

The logo for Seeking Alpha, with the text 'Seeking Alpha' in white and a gold Greek letter alpha symbol to the right, all on a dark red background.

Hub Group Inc. Q1 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from the line of Ed Wolfe. Please proceed sir.

Ed Wolfe

Hi, good afternoon, guys.

Dave Yeager

Hi, Ed.

Terri Pizzuto

Hi, Ed.

Ed Wolfe

Why are you growing the container fleet by 10% when volumes are down 3%? I'm just trying to understand that, and if the volumes don't come back, does that just mean that the owned or the long-term leased containers just become a bigger percentage and you give up some day-to-day containers, or how do you think about that?

Dave Yeager

That's exactly how we think about it, Ed. We do believe, number one, that it is going to come back, and we think that the fleet is a real key differentiator and it's got solid economics for us, but worst case, we might go from 60% to 65% as far as if our volumes remain flat, which we don't expect.

Ed Wolfe

Is there some number where you don't want to get above? Is there a percentage that's the right percentage of long-term leased versus short-term rented?

Dave Yeager

I would suggest that as we look at it in the 60% to 70% range is ideal, and so we're well within that at this point in time. I know last time, we had Mackenzie in, and they had looked at it; it was at about a 60% level.

Terri Pizzuto

And just to clarify it, on the 60% that Dave is talking about, those are not all long-term lease. Only a portion of those boxes, which are our red containers, are under long-term lease.

Ed Wolfe

And what percentage, roughly, are the red ones? I'm sorry for interrupting, Terri.

Dave Yeager

The red ones are approximately 40%.

Ed Wolfe

And will that move up toward 50% if you bring all 10% in and volumes don't increase?

Dave Yeager

We're counting on that remaining at about 40%.

Mark Yeager

That's right.

Dave Yeager

It's about 9,600 of the 23,600.

Mark Yeager

Right. And the target percentage in terms of what we want to be in fleet is really dependent on business mix. So, at the time Mackenzie looked at it, it looked like 60%. We've refined our business mix a little bit more, and so that number has moved up slightly. The interesting thing about the fleet is that as it's gotten bigger, we've still been able to consistently improve utilization numbers, but we certainly aren't at a point where we're over the ideal.

Copyright © 2008 CNET Networks, Inc. All Rights Reserved.