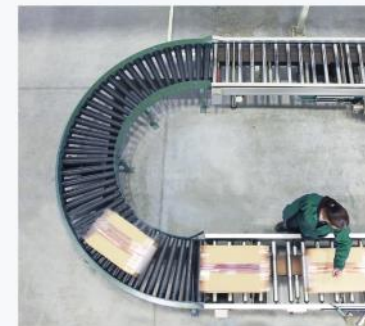




# Hub Group Overview

Investor Presentation

February 2023



# DISCLOSURE

## **CERTAIN FORWARD-LOOKING STATEMENTS:**

Statements in this presentation that are not historical may express or imply projections of revenues or expenditures, statements of plans and objectives or future operations or statements of future economic performance. Forward-looking statements are inherently uncertain and subject to risks, uncertainties and other factors that might cause the actual performance of Hub Group, Inc. to differ materially from those expressed or implied by this discussion and, therefore, should be viewed with caution. All forward-looking statements and information are provided pursuant to the safe harbor established under the Private Securities Litigation Reform Act of 1995 and should be evaluated in the context of these factors. Forward-looking statements generally may be identified by the use of forward-looking terminology such as “trends”, “assumptions”, “target”, “guidance”, “outlook”, “opportunity”, “future”, “plans”, “goals”, “objectives”, “expects”, “anticipate”, “expected”, “may”, “will”, “would”, “could”, “intend”, “believe”, “potential”, “projected”, “estimate” (or the negative or derivative of each of these terms), or similar words, and include our statements regarding our outlook, profit improvement initiatives and capital expenditures. These statements are based on Hub Group’s current beliefs and expectations of future events or future results, and involve risks and uncertainties that are difficult to predict and subject to change. Factors that could cause actual results to differ materially include, among other things, general or regional economic conditions, including inflation and changes in trade policy; the effect of the ongoing COVID-19 pandemic (including any spikes, outbreaks or variants of the virus) and any future government actions taken in response to the pandemic, on our business operations and general economic and financial market conditions; governmental or regulatory requirements affecting tax, wage and hour matters, health and safety, labor and employment, insurance or other areas; shipping and intermodal costs and prices, the integration of acquisitions and expenses relating thereto; driver shortages; the amount and timing of strategic investments or divestitures by Hub Group; the failure to implement and integrate critical information technology systems; cyber security incidents; and retail and other customers encountering adverse economic conditions. Further information on these factors and other risks that may affect the Hub Group’s business is included in filings it makes with the SEC from time to time, including but not limited to those discussed under the “Risk Factors” section in Hub Group’s Form 10-K for the fiscal year ended December 31, 2021, and other filings with the SEC and in other investor communications of Hub Group from time to time. Hub Group assumes no obligation to update any such forward-looking statements.

## **NON-GAAP FINANCIAL MEASURES**

This presentation contains certain non-GAAP financial measures including, without limitation, “EBITDA.” Reconciliations of these measures to the comparable GAAP measures are set forth to in the Appendix to this presentation.

We believe these non-GAAP financial measures provide useful information to management and investors that is supplementary to our financial condition, results of operations and cash flows computed in accordance with GAAP. Specifically, we believe these non-GAAP financial measures (a) allow management and investors to better assess our performance by removing volatility that we believe is associated with discrete items that are either larger than anticipated or non-recurring, and (b) enable a more complete understanding of factors and trends affecting our business.

Non-GAAP financial measures, however, have inherent limitations, are not required to be uniformly applied, and are not audited. Accordingly, these non-GAAP financial measures should not be considered as substitutes for GAAP financial measures, and we strongly encourage investors to review the GAAP financial measures included in this presentation and in our public filings with the SEC that are referenced above and not to place undue reliance upon any single financial measure. In addition, because non-GAAP financial measures are not standardized, it may not be possible to compare the non-GAAP financial measures in this presentation with other companies’ non-GAAP financial measures having the same or similar names. As such, you should not view these disclosures as a substitute for results determined in accordance with GAAP, and they are not necessarily comparable to non-GAAP financial measures that other companies use. Reconciliations of non-GAAP financial disclosures to what we believe to be the most directly comparable GAAP measures are set forth in “Appendix” to this presentation and also may be viewed on the company’s website, [hubgroup.com](http://hubgroup.com).

## **FORWARD-LOOKING NON-GAAP FINANCIAL MEASURE**

In this presentation, management has presented certain forward-looking statements about the Company’s future financial performance that include EBITDA margin, a forward-looking non-GAAP financial measure. This non-GAAP financial measure is defined as EBITDA as a percentage of revenue. EBITDA is defined as earnings before interest, taxes, depreciation and amortization. We are unable to present a quantitative reconciliation of EBITDA margin to its most directly comparable forward-looking GAAP financial measure, Net Income Margin, because management is currently unable to predict with a reasonable degree of certainty the type and extent of certain items that would be expected to impact the GAAP measure without unreasonable efforts.

You should assume that all numbers presented are unaudited unless otherwise noted.

All trademarks, service marks and company names are the property of their respective owners.



# THE WAY AHEAD

Throughout our 50 years, Hub Group has grown to be a comprehensive supply chain solutions provider and a respected leader in the industry. Today, we're focused on continuously innovating with intent, expanding our capabilities and developing the most customer-centric supply chain solutions in the industry — while upholding our ongoing values of service, integrity and innovation.

## **The Hub Group Mission**

Continuously elevate each customer's business to drive long-term success.

## **The Hub Group Vision**

Build the industry's premier supply chain solutions.



# Six Key Tenets of Our Strategy

At Hub Group, we execute our strategy through our culture of service, innovation and integrity

## 1. Provide Best-in-Class Customer Service

- Single point of contact & accountability
- 24/7 accessibility and escalation

## 2. Drive Organic Growth

- Leverage multimodal capabilities for growth
- Focus on improving cost structure – operations, procurement, overhead

## 3. Diversify Service Offerings

- Develop complementary offerings
- Launch new products and expand into new verticals
- Pursue strategic acquisitions

## 4. Deepen Customer Value

- Continuous improvement and cross-selling
- Centralized accountability and visibility

## 5. Advance Technology Strategy




- End-to-end visibility through GPS & IoT
- Intelligent automation for efficiency
- Cutting-edge equipment and safety

## 6. Our Culture – The Way Matters

- Service
- Integrity
- Innovation

# The High-Service Provider

Our reputation as an industry-recognized, high-service provider sets Hub Group apart from the competition

-  Single customer owner across all modes and geographies for streamlined communication, centralized accountability and cross-selling
-  Centers of excellence for continual analysis and improvement of our customers' supply chains — multimodal solutions, continuous improvement, business intelligence and specialized sales
-  Nurture our culture of accountability and service through talent development and training initiatives



Domestic MVP, Intermodal Carrier of the Year, and Online Final Mile Carrier of the Year



Lowe's 2022 Intermodal Carrier of the Year



Penske Logistics Freight Management Carrier Award

KBX LOGISTICS



Georgia-Pacific

KBX Logistics/Georgia-Pacific Intermodal Carrier of the Year



Target Outstanding Partnership of the Year



Hormel Supplier of Excellence Award



Church & Dwight Intermodal Carrier of the Year



Inbound Logistics Top 10 3PL (#2)



SmartWay Excellence Award



2023 Forbes America's Best Midsize Companies

# Equipment

We invest in our business with the highest quality equipment and a best-in-class fleet to offer industry-leading service, network flexibility and comprehensive capabilities



## 2023: Nearly \$200M in investment planned

- Adding 3,000 intermodal containers; growth of 6%
- Adding 500 tractors – both refresh of older models and growth investments in drayage and dedicated fleets
- Investments in nationwide warehouse footprint



## 2022: \$220M in investments

- Added over 5,000 intermodal containers, grew fleet by 11%
- Expanded refrigerated intermodal container fleet to 750
- Continued investment in drayage & dedicated fleets



# Technology

We constantly pursue breakthrough technologies that make a meaningful impact on our customers' businesses, while improving productivity, efficiency and visibility across our network



**Over \$60M of annual investment**



**End-to-end visibility technology**

- Fully enabled GPS container fleet
- Driver tablets and applications
- Oracle Transportation Management software
- Hub Pro and Hub Connect technologies to communicate with carriers and customers



**Continually evaluating emerging technologies to drive operating efficiency**



# Acquisitions

We evaluate acquisitions that complement or expand capabilities, with a focus on cultural fit and a strong management team



## Areas of Focus

- Evaluating opportunities in non-asset-based logistics including transportation spend management, final mile, warehousing/fulfillment, and truck brokerage



## TAGG Logistics: August 2022

- Added e-commerce, B2B and omnichannel fulfillment capabilities
- Expanded warehouse footprint to 9 million square feet



## Choptank Transport: October 2021

- Added scale in brokerage and refrigerated market expertise
- Significant cross-sell potential with Hub Group's customer base
- Complementary to our refrigerated intermodal offering



## NonstopDelivery: December 2020

- Added high-service residential Final Mile delivery capability
- Significant cross-sell potential with Hub Group's customer base



## CaseStack: December 2018

- Added consolidation and warehousing capabilities
- Enabled new product cross-selling to small and mid-size customers



# Financial Performance

## Recent performance (\$ in mm)

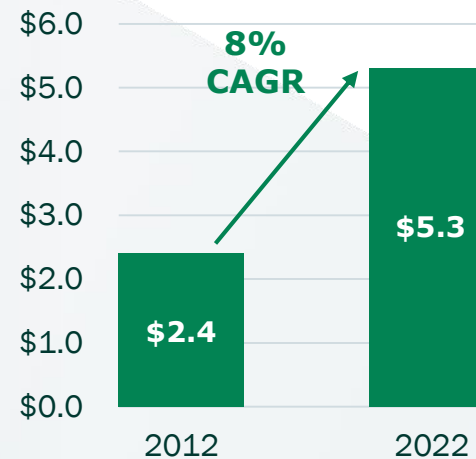
	Q4 2022	FY 2022	FY 2021
Revenue	\$1,286	\$5,340	\$4,232
Gross Margin % of Revenue	15.9%	16.7%	14.2%
Operating Income	\$100	\$475	\$238
EBITDA <sup>1</sup>	\$148	\$628	\$369
Net Cash Provided by Operating Activities	\$107	\$457	\$253
Capital Expenditures	\$61	\$219	\$133

## Recent performance driven by:

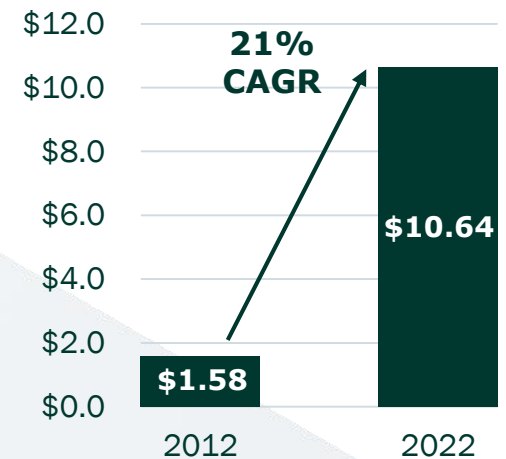
- Focus on yield management and cost control
- Service-line diversification
- Reorganization and culture of accountability
- Investment in technology and equipment
- Growth of freight under management and contractual business
- Acquisitions of TAGG, Choptank, NSD, Dedicated and CaseStack, and divestiture of Mode

## Long-term growth<sup>2</sup>

Revenue (billions)



Diluted EPS



<sup>1</sup> Represents a non-GAAP financial measure. See Appendix for reconciliation to the most comparable measure under GAAP.

<sup>2</sup> 2012 results are adjusted to exclude the impact of Mode Transportation, which was divested in 2018.



# 2023 Outlook

Assumes that economic and demand conditions improve in second half as retailer inventory levels normalize

## Expectations:

- **Revenue** of \$5.2 to \$5.4 billion
  - Includes full year of results from TAGG
- **Gross margin as a percent of revenue** expected to be 14.5% to 15.0%
- **Costs and expenses** of \$420 to \$440 million
  - Costs and expenses will increase from 2022 levels primarily due to merit increases and lower gains on sale of equipment
  - Also includes full year expenses from the TAGG acquisition, including intangible amortization
- **Full year tax rate** of 24.0% to 25.0%
- **Diluted EPS** of \$7.00 to \$8.00
- **Capital expenditures:** \$170 to \$190 million to support growth of container fleet, tractors, warehouse equipment and technology



# Long-Term Financial Targets

2025 Revenue  
**\$5.5 - \$6.5BN**

- Organic revenue growth driven by our superior customer experience, and the technology and equipment investments we will continue to make in our business
- Diversify service offering to provide sophisticated supply chain solutions, including through the addition of value-added services that anticipate shipper and consumer trends
- Acquisitions of non-asset logistics businesses that expand our solutions offering, add scale to our core operations and deepen our customer relationships

Operating Income Margin  
**4.0 - 5.5%**  
EBITDA Margin  
**7.5 - 9.0%**

- Margin expansion driven by reinvestment in our business, our technology initiatives, and our continued focus on operating efficiency
- Continued commitment to our culture of innovation, service and teamwork
- Investments enabled by strong balance sheet and conservative capital structure



# Potential “Freight Recession” Considerations

- Non-asset businesses represents \$2bn of revenue for 2022 – ~40% of total revenue
- Approximately 90% of revenue comes from annual or multi-year awards/contracts
- Business is supported by conservative capital structure

POTENTIAL CHALLENGES	AVAILABLE MITIGANTS AND ACTIONS
Intermodal Price Declines	<ul style="list-style-type: none"><li>• Decline in rail and 3rd party drayage costs to offset customer price declines</li><li>• Significant gap between IML and TL drives intermodal conversion – 15-30% price advantage depending on lane and fuel cost</li><li>• Insource more drayage – improved profitability and better service</li><li>• Softer demand leads to improved utilization – ability to handle more volume</li><li>• Ability to remove containers from circulation – temporarily stacking or permanent retirements</li></ul>
Softness in Brokerage Spot Rates	<ul style="list-style-type: none"><li>• Reductions in purchased transportation costs leading to better profitability in contract volumes</li></ul>
Declining Gross Margin Dollars; Impact on EPS and Cash Flow	<ul style="list-style-type: none"><li>• “Natural” declines in incentive compensation and commission expense</li><li>• Focus on right sizing headcount for business conditions</li><li>• Aggressive focus on operating cost reductions (e.g. outside services, travel)</li><li>• Reduce discretionary capital expenditures</li></ul>



# Hub Group is a Leader in Sustainability Initiatives

- Over 3.0 billion pounds of CO<sub>2</sub> avoided in 2022 through use of Intermodal
  - 68% more efficient than over-the-road trucking transportation
  - Allows our customers to meet their carbon footprint reduction goals
- Full suite of multimodal solutions with lower CO<sub>2</sub> emissions than some alternative approaches:
  - Intermodal conversion from truckload
  - LTL consolidation: maximize trailer cubage, allowing for more freight per mile transported
  - Cross dock management and network optimization to eliminate unnecessary mileage
- Hub Group Fleet equipment
  - Tractors: average fleet age of 2.6 years, down from 3.7 at the end of 2020
    - Plan to invest nearly \$70 million in 2023 for new tractors, the majority of which are replacements for inefficient, older tractors (~10% improvement in MPG)
    - Onboard sensors to track driver acceleration behaviors – benefiting safety and fuel consumption
    - Feature the latest in safety technology
  - GPS-equipped containers allow drivers to precisely locate containers without driving wasted miles
  - Completed Electric Truck pilot in 2021; evaluating investment in infrastructure for anticipated future vehicle deliveries
- Please see [Hub Group's Sustainability Report](#) for further detail



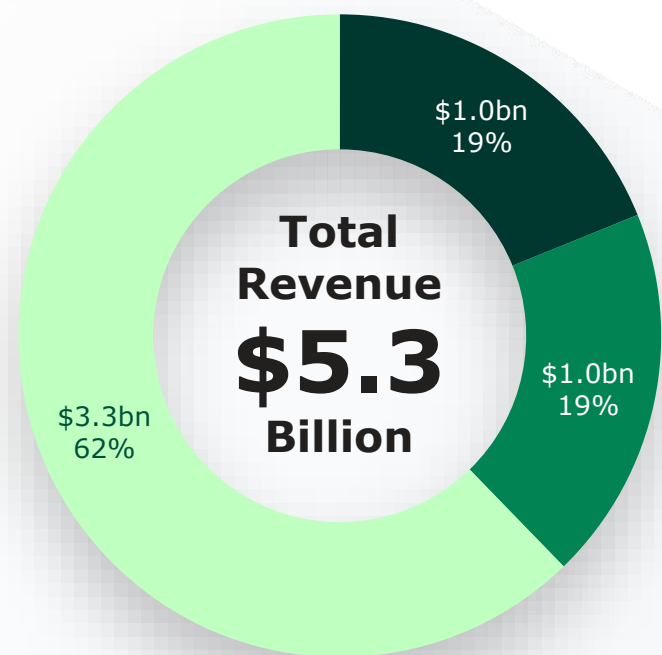


# **Hub Group: Overview of Business Lines**

[hubgroup.com](https://hubgroup.com)

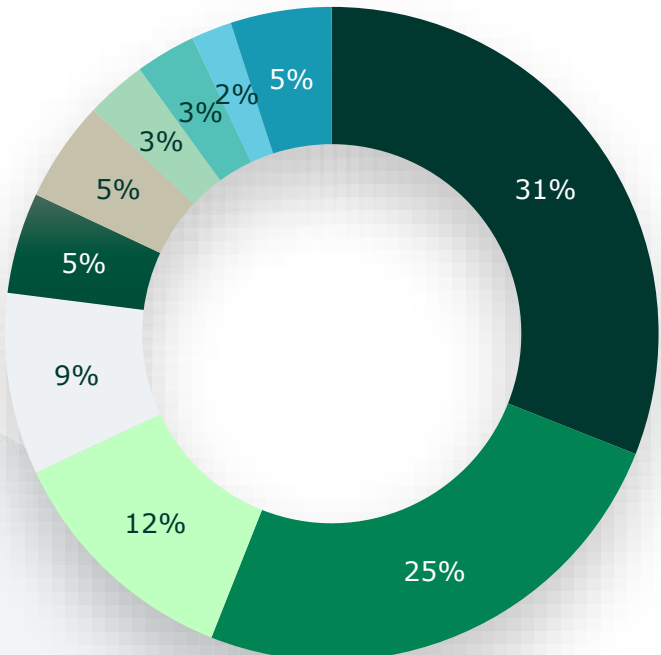
# Multi-Modal Revenue Diversification

Revenue by Business Line<sup>1</sup>  
(% of total revenue)



- Logistics
- Truck Brokerage
- Intermodal & Transportation Solutions

Revenue by Industry<sup>2</sup>



- Mass & Specialty Retail
- E-Commerce
- Discount Retail
- Paper Products
- Healthcare
- Consumer Products
- Durable Goods
- Automotive
- Beverage, Wine & Spirits
- Other

<sup>1</sup> For Fiscal year 2022, <sup>2</sup> For Fiscal Year 2022, represents management estimates



OVERVIEW OF BUSINESS LINES

# How Our Capabilities Power New Opportunity

Hub Group moves beyond service standards to continuously deliver exceptional supply chain solutions for the world's largest companies. We carefully optimize, enhance and deliver unprecedented results for supply chain improvement.

Asset-Based

## Intermodal & Transportation Solutions



Intermodal



Drayage



Dedicated Trucking

Non-Asset

## Logistics & Truck Brokerage



Managed Solutions



Consolidation & Fulfillment



International Logistics



Final Mile



Parcel Solutions



Dry Van




Refrigerated



LTL





OVERVIEW OF BUSINESS LINES

# Intermodal & Transportation Solutions

## Intermodal

- High service, nationwide door-to-door transportation offering value, visibility and reliability in both transcontinental and local lanes
- Well positioned to assist shippers in reducing their transportation spend and carbon footprints
- Long-term relationships with rail providers, primarily Union Pacific and Norfolk Southern
- 2nd largest container fleet in the industry with approximately 50,000 units
- Growing refrigerated container fleet with 750 units

## Transportation Solutions

- Trucking operation of over 3,700 drivers and over 3,000 tractors
- Drayage operation supports over 60% of intermodal volume from 20+ terminals throughout the US
- Dedicated trucking operation provides high service deliveries, primarily DC-to-customer shipments for retailers and consumer goods companies
- Equipment, drivers and support services shared between drayage and dedicated operations, enabled by technology
- Facilitates asset utilization efficiencies and advantages of scale

## Highlights

**\$3.3 billion**

of revenue

**50,000**

Containers and nearly **5,000** trailers

**Security/Visibility**

First fully GPS-enabled fleet leverages satellite tracking, sonar door sensors, AI and machine learning

# Logistics

## Competitive positioning

- Contractual, high value add and sticky service offering with an attractive customer value proposition
- Provides savings, visibility and outsourced services to a wide variety of customers
- Non-asset based transportation management and technology solutions
- Important source of freight for our intermodal and trucking service lines

## Managed Transportation

- Transportation services include shipment optimization, mode selection, load consolidation, global supply chain management and carrier management
- Modes include intermodal, full truckload, LTL, parcel and international services

## Consolidation, Warehousing and Cross Docking

- Unique combination of non-asset transportation and non-asset and asset-based warehousing with over 9mm sq. ft. of space
- Offers high service and value to consumer goods businesses serving multiple channels
- Consolidates pallets into full truckloads, offering significant savings relative to traditional LTL
- Enables shippers to meet increasingly stringent "on-time, in-full" delivery requirements

## Final Mile

- Delivers big and bulky goods to residences in every US zip code
- Service offering ranges from threshold delivery to white glove
- Operates through a network of over 180 agents nationwide

## Highlights


**\$1.0 billion**  
of revenue

## Full Range of Solutions

Including transportation, warehousing, fulfillment and cross dock services

## Savings, Visibility and Outsourced Services

for a wide variety of customers



OVERVIEW OF BUSINESS LINES

# Truck Brokerage

## Competitive positioning

Non-asset based over-the-road transportation provider that adds value to both shippers and carriers by matching shippers' needs with carriers' capacity to provide the most effective combination of service and price

✓ Dry van

✓ Refrigerated

✓ Expedited

✓ Flatbed

✓ Less-than-truckload

## Overview

- Focused on contract freight and projects (e.g., seasonal and emergency freight) and spot freight to a lesser extent
- Added significant scale and refrigerated capabilities through acquisition of Choptank
- Recently revitalized the business through new talent, incentives and technology tools that enabled a focus on carrier management, execution and high service levels

## Highlights

**\$1.0 billion**

of revenue

## Primary focus

Cross-sell truck brokerage services to existing Hub customers based on high service offering

## Scale Benefits from Choptank

Realizing benefits of scale, new refrigerated service offering and technology capabilities from Choptank acquisition



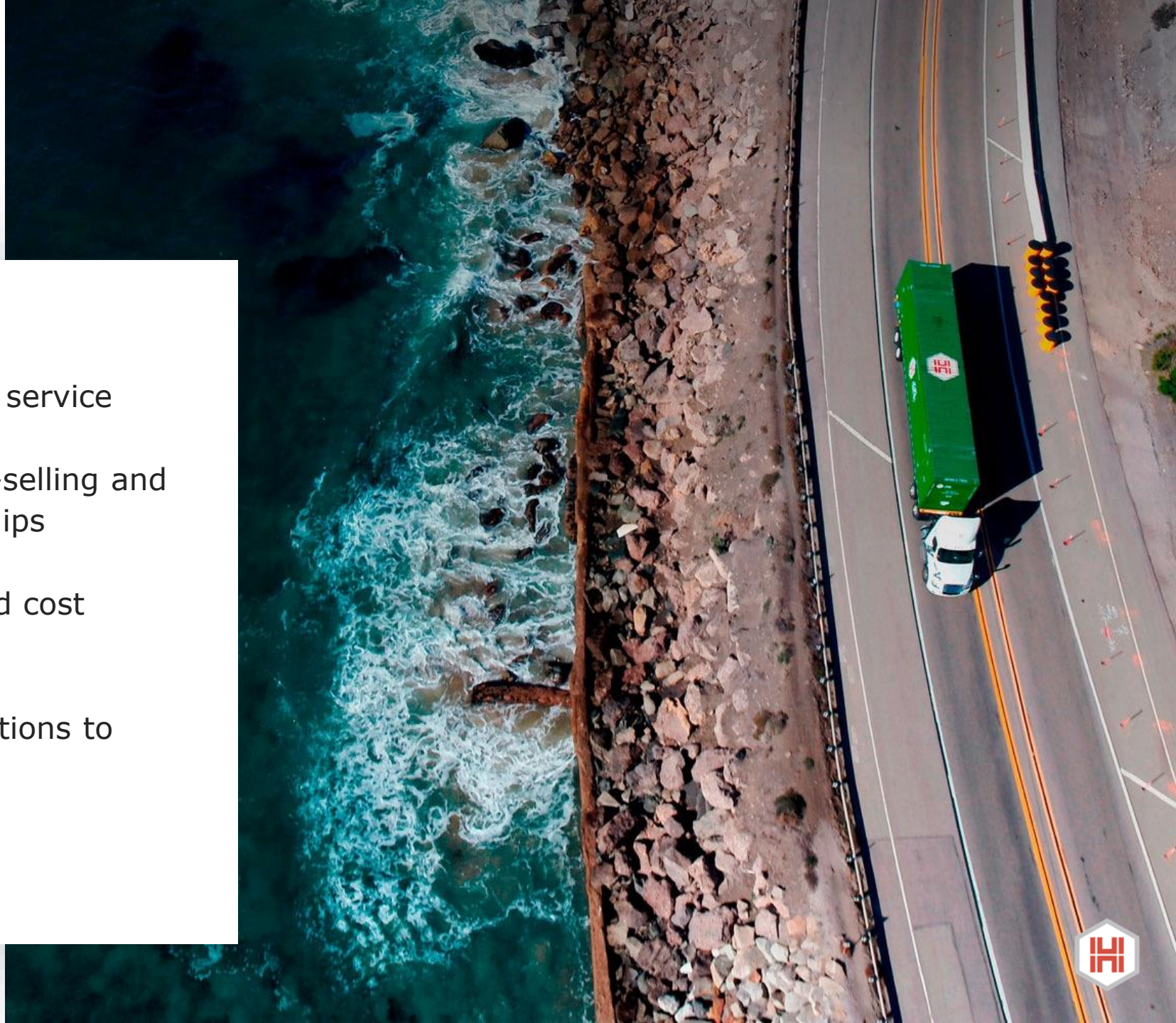
# **Hub Group: The Way Ahead**

[hubgroup.com](https://hubgroup.com)

# The Way Ahead

## Actions and goals

- ✓ Deliver best-in-class customer service
- ✓ Drive organic growth by cross-selling and deepening customer relationships
- ✓ Drive operating efficiencies and cost reductions
- ✓ Pursue complementary acquisitions to diversify offerings
- ✓ Execute technology strategy



HUB GROUP: THE WAY AHEAD

# Path to \$6 Billion in Revenue

ASSET-BASED BUSINESS



## Intermodal

- Continued focus on high service and value
- Drayage operation and cost structure improvements
- Increase mix of company drayage to 80% by investing in tractors and drivers
- Invest in our container fleet, including expansion to 750 refrigerated containers



## Transportation Solutions

- Focus on improving operational execution/cost structure, including driver experience, asset management and procurement
- Continue to leverage tractors and drivers across drayage and dedicated in certain geographies
- Invest to support growth opportunities



HUB GROUP: THE WAY AHEAD

# Path to **\$6 Billion** in Revenue

NON-ASSET BASED BUSINESSES



## Logistics

- Strong pipeline with significant recent customer wins
- Reorganized account management and operations groups
- Full or partial outsource with end-to-end capabilities
- Continue adding new services, expand addressable market
- Promote and invest in a philosophy of continuous improvement
- Support and expand tariff consulting and customs clearance assistance
- Grow Final Mile business
- Expand international ocean and air freight management capabilities
- Retail Supplier Solutions — continue expansion into existing customers and add new consolidation programs
- Enhanced growth enabled by new capabilities from TAGG acquisition



## Truck Brokerage

- Choptank acquisition brings additional scale and new refrigerated capability
- Cross-selling initiatives
- Growing niche offerings, including LTL and flatbed
- Maximize benefits of revitalization and tech investments, including productivity and profitability



HUB GROUP: THE WAY AHEAD

# The Hub Group Difference

## High service

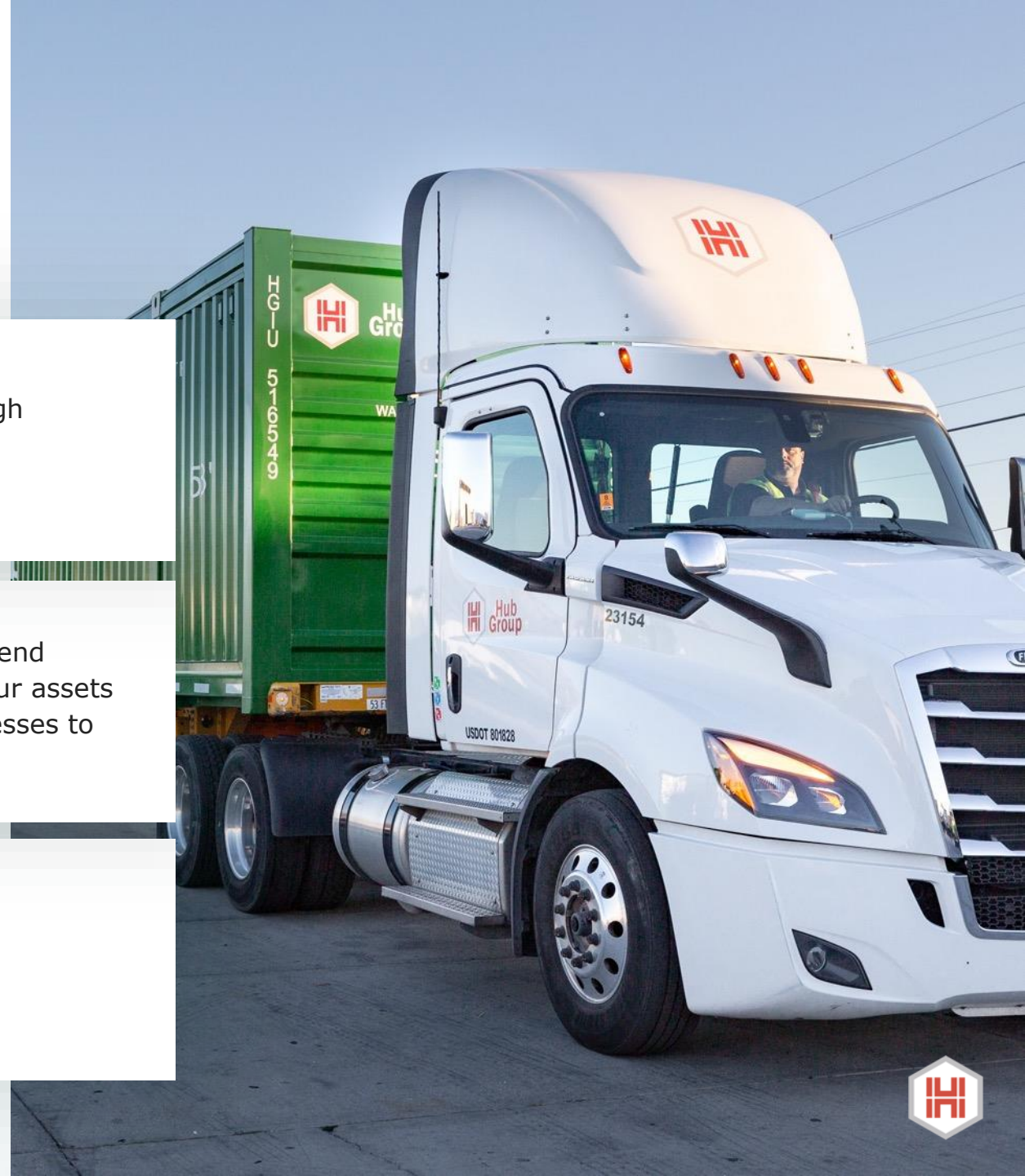
Offer a best-in-class customer experience through accountability, continuous improvement and diversification of service offerings.

## Technology and assets

Pair our dedication to service with 24/7, end-to-end supply chain visibility today, while investing in our assets and working toward intelligent automation processes to increase efficiencies.

## Cost controls

Focus on improving our cost structure across operations, procurement and overhead.





# Appendix

**Hub Group, Inc.**  
**RECONCILIATION OF NET INCOME TO EBITDA**  
(in thousands)  
(unaudited)

	<b>Three Months Ended December 31, 2022</b>	<b>Twelve Months Ended December 31, 2022</b>	<b>Twelve Months Ended December 31, 2021</b>
Net income	\$ 79,274	\$ 356,948	\$ 171,474
Interest expense	1,381	6,632	7,302
Depreciation and amortization	43,313	153,726	130,629
Provision for income taxes	23,947	111,010	59,436
EBITDA	<u>\$ 147,915</u>	<u>\$ 628,316</u>	<u>\$ 368,841</u>





**Thank you!**

[hugoboss.com](https://hugoboss.com)