

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2020

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission File Number: 0-11757

J.B. HUNT TRANSPORT SERVICES, INC.
(Exact name of registrant as specified in its charter)

Arkansas
(State or other jurisdiction
of incorporation or
organization)

71-0335111
(I.R.S. Employer
Identification No.)

615 J.B. Hunt Corporate Drive, Lowell, Arkansas 72745
(Address of principal executive offices)

479-820-0000
(Registrant's telephone number, including area code)

www.jbhunt.com
(Registrant's web site)

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value	JBHT	NASDAQ

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 the 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 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 the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

The number of shares of the registrant's \$0.01 par value common stock outstanding on June 30, 2020 was 105,507,223.

J.B. HUNT TRANSPORT SERVICES, INC.

Form 10-Q
For The Quarterly Period Ended June 30, 2020
Table of Contents

	<u>Page</u>
Part I. Financial Information	
Item 1. Financial Statements	
Condensed Consolidated Statements of Earnings for the Three and Six Months Ended June 30, 2020 and 2019	3
Condensed Consolidated Balance Sheets as of June 30, 2020 and December 31, 2019	4
Condensed Consolidated Statements of Stockholders' Equity for the Three and Six Months Ended June 30, 2020 and 2019	5
Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2020 and 2019	6
Notes to Condensed Consolidated Financial Statements as of June 30, 2020	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	12
Item 3. Quantitative and Qualitative Disclosures About Market Risk	22
Item 4. Controls and Procedures	22
Part II. Other Information	
Item 1. Legal Proceedings	23
Item 1A. Risk Factors	23
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	23
Item 3. Defaults Upon Senior Securities	23
Item 4. Mine Safety Disclosures	23
Item 5. Other Information	23
Item 6. Exhibits	24
Exhibits	24
Signatures	25

Part I. Financial Information

ITEM 1. FINANCIAL STATEMENTS

J.B. HUNT TRANSPORT SERVICES, INC.

Condensed Consolidated Statements of Earnings
(in thousands, except per share amounts)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Operating revenues, excluding fuel surcharge revenues	\$ 1,986,130	\$ 1,996,266	\$ 4,031,824	\$ 3,851,608
Fuel surcharge revenues	159,443	265,381	394,574	499,666
Total operating revenues	2,145,573	2,261,647	4,426,398	4,351,274
Operating expenses:				
Rents and purchased transportation	1,034,297	1,086,416	2,170,449	2,086,305
Salaries, wages and employee benefits	554,136	535,147	1,128,386	1,051,472
Depreciation and amortization	130,298	123,995	260,393	243,924
Fuel and fuel taxes	75,459	118,037	176,582	230,162
Operating supplies and expenses	79,134	84,264	164,732	162,436
General and administrative expenses, net of asset dispositions	44,599	46,539	89,761	91,578
Insurance and claims	30,899	52,013	63,260	81,007
Operating taxes and licenses	13,567	13,565	26,879	26,725
Communication and utilities	8,001	8,578	16,032	16,777
Total operating expenses	1,970,390	2,068,554	4,096,474	3,990,386
Operating income	175,183	193,093	329,924	360,888
Net interest expense	12,818	14,763	24,854	27,796
Earnings before income taxes	162,365	178,330	305,070	333,092
Income taxes	40,667	44,697	78,538	79,858
Net earnings	\$ 121,698	\$ 133,633	\$ 226,532	\$ 253,234
Weighted average basic shares outstanding	105,505	107,387	105,745	108,055
Basic earnings per share	\$ 1.15	\$ 1.24	\$ 2.14	\$ 2.34
Weighted average diluted shares outstanding	106,580	108,373	106,765	109,015
Diluted earnings per share	\$ 1.14	\$ 1.23	\$ 2.12	\$ 2.32
Dividends declared per common share	\$ 0.27	\$ 0.26	\$ 0.54	\$ 0.52

See Notes to Condensed Consolidated Financial Statements.

J.B. HUNT TRANSPORT SERVICES, INC.

Condensed Consolidated Balance Sheets (in thousands)

	June 30, 2020 (unaudited)	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 274,654	\$ 35,000
Trade accounts receivable, net	950,636	1,011,829
Prepaid expenses and other	319,407	434,470
Total current assets	1,544,697	1,481,299
Property and equipment, at cost	5,730,544	5,640,806
Less accumulated depreciation	2,104,148	2,019,940
Net property and equipment	3,626,396	3,620,866
Goodwill and intangible assets, net	196,042	202,832
Other assets	186,497	165,857
Total assets	\$ 5,553,632	\$ 5,470,854

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Trade accounts payable	\$ 513,517	\$ 602,601
Claims accruals	269,825	279,590

Accrued payroll	98,692	68,220
Other accrued expenses	88,648	85,355
Total current liabilities	<u>970,682</u>	<u>1,035,766</u>
Long-term debt	1,307,019	1,295,740
Other long-term liabilities	185,390	173,241
Deferred income taxes	699,698	699,078
Stockholders' equity	2,390,843	2,267,029
Total liabilities and stockholders' equity	<u>\$ 5,553,632</u>	<u>\$ 5,470,854</u>

See Notes to Condensed Consolidated Financial Statements.

J.B. HUNT TRANSPORT SERVICES, INC.

Condensed Consolidated Statements of Stockholders' Equity (in thousands, except per share amounts) (unaudited)

	Three Months Ended June 30, 2019 and 2020				
	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Stockholders' Equity
Balances at March 31, 2019	<u>\$ 1,671</u>	<u>\$ 351,881</u>	<u>\$ 4,279,764</u>	<u>\$ (2,429,552)</u>	<u>\$ 2,203,764</u>
Comprehensive income:					
Net earnings	-	-	133,633	-	133,633
Cash dividend declared and paid (\$0.26 per share)	-	-	(28,006)	-	(28,006)
Purchase of treasury shares	-	-	-	(189,734)	(189,734)
Share-based compensation	-	14,732	-	-	14,732
Restricted share issuances, net of stock repurchased for payroll taxes and other	-	553	-	414	967
Balances at June 30, 2019	<u>\$ 1,671</u>	<u>\$ 367,166</u>	<u>\$ 4,385,391</u>	<u>\$ (2,618,872)</u>	<u>\$ 2,135,356</u>
Balances at March 31, 2020	<u>\$ 1,671</u>	<u>\$ 388,577</u>	<u>\$ 4,669,084</u>	<u>\$ (2,776,914)</u>	<u>\$ 2,282,418</u>
Comprehensive income:					
Net earnings	-	-	121,698	-	121,698
Cash dividend declared and paid (\$0.27 per share)	-	-	(28,487)	-	(28,487)
Purchase of treasury shares	-	-	-	-	-
Share-based compensation	-	16,002	-	-	16,002
Restricted share issuances, net of stock repurchased for payroll taxes and other	-	(1,926)	-	1,138	(788)
Balances at June 30, 2020	<u>\$ 1,671</u>	<u>\$ 402,653</u>	<u>\$ 4,762,295</u>	<u>\$ (2,775,776)</u>	<u>\$ 2,390,843</u>

	Six Months Ended June 30, 2019 and 2020				
	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Stockholders' Equity
Balances at December 31, 2018	<u>\$ 1,671</u>	<u>\$ 340,457</u>	<u>\$ 4,188,435</u>	<u>\$ (2,429,179)</u>	<u>\$ 2,101,384</u>
Comprehensive income:					
Net earnings	-	-	253,234	-	253,234
Cash dividend declared and paid (\$0.52 per share)	-	-	(56,278)	-	(56,278)
Purchase of treasury shares	-	-	-	(189,734)	(189,734)
Share-based compensation	-	28,304	-	-	28,304
Restricted share issuances, net of stock repurchased for payroll taxes and other	-	(1,595)	-	41	(1,554)
Balances at June 30, 2019	<u>\$ 1,671</u>	<u>\$ 367,166</u>	<u>\$ 4,385,391</u>	<u>\$ (2,618,872)</u>	<u>\$ 2,135,356</u>
Balances at December 31, 2019	<u>\$ 1,671</u>	<u>\$ 374,049</u>	<u>\$ 4,592,938</u>	<u>\$ (2,701,629)</u>	<u>\$ 2,267,029</u>
Comprehensive income:					
Net earnings	-	-	226,532	-	226,532
Cash dividend declared and paid (\$0.54 per share)	-	-	(57,175)	-	(57,175)

Purchase of treasury shares	-	-	-	(75,193)	(75,193)
Share-based compensation	-	34,065	-	-	34,065
Restricted share issuances, net of stock repurchased for payroll taxes and other	-	(5,461)	-	1,046	(4,415)
Balances at June 30, 2020	\$ 1,671	\$ 402,653	\$ 4,762,295	\$ (2,775,776)	\$ 2,390,843

See Notes to Condensed Consolidated Financial Statements.

J.B. HUNT TRANSPORT SERVICES, INC.

Condensed Consolidated Statements of Cash Flows (in thousands) (unaudited)

	Six Months Ended June 30,	
	2020	2019
Cash flows from operating activities:		
Net earnings	\$ 226,532	\$ 253,234
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	260,393	243,924
Noncash lease expense	23,553	18,230
Share-based compensation	34,065	28,304
Loss on sale of revenue equipment and other	2,442	5,042
Deferred income taxes	621	32,601
Changes in operating assets and liabilities:		
Trade accounts receivable	61,193	20,512
Other assets	(26,446)	(23,403)
Trade accounts payable	10,526	33,015
Income taxes payable or receivable	46,964	34,931
Claims accruals	(9,060)	783
Accrued payroll and other accrued expenses	9,167	(40,512)
Net cash provided by operating activities	<u>639,950</u>	<u>606,661</u>
Cash flows from investing activities:		
Additions to property and equipment	(342,309)	(555,131)
Net proceeds from sale of equipment	77,695	79,800
Business acquisition	-	(98,543)
Changes in other assets	88	(45)
Net cash used in investing activities	<u>(264,526)</u>	<u>(573,919)</u>
Cash flows from financing activities:		
Proceeds from issuances of long-term debt	-	700,000
Payments on long-term debt	-	(250,000)
Proceeds from revolving lines of credit and other	221,113	1,334,499
Payments on revolving lines of credit and other	(220,100)	(1,570,400)
Purchase of treasury stock	(75,193)	(189,734)
Stock repurchased for payroll taxes and other	(4,415)	(1,554)
Dividends paid	(57,175)	(56,278)
Net cash used in financing activities	<u>(135,770)</u>	<u>(33,467)</u>
Net change in cash and cash equivalents	239,654	(725)
Cash and cash equivalents at beginning of period	35,000	7,600
Cash and cash equivalents at end of period	<u>\$ 274,654</u>	<u>\$ 6,875</u>
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	<u>\$ 29,771</u>	<u>\$ 20,046</u>
Income taxes	<u>\$ 31,319</u>	<u>\$ 15,794</u>
Noncash investing activities		
Accruals for equipment received	<u>\$ 22,344</u>	<u>\$ 47,920</u>

J.B. HUNT TRANSPORT SERVICES, INC.**Notes to Condensed Consolidated Financial Statements**
(Unaudited)**1. General***Basis of Presentation*

The accompanying unaudited interim Condensed Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information. We believe such statements include all adjustments (consisting only of normal recurring adjustments) necessary for the fair presentation of our financial position, results of operations and cash flows at the dates and for the periods indicated. Pursuant to the requirements of the Securities and Exchange Commission (SEC) applicable to quarterly reports on Form 10-Q, the accompanying financial statements do not include all disclosures required by GAAP for annual financial statements. While we believe the disclosures presented are adequate to make the information not misleading, these unaudited interim Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2019. Operating results for the periods presented in this report are not necessarily indicative of the results that may be expected for the calendar year ending December 31, 2020, or any other interim period. Our business is somewhat seasonal with slightly higher freight volumes typically experienced during August through early November in our full-load freight transportation business.

Use of Estimates

The novel coronavirus (COVID-19) pandemic has created and may continue to create significant uncertainty in macro-economic conditions, which may cause global economic recession, business slowdowns or shutdowns, depressed demand for our transportation and logistics businesses, and adversely impact our results of operations. During the six months ended June 30, 2020, we faced increasing uncertainties around our estimates on our accounts receivable credit losses and goodwill and intangibles assets. We expect uncertainties around our key accounting estimates to continue to evolve depending on the duration and degree of impact associated with the COVID-19 pandemic. Our estimates may change, as new events occur and additional information is obtained, which are recognized or disclosed in our consolidated financial statements as soon as they become known and may have a material impact on our financial statements.

Accounting Pronouncement Adopted in 2020

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, Financial Instruments – Credit Losses, which replaced the existing incurred loss methodology used for establishing a provision against financial assets, including accounts receivable, with a forward-looking expected loss methodology for accounts receivable, loans and other financial instruments. We adopted the new standard on January 1, 2020, using the cumulative-effect method. The adoption of the new guidance did not have a material impact on our financial statements.

Accounts Receivable and Allowance

Our trade accounts receivable includes accounts receivable reduced by an allowance for uncollectible accounts. Receivables are recorded at amounts billed to customers when loads are delivered or services are performed. The allowance for uncollectible accounts is calculated over the life of the underlying receivable and is based on historical experience; any known trends or uncertainties related to customer billing and account collectability; current economic conditions; and reasonable and supportable economic forecasts, each applied to segregated risk pools based on the business segment that generated the receivable. The adequacy of our allowance is reviewed quarterly. Balances are charged against the allowance when it is determined the receivable will not be recovered. The allowance for uncollectible accounts for our trade accounts receivable was \$18.0 million at June 30, 2020 and \$13.3 million at December 31, 2019. During the three and six months ended June 30, 2020, the allowance for uncollectible accounts increased by \$4.7 million and \$6.2 million, respectively, and was reduced \$1.1 million and \$1.5 million, respectively, by write-offs during the same periods.

2. Earnings Per Share

We compute basic earnings per share by dividing net earnings available to common stockholders by the actual weighted average number of common shares outstanding for the reporting period. Diluted earnings per share reflects the potential dilution that could occur if holders of unvested restricted and performance share units converted their holdings into common stock. The dilutive effect of restricted and performance share units was 1.1 million and 1.0 million shares during the three and six months ended June 30, 2020, compared to 1.0 million shares during the three and six months ended June 30, 2019.

3. Share-based Compensation

The following table summarizes the components of our share-based compensation program expense (in thousands):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Restricted share units:				
Pretax compensation expense	\$ 12,429	\$ 10,892	\$ 27,108	\$ 20,634
Tax benefit	3,182	2,723	6,940	5,158
Restricted share unit expense, net of tax	<u>\$ 9,247</u>	<u>\$ 8,169</u>	<u>\$ 20,168</u>	<u>\$ 15,476</u>
Performance share units:				
Pretax compensation expense	\$ 3,573	\$ 3,840	\$ 6,957	\$ 7,670
Tax benefit	915	960	1,781	1,917
Performance share unit expense, net of tax	<u>\$ 2,658</u>	<u>\$ 2,880</u>	<u>\$ 5,176</u>	<u>\$ 5,753</u>

As of June 30, 2020, we had \$84.3 million and \$20.7 million of total unrecognized compensation expense related to restricted share units and performance share units, respectively, that is to be recognized over the remaining weighted-average period of approximately 3.2 years for restricted share units and 2.4 years for performance share units. During the six months ended June 30, 2020, we issued 91,352 shares for vested restricted share units and 44,870 shares for vested performance share units. Of these totals, 56,571 shares for vested restricted share units were issued during the second quarter 2020.

4. Financing Arrangements

Outstanding borrowings, net of unamortized discount, unamortized debt issuance cost, and fair value swap, under our current financing arrangements consist of the following (in millions):

	June 30, 2020	December 31, 2019
Senior notes	1,307.0	1,295.7

Senior Revolving Line of Credit

At June 30, 2020, we were authorized to borrow up to \$750 million under a senior revolving line of credit, which is supported by a credit agreement with a group of banks and expires in September 2023. This senior credit facility allows us to request an increase in the total commitment by up to \$250 million and to request a one-year extension of the maturity date. The applicable interest rate under this agreement is based on either the Prime Rate, the Federal Funds Rate or LIBOR, depending upon the specific type of borrowing, plus an applicable margin based on our credit rating and other fees. At June 30, 2020, we had no outstanding borrowings under this agreement.

Senior Notes

Our senior notes consist of three separate issuances. The first is \$250 million of 3.85% senior notes due March 2024, which was issued in March 2014. Interest payments under this note are due semiannually in March and September of each year, beginning September 2014. The second is \$350 million of 3.30% senior notes due August 2022, issued in August 2015. Interest payments under this note are due semiannually in February and August of each year, beginning February 2016. The third is \$700 million of 3.875% senior notes due March 2026, issued in March 2019. Interest payments under this note are due semiannually in March and September of each year, beginning September 2019. All three senior notes were issued by J.B. Hunt Transport Services, Inc., a parent-level holding company with no significant assets or operations. The notes are guaranteed on a full and unconditional basis by a wholly-owned subsidiary. All other subsidiaries of the parent are minor. We registered these offerings and the sale of the notes under the Securities Act of 1933, pursuant to shelf registration statements filed in February 2014 and January 2019. All notes are unsecured obligations and rank equally with our existing and future senior unsecured debt. We may redeem for cash some or all of the notes based on a redemption price set forth in the note indenture. See Note 5, Derivative Financial Instruments, for terms of an interest rate swap entered into on the \$350 million of 3.30% senior notes due August 2022.

Our financing arrangements require us to maintain certain covenants and financial ratios. We were in compliance with all covenants and financial ratios at June 30, 2020.

5. Derivative Financial Instruments

We periodically utilize derivative instruments for hedging and non-trading purposes to manage exposure to changes in interest rates and to maintain an appropriate mix of fixed and variable-rate debt. At inception of a derivative contract, we document relationships between derivative instruments and hedged items, as well as our risk-management objective and strategy for undertaking various derivative transactions, and assess hedge effectiveness. If it is determined that a derivative is not highly effective as a hedge, or if a derivative ceases to be a highly effective hedge, we discontinue hedge accounting prospectively.

We entered into a receive fixed-rate and pay variable-rate interest rate swap agreement simultaneously with the issuance of our \$350 million of 3.30% senior notes due August 2022, to effectively convert this fixed-rate debt to variable-rate. The notional amount of this interest rate swap agreement equals that of the corresponding fixed-rate debt. The applicable interest rate under this agreement is based on LIBOR plus an established margin, resulting in an interest rate of 1.75% for our \$350 million of 3.30% senior notes at June 30, 2020. The swap expires when the corresponding senior notes are due. The fair value of this swap is recorded in other assets in our Condensed Consolidated Balance Sheet at June 30, 2020. See Note 7, Fair Value Measurements, for disclosure of fair value. This derivative meets the required criteria to be designated as a fair value hedge, and as the specific terms and notional amount of this derivative instrument match those of the fixed-rate debt being hedged, this derivative instrument is assumed to perfectly hedge the related debt against changes in fair value due to changes in the benchmark interest rate. Accordingly, any change in the fair value of this interest rate swap recorded in earnings is offset by a corresponding change in the fair value of the related debt.

6. Capital Stock

On April 20, 2017, our Board of Directors authorized the purchase of up to \$500 million of our common stock. On January 22, 2020, our Board of Directors authorized an additional purchase of up to \$500 million of our common stock. At June 30, 2020, \$520 million of this combined authorization was remaining. We purchased approximately 800,000 shares, or \$75 million, of our common stock under our repurchase authorization during the six months ended June 30, 2020, none of which occurred in second quarter 2020. On April 23, 2020, our Board of Directors declared a regular quarterly dividend of \$0.27 per common share, which was paid on May 22, 2020, to stockholders of record on May 8, 2020. On July 22, 2020, our Board of Directors declared a regular quarterly dividend of \$0.27 per common share, which will be paid on August 21, 2020, to stockholders of record on August 7, 2020.

7. Fair Value Measurements

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Our assets and liabilities measured at fair value are based on valuation techniques which consider prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. These valuation methods are based on either quoted market prices (Level 1) or inputs, other than quoted prices in active markets, that are observable either directly or indirectly (Level 2). The following are assets and liabilities measured at fair value on a recurring basis (in millions):

	Asset/(Liability) Balance		Input Level
	June 30, 2020	December 31, 2019	
Trading investments	\$ 19.6	\$ 20.4	1
Interest rate swap	\$ 15.1	\$ 4.8	2
Senior notes, net of unamortized discount and debt issuance costs	\$ (364.0)	\$ (353.1)	2

The fair value of trading investments has been measured using the market approach (Level 1) and reflect quoted market prices. The fair values of interest rate swap and corresponding senior notes have been measured using the income approach (Level 2), which include relevant interest rate curve inputs. Trading investments and interest rate swap are classified in other assets in our Condensed Consolidated Balance Sheets. The senior notes are classified in long-term debt in our Condensed Consolidated Balance Sheets.

Financial Instruments

The carrying amount and estimated fair value at June 30, 2020, using the income approach (Level 2), based on their net present value, discounted at our current borrowing rate, of our senior revolving line of credit and remaining senior notes not measured at fair value on a recurring basis, were \$943.1 million and \$1.08 billion, respectively.

The carrying amounts of all other instruments at June 30, 2020, approximate their fair value due to the short maturity of these instruments.

8. Income Taxes

Our effective income tax rate was 25.0% for the three months ended June 30, 2020, compared to 25.1% for the three months ended June 30, 2019. Our effective income tax rate was 25.7% for the first six months of 2020, compared to 24.0% in 2019. In determining our quarterly provision for income taxes, we use an estimated annual effective tax rate, adjusted for discrete items. This rate is based on our expected annual income, statutory tax rates, best estimate of nontaxable and nondeductible items of income and expense, and the ultimate outcome of tax audits. Our effective income tax rate for the first six months of 2019 included the effect of a favorable settlement of a state income tax audit.

At June 30, 2020, we had a total of \$54.3 million in gross unrecognized tax benefits, which are a component of other long-term liabilities on our Condensed Consolidated Balance Sheets. Of this amount, \$44.7 million represents the amount of unrecognized tax benefits that, if recognized, would impact our effective tax rate. The total amount of accrued interest and penalties for such unrecognized tax benefits was \$5.0 million at June 30, 2020.

9. Legal Proceedings

In January 2017 we exercised our right to utilize the arbitration process to review the division of revenue collected beginning May 1, 2016, as well as to clarify other issues, under our Joint Service Agreement with BNSF Railway Company (BNSF). BNSF requested the same. In October 2019 the arbitrators issued a Final Award. On January 17, 2020, we filed under seal in the United States District Court for the Western District of Arkansas (the Arkansas Federal Court) a motion to confirm and enforce the Final Award, seeking the Court's specific enforcement of certain confidential contractual rights the arbitrators decided in our favor. BNSF has moved to confirm the Final Award in the United States District Court for the District of Columbia. On July 21, 2020, the Arkansas Federal Court granted our motion in part entering a Judgment confirming the arbitration awards. In a sealed opinion, the Court denied our request for additional enforcement relief but did not foreclose our right to pursue post-confirmation enforcement in court or in arbitration if warranted. During the first quarter 2020 we recorded an \$8.2 million charge resulting from an adjusted calculation of the revenue divisions owed to BNSF under the Final Award.

In June 2019, we recorded pretax charges of \$20 million for the settlement of a casualty claim within our DCS segment.

We are involved in certain other claims and pending litigation arising from the normal conduct of business. Based on present knowledge of the facts and, in certain cases, opinions of outside counsel, we believe the resolution of these claims and pending litigation will not have a material adverse effect on our financial condition, results of operations or liquidity.

10. Business Segments

In March 2020, we changed the way we internally evaluate the operating performance of our business units and adopted a new segment reporting structure. As part of this new structure, we separated our Dedicated Contract Services® segment into two reportable segments: Dedicated Contract Services and Final Mile Services®. Accordingly, we reported five distinct business segments during the three and six months ended June 30, 2020 and 2019. These segments included Intermodal (JBI), Dedicated Contract Services (DCS), Integrated Capacity Solutions™ (ICS), Final Mile Services (FMS) and Truckload (JBT) which are based primarily on the services each segment provides. The JBI segment includes freight that is transported by rail over at least some portion of the movement and also includes certain repositioning truck freight moved by JBI equipment or third-party carriers, when such highway movement is intended to direct JBI equipment back toward intermodal operations. DCS segment business includes company-owned and customer-owned, DCS-operated revenue equipment and employee drivers assigned to a specific customer, traffic lane, or service. DCS operations usually include formal, written longer-term agreements or contracts that govern services performed and applicable rates. ICS provides non-asset and asset-light transportation solutions to customers through relationships with third-party carriers and integration with company-owned equipment. ICS services include flatbed, refrigerated, and LTL, as well as a variety of dry-van and intermodal solutions. FMS provides final-mile delivery services to customers through a nationwide network of cross-dock and other delivery system network locations. FMS provides both asset and non-asset big and bulky delivery and installation services, as well as fulfilment and retail-pooling distributions services. JBT business includes full-load, dry-van freight that is transported utilizing company-owned revenue equipment or third-party carriers utilizing company-owned trailing equipment. This freight is typically transported over roads and highways and does not move by rail. All transactions between reporting segments are eliminated in consolidation. Our customers are geographically dispersed across the United States. A summary of certain segment information is presented below (in millions):

	Assets (Excludes intercompany accounts)	
	June 30, 2020	December 31, 2019
	JBI	\$ 2,353
DCS	1,486	1,445
ICS	196	208
FMS	417	432
JBT	259	241
Other (includes corporate)	843	928
Total	<u>\$ 5,554</u>	<u>\$ 5,471</u>

	Operating Revenues			
	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
JBI	\$ 1,065	\$ 1,150	\$ 2,215	\$ 2,238
DCS	533	537	1,075	1,029
ICS	304	334	640	635
FMS	140	143	293	253
JBT	108	100	213	201
Subtotal	2,150	2,264	4,436	4,356
Inter-segment eliminations	(4)	(2)	(10)	(5)
Total	<u>\$ 2,146</u>	<u>\$ 2,262</u>	<u>\$ 4,426</u>	<u>\$ 4,351</u>

	Operation Income			
	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
JBI	\$ 107.0	\$ 124.4	\$ 209.2	\$ 227.7
DCS	83.1	76.3	156.0	126.3
ICS	(13.1)	(0.6)	(32.0)	6.4
FMS	(5.2)	(15.8)	(8.5)	(15.6)
JBT	3.5	8.9	5.3	16.1
Other (includes corporate)	(0.1)	(0.1)	(0.1)	-
Total	\$ 175.2	\$ 193.1	\$ 329.9	\$ 360.9

	Depreciation and Amortization Expense			
	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
JBI	\$ 46.8	\$ 44.8	\$ 93.2	\$ 89.1
DCS	55.6	53.5	111.9	104.5
ICS	0.3	0.9	0.6	1.8
FMS	8.2	8.0	16.4	14.4
JBT	8.6	8.4	16.8	17.2
Other (includes corporate)	10.8	8.4	21.5	16.9
Total	\$ 130.3	\$ 124.0	\$ 260.4	\$ 243.9

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should refer to the attached interim Condensed Consolidated Financial Statements and related notes and also to our Annual Report (Form 10-K) for the year ended December 31, 2019, as you read the following discussion. We may make statements in this report that reflect our current expectation regarding future results of operations, performance, and achievements. These are “forward-looking” statements as defined in the Private Securities Litigation Reform Act of 1995, and are based on our belief or interpretation of information currently available. You should realize there are many risks and uncertainties that could cause actual results to differ materially from those described. Some of the factors and events that are not within our control and could have a significant impact on future operating results are general economic and business conditions; competition and competitive rate fluctuations; excess capacity in the intermodal or trucking industries; a loss of one or more major customers; cost and availability of diesel fuel; interference with or termination of our relationships with certain railroads; rail service delays; disruptions to U.S. port-of-call activity; ability to attract and retain qualified drivers, delivery personnel, independent contractors, and third-party carriers; retention of key employees; insurance costs and availability; litigation and claims expense; determination that independent contractors are employees; new or different environmental or other laws and regulations; volatile financial credit markets or interest rates; terrorist attacks or actions; acts of war; adverse weather conditions; national or international health pandemics; disruption or failure of information systems; operational disruption or adverse effects of business acquisitions; increased costs for new revenue equipment; increased tariffs assessed on or disruptions in the procurement of imported revenue equipment; decreases in the value of used equipment; and the ability of revenue equipment manufacturers to perform in accordance with agreements for guaranteed equipment trade-in values. Additionally, our business is somewhat seasonal with slightly higher freight volumes typically experienced during August through early November in our full-load transportation business. You should also refer to Part I, Item 1A of our Annual Report (Form 10-K) for the year ended December 31, 2019 and Part II, Item 1A of this Quarterly Report on Form 10-Q for additional information on risk factors and other events that are not within our control. Our future financial and operating results may fluctuate as a result of these and other risk factors as described from time to time in our filings with the SEC.

GENERAL

We are one of the largest surface transportation, delivery, and logistics companies in North America. We operate five distinct, but complementary, business segments and provide a wide range of transportation and delivery services to a diverse group of customers throughout the continental United States, Canada, and Mexico. Our service offerings include transportation of full-truckload containerized freight, which we directly transport utilizing our company-controlled revenue equipment and company drivers or independent contractors. We have arrangements with most of the major North American rail carriers to transport freight in containers or trailers, while we perform the majority of the pickup and delivery services. We also provide customized freight movement, revenue equipment, labor, systems, and delivery services that are tailored to meet individual customers' requirements and typically involve long-term contracts. These arrangements are generally referred to as dedicated services and may include multiple pickups and drops, local and home deliveries, freight handling, specialized equipment, and freight network design. Our local and home delivery services typically are provided through a network of cross-dock service centers throughout the continental United States. Utilizing a network of thousands of reliable third-party carriers, we also provide comprehensive transportation and logistics services. In addition to dry-van, full-load operations, these unrelated outside carriers also provide flatbed, refrigerated, less-than-truckload (LTL), and other specialized equipment, drivers, and services. Also, we utilize a combination of company-owned and contracted power units to provide traditional over-the-road full truckload delivery services. We account for our business on a calendar year basis, with our full year ending on December 31 and our quarterly reporting periods ending on March 31, June 30, and September 30. The operation of each of our five business segments is described in Note 10, Business Segments, in our Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

Our operations continue to be impacted by the novel coronavirus (COVID-19) global pandemic. Due to the nature of our business, less than 25% of our employees have been able to work remotely; however, we remain committed to the safety of our workforce, suppliers, and customers while continuing to meet our customers' needs. In March 2020, we began our COVID-19 response activities which have been expanded and will continue as necessary until the risks related to COVID-19 dissipate. Our COVID-19 safety response activities at our home office campus and all other field locations throughout North America include requiring remote working when possible, expanded health and safety policies, facility modifications, increased security coverage, and purchase and distribution of personal protective equipment supplies. We are reviewing and analyzing both external and internal COVID-related data on a daily basis in anticipation of the return to work phase of our COVID-19 response. Thus far throughout the pandemic, we have been pleased with the continued performance of our employees, particularly our drivers, who are providing consistent availability and customer service.

Critical Accounting Policies and Estimates

The preparation of our financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that impact the amounts reported in our Condensed Consolidated Financial Statements and accompanying notes. Therefore, the reported amounts of assets, liabilities, revenues, expenses and associated disclosures of contingent liabilities are affected by these estimates. We evaluate these estimates on an ongoing basis, utilizing historical experience, consultation with experts, and other methods considered reasonable in the particular circumstances. Nevertheless, actual results may differ significantly from our estimates. Any effects on our business, financial position or results of operations resulting from revisions to these estimates are recognized in the accounting period in which the facts that give rise to the revision become known.

Information regarding our Critical Accounting Policies and Estimates can be found in our Annual Report (Form 10-K). The critical accounting policies that we believe require us to make more significant judgments and estimates when we prepare our financial statements include those relating to self-insurance accruals, revenue equipment, revenue recognition and income taxes. We have discussed the development and selection of these critical accounting policies and estimates with the Audit Committee of our Board of Directors. In addition, Note 2, *Summary of Significant Accounting Policies*, to the financial statements in our Annual Report (Form 10-K) for the year ended December 31, 2019, contains a summary of our critical accounting policies. There have been no material changes to the methodology we apply for critical accounting estimates as previously disclosed in our Annual Report on Form 10-K.

RESULTS OF OPERATIONS

Comparison of Three Months Ended June 30, 2020 to Three Months Ended June 30, 2019

Summary of Operating Segment Results For the Three Months Ended June 30, (in millions)					
	Operating Revenues		Operating Income		
	2020	2019	2020	2019	
JBI	\$ 1,065	\$ 1,150	\$ 107.0	\$ 124.4	
DCS	533	537	83.1	76.3	
ICS	304	334	(13.1)	(0.6)	
FMS	140	143	(5.2)	(15.8)	
JBT	108	100	3.5	8.9	
Other (includes corporate)	-	-	(0.1)	(0.1)	
Subtotal	2,150	2,264	175.2	193.1	
Inter-segment eliminations	(4)	(2)	-	-	
Total	<u>\$ 2,146</u>	<u>\$ 2,262</u>	<u>\$ 175.2</u>	<u>\$ 193.1</u>	

Total consolidated operating revenue decreased 5% to \$2.15 billion for second quarter 2020, compared with \$2.26 billion for second quarter 2019. Total consolidated operating revenue excluding fuel surcharge revenue, decreased less than one percent. This decrease in revenue, excluding fuel surcharge revenue, was primarily due to a 2% and 11% decrease in load volumes in JBI and ICS, respectively, and a 5% reduction in stops in FMS, partially offset by a 17% increase in load volume in JBT.

JBI segment revenue decreased 7% to \$1.07 billion during the second quarter 2020, compared with \$1.15 billion in 2019. This decrease in segment revenue was primarily a result of a 2% decrease in load volume and a 6% decrease in revenue per load, which is the combination of changes in freight mix, customer rate changes, and fuel surcharge revenue, compared to a year ago. Revenue per load, excluding fuel surcharge revenue was flat compared to the second quarter 2019. Transcontinental load volume increased 3% and Eastern network volumes decreased 7% over the second quarter 2019. Load volume disruptions related to the recent outbreak of COVID-19 began to emerge in March 2020 and escalated through the beginning of the second quarter 2020, followed by a steady increase in load volumes during the remainder of the quarter. Despite the rebound in JBI load volumes during the last half of the second quarter 2020, load volume disruptions and resulting network imbalance could return and continue throughout the remainder of 2020, as a result of the overall economic effects caused by the ongoing COVID-19 pandemic. Operating income of the JBI segment decreased 14% to \$107.0 million in the second quarter 2020, from \$124.4 million in 2019. The decrease is primarily due to lower load volumes, higher rail purchased transportation cost per load, and higher empty repositioning and network balancing expenditures as network fluidity continued to be challenged by the effects of COVID-19 during the current quarter. These items were partially offset by lower driver turnover related costs and decreased insurance and claims costs. The current period ended with approximately 96,500 units of trailing capacity and 5,340 power units available to the dray fleet.

DCS segment revenue decreased 1% to \$533 million in the second quarter 2020, from \$537 million in 2019. Productivity, defined as revenue per truck per

week, decreased by approximately 3% when compared to 2019, while productivity excluding fuel surcharge revenue was flat from a year ago. A net additional 130 revenue producing trucks were in the fleet by the end of the current quarter compared to prior year. However, as a result of the ongoing effects of the COVID-19 pandemic, the rate of newly awarded customer private fleet conversions continued to slow during the second quarter 2020 and could remain slower during the remainder of 2020 and into the first part of 2021. Operating income of our DCS segment increased 9% to \$83.1 million in second quarter 2020, from \$76.3 million in 2019. The increase is primarily due to lower driver related turnover costs, decreased travel and entertainment expenses, and lower safety related costs, partially offset by higher bad debt expenses for uncollectible customer receivables.

14

ICS revenue decreased 9% to \$304 million in the second quarter of 2020, from \$334 million in 2019. Overall volumes decreased 11%. Contractual business represented approximately 71% of total load volume and 63% of total revenue in the current period compared to 68% and 55%, respectively, in second quarter 2019. Revenue per load increased 2% primarily due to customer freight mix. Approximately \$229 million of second quarter 2020 ICS revenue was executed through the marketplace for J.B. Hunt 360° compared to \$222 million in second quarter 2019. Gross profit margin decreased to 11.8% in the current quarter versus 13.4% last year, primarily due to a more competitive pricing environment, weaker spot market activity and tightening supply dynamics at various points throughout the current period compared to second quarter 2019. ICS could continue to experience reduced overall load volumes and declining gross profit margins throughout the remainder of 2020 as a result of the economic effects caused by the ongoing COVID-19 pandemic. ICS segment incurred an operating loss of \$13.1 million in second quarter 2020, compared to operating loss of \$0.6 million in 2019, primarily due to lower gross profit margins, increased technology spending as the marketplace for J.B. Hunt 360° continues to expand in functionality and capacity and higher personnel costs. ICS's carrier base increased 12% compared to second quarter 2019.

FMS segment revenue decreased 2% to \$140 million in the second quarter 2020 from \$143 million in 2019. Stop count for the second quarter 2020 decreased 5% when compared to 2019, primarily due to the temporary suspension of operations at various customer sites as a result of the effects of the COVID-19 pandemic. Productivity, defined as revenue per stop, increased 2% compared to 2019, primarily due to a shift in the mix of services provided during the current quarter as customers were affected by COVID-19 within our FMS network. While the majority of the operating suspensions at various customer sites have since been reversed, a large portion of FMS customers are highly susceptible to the impacts of the COVID-19 pandemic and as a result, the operations of FMS may be impacted as those customers' operations are affected. FMS segment had an operating loss of \$5.2 million in the second quarter of 2020 compared to operating loss of \$15.8 million in 2019. The second quarter 2020 operating loss was primarily due to lost revenue resulting from the temporary suspension of operations at several customer sites and higher COVID-19 related operating supplies expense. FMS segment operating loss for the second quarter 2019 included a \$20 million insurance claim settlement charge.

JBT segment revenue increased 9% to \$108 million in the second quarter of 2020, from \$100 million in 2019. Revenue excluding fuel surcharge revenue increased 13%, due primarily to a 17% increase in load volume, partially offset by 4% decrease in revenue per load excluding fuel surcharge revenue compared to a year ago. Revenue per loaded mile excluding fuel surcharge revenue decreased 7%, primarily from a 5% decrease in comparable contractual customer rates when compared to second quarter 2019. At the end of the current quarter, JBT operated 1,897 tractors and 7,985 trailers compared to 1,879 and 6,829 in 2019. JBT segment operating income decreased 61% to \$3.5 million in second quarter 2020, compared with \$8.9 million in 2019. Benefits from the higher load volume were more than offset by higher purchased transportation expense, higher insurance and claims costs, and higher technology modernization expenses. As a result of the ongoing effects of the COVID-19 pandemic, JBT could experience reduced load volumes, lower customer rates, or higher purchased transportation costs throughout the remainder of 2020.

15

Consolidated Operating Expenses

The following table sets forth items in our Condensed Consolidated Statements of Earnings as a percentage of operating revenues and the percentage increase or decrease of those items as compared with the prior period.

	Three Months Ended June 30,		
	Dollar Amounts as a Percentage of Total Operating Revenues		Percentage Change of Dollar Amounts Between Quarters
	2020	2019	2020 vs. 2019
Total operating revenues	100.0%	100.0%	(5.1)%
Operating expenses:			
Rents and purchased transportation	48.2	48.0	(4.8)
Salaries, wages and employee benefits	25.8	23.7	3.6
Depreciation and amortization	6.1	5.5	5.1
Fuel and fuel taxes	3.5	5.2	(36.1)
Operating supplies and expenses	3.7	3.7	(6.1)
General and administrative expenses, net of asset dispositions	2.1	2.1	(4.2)
Insurance and claims	1.4	2.3	(40.6)
Operating taxes and licenses	0.6	0.6	0.0
Communication and utilities	0.4	0.4	(6.7)
Total operating expenses	91.8	91.5	(4.8)
Operating income	8.2	8.5	(9.3)
Net interest expense	0.6	0.6	(13.2)

Earnings before income taxes	7.6	7.9	(9.0)
Income taxes	1.9	2.0	(9.0)
Net earnings	5.7%	5.9%	(8.9)%

Total operating expenses decreased 4.8%, while operating revenues decreased 5.1%, during the second quarter 2020, from the comparable period 2019. Operating income decreased to \$175.2 million during the second quarter 2020, from \$193.1 million in 2019.

Rents and purchased transportation costs decreased 4.8% in 2020. This decrease was primarily the result of the decrease in load volume, which decreased services provided by third-party rail and truck carriers within JBI and ICS segments, partially offset by increased rail and truck carrier purchased transportation rates and an increase in the use of third-party truck carriers by JBT during the second quarter of 2020.

Salaries, wages and employee benefits costs increased 3.6% during the second quarter 2020, compared with 2019. This increase was primarily related to increases in driver pay and office personnel compensation due to the previous effects of a tighter supply of qualified drivers carrying forward into the current period and an increase in the number of non-driver employees.

Depreciation and amortization expense increased 5.1% in 2020, primarily due to equipment purchases related to new DCS long-term customer contracts and the addition of specialized trailing equipment and scheduled turnover of tractors within our JBI segment. Fuel costs decreased 36.1% in 2020, compared with 2019, due primarily to a decrease in the price of fuel.

Operating supplies and expenses decreased 6.1%, driven primarily by reduced travel and entertainment expenses and lower equipment maintenance costs, partially offset by increased tolls and higher operating supplies and building maintenance costs in response to COVID-19. General and administrative expenses decreased 4.2% for the current quarter from the comparable period in 2019, primarily due to decreased professional fees, lower advertising costs, lower driver hiring expenses and, decreased net loss from the sale or disposal of assets, partially offset by increased technology spend on the J.B. Hunt 360° platform and legacy system upgrades and higher bad debt expenses. Net loss from sale or disposal of assets was \$1.0 million in 2020, compared to a net loss of \$2.8 million in 2019. Insurance and claims expense decreased 40.6% in 2020 compared with 2019, primarily due to the absence of a \$20 million FMS claim settlement charge in 2019.

Net interest expense decreased 13.2% in 2020 primarily due to a decrease in average debt levels and lower effective interest rates on our debt compared to second quarter 2019. Income tax expense decreased 9.0% in second quarter 2020, compared with 2019, primarily due to decreased taxable earnings in second quarter 2020. Our effective income tax rate was 25.0% for the second quarter 2020, compared to 25.1% in 2019. Our annual tax rate for 2020 is expected to be 24.4%. In determining our quarterly provision for income taxes, we use an estimated annual effective tax rate, adjusted for discrete items. This rate is based on our expected annual income, statutory tax rates, best estimate of nontaxable and nondeductible items of income and expense, and the ultimate outcome of tax audits.

Comparison of Six Months Ended June 30, 2020 to Six Months Ended June 30, 2019

	Summary of Operating Segment Results For the Six Months Ended June 30, (in millions)			
	Operating Revenues		Operating Income	
	2020	2019	2020	2019
JBI	\$ 2,215	\$ 2,238	\$ 209.2	\$ 227.7
DCS	1,075	1,029	156.0	126.3
ICS	640	635	(32.0)	6.4
FMS	293	253	(8.5)	(15.6)
JBT	213	201	5.3	16.1
Other (includes corporate)	-	-	(0.1)	-
Subtotal	4,436	4,356	329.9	360.9
Inter-segment eliminations	(10)	(5)	-	-
Total	\$ 4,426	\$ 4,351	\$ 329.9	\$ 360.9

Total consolidated operating revenues increased to \$4.43 billion for the first six months of 2020, a 2% increase from \$4.35 billion for the comparable period 2019. Fuel surcharge revenue decreased to \$394.6 million during the first six months of 2020, compared with \$499.7 million in 2019. If fuel surcharge revenue was excluded from both periods, the increase in revenue from 2019 to 2020 was 5%.

JBI segment revenue decreased 1% to \$2.22 billion during the first six months of 2020, compared with \$2.24 billion in 2019. Load volume during the first six months of 2020 increased 3%, which was offset by a 3% decrease in revenue per load, which is the combination of changes in freight mix, customer rate changes, and fuel surcharge revenue, compared to a year ago. Revenue per load, excluding fuel surcharge revenue, was flat compared to the first six months of 2019. JBI segment operating income decreased 8% to \$209.2 million in the first six months of 2020, from \$227.7 million in 2019. This decrease was primarily due to higher rail purchased transportation cost, COVID-19 related network inefficiencies and higher personnel costs, which included a one-time COVID-19 related bonus paid to employee drivers and other key field personnel, partially offset by decreased insurance and claims costs.

DCS segment revenue increased 5%, to \$1.08 billion during the first six months of 2020 from \$1.03 billion in 2019. Productivity, defined as revenue per truck per week, decreased by approximately 1% from a year ago. Productivity excluding fuel surcharge revenue for the first six months of 2020 increased 2% from a year ago. The increase in productivity was primarily a result of better integration of assets between customer accounts, customer rate increases, and increased customer supply chain fluidity largely attributed to a mild winter during the first half of the current period. Operating income of our DCS segment increased to \$156.0 million in the first six months of 2020, from \$126.3 million in 2019. The increase is primarily due to increased fleet productivity and the absence of any

significant implementation or weather-related costs, compared to the first six months of 2019. Operating income was partially offset by higher personnel costs, which included the one-time COVID-19 related bonus, higher equipment ownership costs, and higher insurance and claims costs.

ICS revenue increased 1% to \$640 million during the first six months of 2020, from \$635 million in 2019. Overall volumes decreased 4%, while revenue per load increased 5% primarily due to customer mix changes when compared to 2019. Gross profit margin decreased to 10.7% in the current period compared to 14.9% in 2019, primarily due to a more competitive pricing environment and tightening supply dynamics at various points throughout the current period, compared to the first six months of 2019. ICS segment had an operating loss of \$32.0 million in the first six months of 2020 compared to operating income of \$6.4 million in 2019, primarily due to lower gross profit margins, increased technology spending as the marketplace for J.B. Hunt 360° continues to expand in functionality and capacity, and higher personnel costs. Approximately \$464 million of ICS revenue for the first six months of 2020 was executed through the marketplace for J.B. Hunt 360° compared to \$409 million in 2019.

FMS revenue increased 16% to \$293 million during the first six months of 2020, from \$253 million in 2019, primarily due to two business acquisitions completed in 2019, partially offset by the temporary suspension of operations at various customer sites as a result of the effects of the COVID-19 pandemic. Stop count for the first six months of 2020 increased 20%, while productivity, defined as revenue per stop, decreased 3% compared to 2019. The reduction in productivity was primarily due to a change in the mix of service methods to a more asset-light model resulting from the 2019 business acquisitions and a shift in the mix of services provided during the current period as customers were affected by COVID-19 within our FMS network. FMS segment had an operating loss of \$8.5 million in the first six months of 2020 compared to an operating loss of \$15.6 million in 2019. The current period operating loss was primarily due to increased costs to expand the FMS network, lost revenue resulting from the temporary suspension of operations at several customer sites in response to COVID-19, higher bad debt expense, higher personnel costs, which included the one-time COVID-19 related bonus, higher COVID-19 related operating supplies expense and \$1.1 million in additional noncash amortization expense attributable to the 2019 business acquisitions. FMS segment operating loss for the first six months of 2019 included a \$20 million insurance claim settlement charge.

JBT segment revenue increased 6% to \$213 million for the first six months of 2020, from \$201 million in 2019. Revenue excluding fuel surcharge revenue increased 8%, primarily due to a 16% increase in load volume, partially offset by a 9% decrease in revenue per load compared to 2019. Operating income of our JBT segment decreased to \$5.3 million in the first six months of 2020, from \$16.1 million in 2019. The decrease in operating income was driven primarily by higher purchased transportation expense, higher insurance and claims costs, and higher technology modernization expenses.

Consolidated Operating Expenses

The following table sets forth items in our Condensed Consolidated Statements of Earnings as a percentage of operating revenues and the percentage increase or decrease of those items as compared with the prior period.

	Six Months Ended June 30,		
	Dollar Amounts as a Percentage of Total Operating Revenues		Percentage Change of Dollar Amounts Between Periods
	2020	2019	2020 vs. 2019
Total operating revenues	100.0%	100.0%	1.7%
Operating expenses:			
Rents and purchased transportation	49.0	47.9	4.0
Salaries, wages and employee benefits	25.5	24.2	7.3
Depreciation and amortization	5.9	5.6	6.8
Fuel and fuel taxes	4.0	5.3	(23.3)
Operating supplies and expenses	3.7	3.7	1.4
General and administrative expenses, net of asset dispositions	2.0	2.1	(2.0)
Insurance and claims	1.4	1.9	(21.9)
Operating taxes and licenses	0.6	0.6	0.6
Communication and utilities	0.4	0.4	(4.4)
Total operating expenses	92.5	91.7	2.7
Operating income	7.5	8.3	(8.6)
Net interest expense	0.6	0.6	(10.6)
Earnings before income taxes	6.9	7.7	(8.4)
Income taxes	1.8	1.9	(1.7)
Net earnings	5.1%	5.8%	(10.5)%

Total operating expenses increased 2.7%, while operating revenues increased 1.7%, during the first six months of 2020, from the comparable period of 2019. Operating income decreased to \$329.9 million during the first six months of 2020, from \$360.9 million in 2019.

Rents and purchased transportation costs increased 4.0% in 2020. This increase was primarily the result of increased load volume and third-party rail purchased transportation rates in JBI, increased truck purchased transportation rates in ICS, and an increase in the use of third-party truck carriers by FMS and JBT during 2020, partially offset by a decrease in ICS load volume.

Salaries, wages and employee benefits costs increased 7.3% in 2020 from 2019. This increase was primarily related to increases in driver pay and office personnel compensation due to the previous effects of a tighter supply of qualified drivers carrying forward into the current period and an overall increase in the average number of employees. In addition, 2020 included a \$12.3 million one-time COVID-19 related bonus paid to employee drivers and other key field personnel and \$3.4 million of additional stock compensation expense related to the acceleration of equity award vesting for executive employee retirements.

Depreciation and amortization expense increased 6.8% in 2020 primarily due to equipment purchases related to new DCS long-term customer contracts and the addition of specialized trailing equipment and scheduled turnover of tractors within our JBI segment. Fuel costs decreased 23.3% in 2020, compared with 2019, due primarily to a decrease in the price of fuel.

Operating supplies and expenses increased 1.4% driven primarily by increased toll costs and higher operating supplies and building maintenance costs in response to COVID-19, partially offset by reduced travel and entertainment expenses. General and administrative expenses decreased 2.0% from the comparable period in 2019, primarily due to decreased professional fees, lower advertising costs, lower driver hiring expenses and, decreased net loss from the sale or disposal of assets, partially offset by increased technology spend on the J.B. Hunt 360° platform and legacy system upgrades, higher bad debt expenses, and increased charitable contributions. Net loss from sale or disposal of assets was \$2.4 million in 2020, compared to a net loss of \$5.0 million in 2019. Insurance and claims expense decreased 21.9% in 2020 compared with 2019, primarily due to the absence of a \$20 million FMS claim settlement charge in 2019.

Net interest expense decreased 10.6% in 2020, due primarily to lower effective interest rates on our debt. Income tax expense decreased 1.7% during the first six months of 2020, compared with 2019, primarily due to decreased taxable earnings in the first six months of 2020, partially offset by a higher effective income tax rate. The increase in our effective income tax rate was due to the impact of stock compensation accelerations for executive employee retirements in 2020 and the fact that the effective rate for 2019 was reduced by the favorable settlement of a state income tax audit. Our effective income tax rate was 25.7% for the first six months of 2020, compared to 24.0% in 2019. Our annual tax rate for 2020 is expected to be 24.4%. In determining our quarterly provision for income taxes, we use an estimated annual effective tax rate, adjusted for discrete items. This rate is based on our expected annual income, statutory tax rates, best estimate of nontaxable and nondeductible items of income and expense, and the ultimate outcome of tax audits.

Liquidity and Capital Resources

Cash Flow

Net cash provided by operating activities totaled \$640.0 million during the first six months of 2020, compared with \$606.7 million for the same period 2019. Operating cash flows increased due to the timing of general working capital activities, partially offset by decreased earnings. Net cash used in investing activities totaled \$264.5 million in 2020, compared with \$573.9 million in 2019. The decrease resulted from a decrease in equipment purchases, net of proceeds from the sale of equipment, during the current period and from the fact that the Cory 1st Choice Home Delivery acquisition closed during first quarter 2019. Net cash used in financing activities was \$135.8 million in 2020, compared with \$33.5 million in 2019. This change resulted primarily from 2019 net financing expenditures being reduced by the issuance of our \$700 million of 3.875% senior notes due March 2026, partially offset by the full retirement of our \$250 million of 2.40% senior notes that matured in March 2019.

Debt and Liquidity Data

	June 30, 2020	December 31, 2019	June 30, 2019
Working capital ratio	1.59	1.43	1.30
Total debt (millions)	\$ 1,307.0	\$ 1,295.7	\$ 1,372.1
Total debt to equity	0.55	0.57	0.64
Total debt as a percentage of total capital	35%	36%	39%

Liquidity

Our need for capital has typically resulted from the acquisition of containers and chassis, trucks, tractors and trailers required to support our growth and the replacement of older equipment as well as periodic business acquisitions. We are frequently able to accelerate or postpone a portion of equipment replacements or other capital expenditures depending on market and overall economic conditions. During the second quarter 2020, we postponed a portion of our equipment purchases in order to increase our available cash in light of the economic disruption and uncertainty resulting from COVID-19. We will continue to monitor economic conditions and contemplate adjustments to planned capital expenditures as needed throughout the ongoing COVID-19 pandemic. Expenditures are being evaluated based on those that must happen, those that can be deferred to a later period, and those that are capable of being canceled. We have, during the past recent years, obtained capital through cash generated from operations, revolving lines of credit and long-term debt issuances. We have also periodically utilized operating leases to acquire revenue equipment.

We believe our liquid assets, cash generated from operations, and revolving line of credit will provide sufficient funds for our operating and capital requirements for the foreseeable future. Should COVID-19 related economic conditions warrant, we believe we have sufficient credit resources available to meet our near-term operating and capital needs. At June 30, 2020, we had a cash balance of \$275 million and we had no outstanding balance on our revolving line of credit, which authorizes us to borrow up to \$750 million as well as request an increase in the total commitment by up to \$250 million.

Our financing arrangements require us to maintain certain covenants and financial ratios. At June 30, 2020, we were well above compliance with all covenants and financial ratios, and we fully intend and expect to emerge from the current COVID-19 related economic environment with our investment-grade rating intact.

We are continually evaluating the possible effects of current economic conditions and reasonable and supportable economic forecasts on operational cash flows, including the risks of declines in the overall freight market and our customers' liquidity and ability to pay. We are monitoring working capital on a daily basis and are in frequent communication with our customers, suppliers and service providers. Through June 30, 2020, operational cost reduction activities

consisted primarily of canceling non-essential travel and hiring activities and the delay of other discretionary spending, which we will continue to do as necessary. A large portion of our cost structure is variable. Purchased transportation expense represents more than half of our total costs but is heavily tied to load volumes. Our second largest cost item is salaries and wages, the largest portion of which is driver pay, which includes a large variable component. Currently, we have made no adjustments to our costs that we consider more fixed in nature. However, we continue to monitor the environment and are prepared to adjust if necessary.

The following table summarizes our expected obligations and commitments as of June 30, 2020 (in millions):

	Total	One Year Or Less	One to Three Years	Three to Five Years	After Five Years
Operating leases	\$ 148.5	\$ 47.7	\$ 61.0	\$ 22.6	\$ 17.2
Debt obligations	1,300.0	-	350.0	250.0	700.0
Interest payments on debt (1)	203.1	42.9	80.6	61.5	18.1
Commitments to acquire revenue equipment and facilities	828.4	389.9	438.5	-	-
Total	\$ 2,480.0	\$ 480.5	\$ 930.1	\$ 334.1	\$ 735.3

(1) Interest payments on debt are based on the debt balance and applicable rate at June 30, 2020.

20

Our net capital expenditures were approximately \$265 million during the first six months of 2020, compared with \$475 million for the same period 2019. Our net capital expenditures include net additions to revenue equipment and non-revenue producing assets that are necessary to contribute to and support the future growth of our various business segments. Capital expenditures in 2020 were primarily for tractors, intermodal containers and chassis, and other trailing equipment. We are currently committed to spend approximately \$828 million during the years 2020 to 2022. We have paused certain capital expenditures originally planned for 2020 that, considering the effects of the COVID-19 pandemic, are now viewed as non-essential in the near-term. Accordingly, we now expect to spend in the range of \$335 million to \$385 million for net capital expenditures during the remainder of 2020. Our ultimate capital expenditure levels could also be affected by manufacturer production slowdowns resulting from the COVID-19 pandemic. We will also continue to evaluate opportunities for business acquisitions within our markets following our established evaluation process which considers liquidity and funding requirements. The table above excludes \$59.3 million of potential liabilities for uncertain tax positions, including interest and penalties, which are recorded on our Condensed Consolidated Balance Sheets. However, we are unable to reasonably estimate the ultimate timing of any settlements.

Off-Balance Sheet Arrangements

We had no off-balance sheet arrangements, other than our net purchase commitments of \$828 million, as of June 30, 2020.

Risk Factors

You should refer to Part I, Item 1A of our Annual Report (Form 10-K) for the year ended December 31, 2019, and Part II, Item 1A of this Quarterly Report (Form 10-Q) under the caption "Risk Factors" for specific details on the following factors and events that are not within our control and could affect our financial results.

- Our business is subject to general economic and business factors, any of which could have a material adverse effect on our results of operations. Economic trends and tightening of credit in financial markets could adversely affect our ability, and the ability of our suppliers, to obtain financing for operations and capital expenditures.
- Our business is significantly impacted by the effects of national or international health pandemics on customer operations, third-party suppliers and service providers, and on general economic conditions.
- We depend on third parties in the operation of our business.
- Rapid changes in fuel costs could impact our periodic financial results.
- Insurance and claims expenses could significantly reduce our earnings.
- We derive a significant portion of our revenue from a few major customers, the loss of one or more of which could have a material adverse effect on our business.
- We operate in a regulated industry, and increased direct and indirect costs of compliance with, or liability for violation of, existing or future regulations could have a material adverse effect on our business.
- Difficulty in attracting and retaining drivers, delivery personnel and third-party carriers could affect our profitability and ability to grow.
- A determination that independent contractors are employees could expose us to various liabilities and additional costs.
- We may be subject to litigation claims that could result in significant expenditures.

21

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- We rely significantly on our information technology systems, a disruption, failure or security breach of which could have a material adverse effect on our business.
 - We operate in a competitive and highly fragmented industry. Numerous factors could impair our ability to maintain our current profitability and to compete with other carriers and private fleets.
 - Extreme or unusual weather conditions can disrupt our operations, impact freight volumes and increase our costs, all of which could have a material adverse effect on our business results.
 - Our operations are subject to various environmental laws and regulations, including legislative and regulatory responses to climate change. Compliance with environmental requirements could result in significant expenditures and the violation of these regulations could result in substantial fines or penalties.
 - Acquisitions or business combinations may disrupt or have a material adverse effect on our operations or earnings.

ITEM 3. Quantitative And Qualitative Disclosures About Market Risk

Our outstanding debt at June 30, 2020 includes our senior revolving line of credit and senior notes issuances. Our senior notes have fixed interest rates ranging from 3.30% to 3.875%. Our senior revolving line of credit has variable interest rates, which are based on the Prime Rate, the Federal Funds Rate, or LIBOR, depending upon the specific type of borrowing, plus any applicable margins. We currently have an interest rate swap agreement which effectively converts our \$350 million of 3.30% fixed rate senior notes due August 2022 to a variable rate, to allow us to maintain a desired mix of variable and fixed rate debt. The applicable interest rate under this agreement is based on LIBOR plus an established margin. Risk can be quantified by measuring the financial impact of a near-term adverse increase in short-term interest rates. Our earnings would be affected by changes in these short-term variable interest rates. At our current level of borrowing, a one percentage point increase in our applicable rate would reduce annual pretax earnings by \$3.5 million.

Although we conduct business in foreign countries, international operations are not material to our consolidated financial position, results of operations or cash flows. Additionally, foreign currency transaction gains and losses were not material to our results of operations for the three or six months ended June 30, 2020. Accordingly, we are not currently subject to material foreign currency exchange rate risks from the effects that exchange rate movements of foreign currencies would have on our future costs or on future cash flows we would receive from our foreign investment. As of June 30, 2020, we had no foreign currency forward exchange contracts or other derivative financial instruments to hedge the effects of adverse fluctuations in foreign currency exchange rates.

The price and availability of diesel fuel are subject to fluctuations due to changes in the level of global oil production, seasonality, weather and other market factors. Historically, we have been able to recover a majority of fuel price increases from our customers in the form of fuel surcharges. We cannot predict the extent to which high fuel price levels may occur in the future, or the extent to which fuel surcharges could be collected to offset such increases. As of June 30, 2020, we had no derivative financial instruments to reduce our exposure to fuel price fluctuations.

ITEM 4. CONTROLS AND PROCEDURES

We maintain controls and procedures designed to ensure that the information we are required to disclose in the reports we file with the SEC is recorded, processed, summarized and reported, within the time periods specified in the SEC rules, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2020.

There were no changes in our internal control over financial reporting during the second quarter of 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

ITEM 1. LEGAL PROCEEDINGS

In January 2017 we exercised our right to utilize the arbitration process to review the division of revenue collected beginning May 1, 2016, as well as to clarify other issues, under our Joint Service Agreement with BNSF Railway Company (BNSF). BNSF requested the same. In October 2019 the arbitrators issued a Final Award. On January 17, 2020, we filed under seal in the United States District Court for the Western District of Arkansas (the Arkansas Federal Court) a motion to confirm and enforce the Final Award, seeking the Court's specific enforcement of certain confidential contractual rights the arbitrators decided in our favor. BNSF has moved to confirm the Final Award in the United States District Court for the District of Columbia. On July 21, 2020, the Arkansas Federal Court granted our motion in part entering a Judgment confirming the arbitration awards. In a sealed opinion, the Court denied our request for additional enforcement relief but did not foreclose our right to pursue post-confirmation enforcement in court or in arbitration if warranted.

We are involved in certain claims and pending litigation arising from the normal conduct of business. Based on present knowledge of the facts and, in certain

cases, opinions of outside counsel, we believe the resolution of these claims and pending litigation will not have a material adverse effect on our financial condition, results of operations or liquidity.

ITEM 1A. RISK FACTORS

Except as noted below, there have been no material changes to our risk factors as previously disclosed in Part I, Item 1A of our Form 10-K for the fiscal year ended December 31, 2019.

Our business is significantly impacted by the effects of national or international health pandemics on general economic conditions and the operations of our customers and third-party suppliers and service providers.

Our operations can be heavily impacted by the effects of a widespread outbreak of contagious disease, principally the recent outbreak of the COVID-19 virus. This virus has spread throughout multiple countries, including the United States, and in March 2020, the World Health Organization designated COVID-19 as a pandemic. The effects of COVID-19 have and may continue to disrupt or restrict the freight shipping activities of some of our customers, on which our business is dependent. In addition, adverse economic conditions caused by COVID-19 may also require us to increase our reserve for bad debt losses. Furthermore, the continuation of COVID-19 related social and economic disruptions may lead to other events which could negatively impact our operations including service limitations of our third-party purchased transportation providers, reduced availability of drivers and other key employees, disruptions in the procurement of revenue equipment, restrictions at U.S. ports of call, excess capacity or rate reductions within the intermodal or trucking industries, inability of suppliers to continue activities, or volatile financial credit markets. The extent to which the COVID-19 outbreak will impact general economic and business conditions is highly uncertain and unpredictable; however, any of these factors could have a significant adverse effect on our financial condition and results of operations.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

Index to Exhibits

Exhibit Number	Exhibits
3.1	Amended and Restated Articles of Incorporation of J.B. Hunt Transport Services, Inc. dated May 19, 1988 (incorporated by reference from Exhibit 3.1 of the Company's quarterly report on Form 10-Q for the period ended March 31, 2005, filed April 29, 2005)
3.2	Amended and Restated Bylaws of J.B. Hunt Transport Services, Inc. dated April 23, 2015 (incorporated by reference from Exhibit 3.1 of the Company's current report on Form 8-K, filed April 27, 2015)
31.1	Rule 13a-14(a)/15d-14(a) Certification
31.2	Rule 13a-14(a)/15d-14(a) Certification
32.1	Section 1350 Certification
32.2	Section 1350 Certification
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document

101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL Document and include in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized, in the city of Lowell, Arkansas, on the 28th day of July, 2020.

J.B. HUNT TRANSPORT SERVICES, INC.
(Registrant)

BY: /s/ John N. Roberts, III
John N. Roberts, III
President and Chief Executive Officer
(Principal Executive Officer)

BY: /s/ John Kuhlow
John Kuhlow
Senior Vice President Finance, Controller,
Chief Accounting Officer, and Interim
Chief Financial Officer
(Principal Financial Officer)

RULE 13a-14(a)/15d-14(a) CERTIFICATION

I, John N. Roberts, III, Principal Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of J.B. Hunt Transport Services, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent calendar quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 28, 2020

/s/ John N. Roberts, III

John N. Roberts, III
President and Chief Executive Officer
(Principal Executive Officer)

RULE 13a-14(a)/15d-14(a) CERTIFICATION

I, John Kuhlow, Principal Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of J.B. Hunt Transport Services, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent calendar quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 28, 2020

/s/ John Kuhlow

John Kuhlow
Senior Vice President Finance, Controller,
Chief Accounting Officer, and Interim
Chief Financial Officer
(Principal Financial Officer)

SECTION 1350 CERTIFICATION

In connection with the Quarterly Report of J.B. Hunt Transport Services, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John N. Roberts, III, Principal Executive Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates presented and consolidated results of operations of the Company for the periods presented.

Date: July 28, 2020

/s/ John N. Roberts, III
John N. Roberts, III
President and Chief Executive Officer
(Principal Executive Officer)

SECTION 1350 CERTIFICATION

In connection with the Quarterly Report of J.B. Hunt Transport Services, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John Kuhlow, Principal Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates presented and consolidated results of operations of the Company for the periods presented.

Date: July 28, 2020

/s/ John Kuhlow

John Kuhlow
Senior Vice President Finance, Controller,
Chief Accounting Officer, and Interim
Chief Financial Officer
(Principal Financial Officer)