pursuant to Rule 457(c) under the Securities Act solely for the purpose of calculating the registration fee based upon the average of the high and low reported sale prices of the Class A common stock on The Nasdaq National Market on June 4, 2004.

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We and the selling stockholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JUNE 9, 2004

Prospectus

1,900,000 shares

Class A Common Stock

We are selling 1,800,000 shares of Class A common stock and the selling stockholders are selling 100,000 shares of Class A common stock.

Our Class A common stock is traded on The Nasdaq National Market under the symbol HUBG. On June 8, 2004, the last reported sale price of our Class A common stock was $33.76 per share.

Investing in our Class A common stock involves risks. See Risk Factors beginning on page 7.

	Per Share	Total
Public Offering Price	$	$
Underwriting Discounts and Commissions	$	$
Proceeds, Before Expenses, to Hub Group	$	$
Proceeds to Selling Stockholders	$	$

Certain selling stockholders have granted the underwriters a 30-day option to purchase up to an additional 285,000 shares of our Class A common stock to cover any over-allotments.

Delivery of the shares will be made on or about , 2004.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

Bear, Stearns & Co. Inc. **BB&T Capital Markets**

The date of this prospectus is , 2004.

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PROSPECTUS SUMMARY

The following is a brief summary of the information that is included in this prospectus. This summary may not contain all the information that may be important to you. You should read the entire prospectus, including the financial statements and reports included or incorporated by reference in this prospectus, before making an investment decision. The terms Hub Group, we, us and our as used in this prospectus refer to Hub Group, Inc. and its subsidiaries as a combined entity, except where the context indicates that such term means only Hub Group, Inc.

Our Company

We are one of North America s leading non-asset based freight transportation management companies. We offer comprehensive intermodal, truck brokerage, logistics and distribution services. Since our founding in 1971, we have grown to become the largest intermodal marketing company (IMC) in the United States and one of the largest truck brokers. We operate through a network of 21 operating centers throughout the United States and Canada. Each operating center is strategically located in a market with a significant concentration of shipping customers and one or more rail heads. Through our network, we have the ability to move freight in and out of every major city in the United States, Canada and Mexico. We service a large and diversified customer base in a broad range of industries, including consumer products, retail, paper products, manufactured products, automotive parts and electronic equipment. We utilize a non-asset based strategy in order to minimize our investment in equipment and facilities and reduce our working capital requirements. We arrange freight movements for our customers through transportation carriers and equipment providers. Through this strategy, we have substantial control over transportation equipment without actually owning it.

Over the last three years, we have taken several steps to improve our operations, including the realignment of our operating structure, centralization of our pricing activities, significant cost reductions and the implementation of our Network Management System. Largely as a result of these actions, our operating income has increased 118.1% from $11.1 million in 2002 to $24.3 million in 2003. The primary focus of these initiatives to date has been to improve our operating performance and margins. While this continues to be our key priority, we also believe that these initiatives will better enable us to focus on growing our revenue.

Intermodal. As an IMC, we arrange for the movement of our customers freight in containers and trailers, typically over distances of 750 miles or more. We contract with railroads to provide transportation over the long-haul portion of the shipment and with local trucking companies, known as drayage companies, for pickup and delivery. In markets where adequate quality service is not available, we supplement third-party drayage services with company-owned drayage operations. 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. We use our network to access containers and trailers owned by leasing companies, railroads and steamship lines. Through our Premier Service Network, we also have exclusive access to 6,860 containers for our dedicated use on the Burlington Northern Santa Fe and the Norfolk Southern rail networks. Our extensive network has enabled us to provide reliable and cost-effective services tailored to meet the individual needs of our customer base. Our intermodal services represented 70.0% of our revenue in 2003.

Truck Brokerage (Highway Services). We are one of the largest truck brokers in the United States. We arrange for the transportation of our customers freight by truck by matching customers needs with carriers capacity to provide the appropriate service and price combination. Our truck brokerage services represented 15.5% of our revenue in 2003.

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Logistics. We perform complex transportation management services, including load consolidation, mode optimization and carrier management. These service offerings are designed to take advantage of the increasing trend among shippers to outsource all or a greater portion of their transportation needs. Our logistics services represented 10.6% of our revenue in 2003.

Distribution Services. We also operate through our subsidiary, Hub Group Distribution Services, LLC, which provides specialized distribution services such as installation of point-of-sale merchandise displays and time sensitive delivery of pharmaceutical samples. Distribution services represented 3.9% of our revenue in 2003.

Our Recent Operating Initiatives

Over the last three years, we have taken several steps to improve the profitability of our business. The benefits of these initiatives, which we summarize below, are beginning to positively affect our operating results. These major initiatives include:

A realignment of our operations, completed in February 2004, from a decentralized model, managed locally, to a network model, managed regionally and nationally. This change has simplified our structure by making us a single profit center and standardized our service offerings across our network. This allows us to strategically price our services to benefit our entire network, not just one local office.

The centralization of the management of our transportation purchasing and pricing activities in April 2003, compared to our prior system where each of our operating centers purchased its transportation requirements and priced its services independently.

The implementation of a significant cost reduction plan that we initiated in 2002 to streamline our operations, which included considerable headcount and other cost reductions.

The development of a new information technology system, completed in 2001, which links all of our operating centers under a single state-of-the-art Network Management System.

Our Operating Strategy

We intend to focus on our competitive advantages to increase our profits and returns to stockholders. The key elements of our strategy are:

Continue to Improve Operating Efficiencies. We believe the initiatives we began implementing over the last several years will result in further cost savings as they continue to be implemented throughout our network. Additionally, we believe these initiatives have positioned us for future revenue growth.

Capitalize on Strong Industry Fundamentals. We expect to benefit from the strong projected growth characteristics in the markets in which we compete. The U.S. intermodal market, driven primarily by increasing international trade and intermodal s cost advantage relative to truckload, is expected to grow at a 7.7% average annual rate through 2009, according to the American Trucking Associations. The U.S. trucking market is expected to grow at a 5.2% average annual rate through 2009, according to the American

Trucking Associations. This growth, according to the American Trucking Associations, will be driven primarily by a continuation of the trend among manufacturers and retailers to minimize inventory levels. This typically requires smaller and more frequent movement of goods, a condition that trucking is better suited to handle than either rail or water. The North American third-party logistics services market, driven primarily by increased outsourcing of logistics functions by shippers, grew at a 14.2 % compound annual rate between 1998 and 2003, according to Armstrong & Associates.

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Continue our Non-Asset Based Business Strategy. We intend to continue our non-asset based strategy. This allows us to limit our investment in equipment and facilities and reduce our working capital requirements through relationships and operating arrangements with rail carriers, trucking companies, other transportation providers and leasing companies.

Leverage our Leading Nationwide Network. We intend to take advantage of our nationwide network, including our dedicated fleet of containers, to increase the volume of freight transported through our network.

Utilize our Superior Information Systems. We believe we have one of the most technologically advanced information systems in the intermodal industry, providing us with a major competitive advantage.

Maintain our Strong Partnerships with Railroads. Over the last 30 years, we have developed strong relationships with all of the major U.S. railroads by providing them with significant revenue, helping them maximize returns on their assets and reducing their costs. We believe that as railroads continue to seek to cut costs and focus on their core operations, our relationship with them will become even more important.

Company Information

We are incorporated in Delaware. Our principal executive offices are located at 3050 Highland Parkway, Suite 100, Downers Grove, Illinois 60515, and our telephone number is (630) 271-3600. Our website address is www.hubgroup.com. The information contained on our website is not a part of this prospectus.

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The Offering

Class A common stock offered by Hub Group	1,800,000 shares
Class A common stock offered by selling stockholders	100,000 shares
Common stock to be outstanding immediately after this offering:	
Class A common stock	9,324,372 shares
Class B common stock	662,296 shares
Total	9,986,668 shares
Use of Proceeds	We intend to use all of the net proceeds that we receive from this offering, along with existing resources, to prepay all $50.0 million of our outstanding 9.14% senior notes with a final maturity in 2009, including approximately $ of make-whole premiums and accrued interest. We will not receive any proceeds from the sale of our stock by the selling stockholders. See Use of Proceeds.
Nasdaq National Market symbol	HUBG

The number of shares of Class A common stock to be outstanding after this offering is based on 7,524,372 shares of our Class A common stock outstanding as of May 31, 2004 and excludes:

- 1,645,178 shares of our Class A common stock that may be issued under our 1996 Long-Term Incentive Plan, 1997 Long-Term Incentive Plan, 1999 Long-Term Incentive Plan and 2002 Long-Term Incentive Plan, including 1,200,050 shares issuable upon exercise of outstanding stock options as of May 31, 2004, with a weighted average exercise price of $10.73 per share; and

- 662,296 shares of our Class A common stock issuable upon conversion of our outstanding Class B common stock.

Unless we indicate otherwise, the share information in this prospectus assumes that the underwriters option to cover over-allotments is not exercised. Certain selling stockholders have granted the underwriters a 30-day option to purchase up to an additional 285,000 shares of our Class A common stock to cover any over-allotments. See Underwriting.

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Summary Consolidated Financial and Other Data

The following table sets forth, for the periods and at the dates indicated, our summary consolidated financial and other data. The information set forth below is qualified by reference to, and should be read in conjunction with, our consolidated financial statements and notes thereto and Management s Discussion and Analysis of Financial Condition and Results of Operations, which are incorporated by reference into this prospectus.

	Year Ended December 31,			Three Months Ended March 31,	
	2001	2002	2003	2003	2004
	(in thousands, except per share amounts)				
Statement of Operations Data:					
Revenue	$ 1,319,331	$ 1,335,660	$ 1,359,614	$ 329,284	$ 328,302
Transportation costs	1,140,368	1,172,848	1,188,932	287,234	286,498
Gross margin	178,963	162,812	170,682	42,050	41,804
Costs and expenses:					
Salaries and benefits	94,982	93,476	89,980	23,328	22,342
Selling, general and administrative	53,613	46,824	45,650	11,788	10,281
Depreciation and amortization of property and equipment	10,678	11,371	10,757	2,561	2,884
Amortization of goodwill (1)	5,741				
Impairment of property and equipment (2)	3,401				
Total costs and expenses	168,415	151,671	146,387	37,677	35,507
Operating income	10,548	11,141	24,295	4,373	6,297
Interest expense	10,345	9,453	7,691	2,084	1,713
Other (income), net	(699)	(327)	(291)	(14)	(94)
Minority interest (3)	151	(524)			
Income before provision for income taxes	751	2,539	16,895	2,303	4,678
Provision for income taxes	308	1,041	8,465	944	1,965
Net income	$ 443	$ 1,498	$ 8,430	$ 1,359	$ 2,713
Earnings per common share:					
Basic	$ 0.06	$ 0.19	$ 1.09	$ 0.18	$ 0.35
Diluted	$ 0.06	$ 0.19	$ 1.07	$ 0.18	$ 0.33
Weighted average number of shares outstanding:					
Basic	7,708	7,709	7,712	7,709	7,746
Diluted	7,716	7,714	7,865	7,722	8,294
Other Data:					
Capital expenditures	$ 10,319	$ 6,538	$ 4,384	$ 477	$ 460
Net cash provided by operating activities	$ 27,634	$ 12,563	$ 31,498	$ 2,501	$ 6,148
Net cash used in investing activities	(10,319)	(10,538)	(4,384)	(477)	(460)

Net cash flow before financing activities	$ 17,315	$ 2,025	$ 27,114	$ 2,024	$ 5,688

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	As of March 31, 2004	
	Actual	As Adjusted(5)
	(in thousands)	
Balance Sheet Data:		
Working capital (4)	$ (7,615)	
Total assets	383,018	
Total debt	70,023	
Total stockholders equity	146,032	

(1) On January 1, 2002, we adopted Financial Accounting Standards Board Statement No. 142, Goodwill and Other Intangible Assets (Statement 142). Under Statement 142, goodwill is no longer amortized.
(2) Represents a $3.4 million pretax charge due to the impairment of Hub Group Distribution Services s e-Logistics software based on management s decision to exit the Internet home delivery business.
(3) Represents the minority interest of a partner in Hub Distribution. Hub Distribution was a 65% owned partnership until August of 2002 when we purchased the minority partner s interest.
(4) Working capital is calculated by subtracting current liabilities from current assets.
(5) The as adjusted balance sheet information gives effect to our receipt of the net proceeds from the sale of 1,800,000 shares of our Class A common stock in this offering at an assumed public offering price of $ per share and the application of the assumed net proceeds as described under Use of Proceeds.

Revenue by Business Line:

	Year Ended December 31,			Three Months Ended March 31,	
	2001	2002	2003	2003	2004
	(in thousands)				
Revenue (1):					
Intermodal services	$ 924,768	$ 958,273	$ 951,394	$ 227,980	$ 230,573
Truck brokerage services	212,254	216,467	210,492	50,590	50,959
Logistics services	71,366	79,927	143,931	35,243	39,662
Total transportation services revenue	1,208,388	1,254,667	1,305,817	313,813	321,194
Distribution services	110,943	80,993	53,797		