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Hub Group Q3 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). And your first question comes from the line of Edward Wolfe from Bear Stearns. Please proceed sir.

Edward Wolfe - Bear Stearns

Yeah, hi. Good afternoon.

Dave Yeager

Hi Ed.

Terri Pizzuto

Hi Ed.

Edward Wolfe - Bear Stearns

And I apologize. I'm in a car, and doing my best to digest this thing. And if I came in badly Scott will pick up for me. Intermodal volumes, can you take us through a little bit of how we went from kind of accelerating in a difficult intermodal market to decelerating kind of with the market this quarter?

Dave Yeager

Well I think Ed; first of all, it's to our large extent, as I've said in the prepared remarks. If you look at our overall revenue, our retail accounts declined dramatically. And I think that's just plainly a -- what's occurring within the retail market, their sales were down, they are taking on inventories, and as a result of that, again we went from their retail representing 32% of our volume down to 27%.

I think the other issue is that we may have been a little bit slow. We didn't react as quickly as we might. I don't think we've lost much volume, but some of our competitors have been very aggressive from a pricing perspective, and so I don't think it's that we've lost business, but we may not have been quite as - achieved the same volume that we had anticipated in biz.

Edward Wolfe - Bear Stearns

Why do you think that the regional business all of a sudden in this quarter slowed down? What changed in the marketplace, that's what I am trying to understand?

Dave Yeager

The retail business?

Edward Wolfe - Bear Stearns

Yeah.

Dave Yeager

I think it's just plainly that; number one; the retailers are slower than they were this time last year. And I think number two, Ed that they are very aggressively working on tightening their inventory.

Terri Pizzuto

Yeah, I think the retailers had disappointing sales in September due to the uncertain economy and a lingering summer weather. I guess apparel sellers, furniture stores, and departments stores were the biggest losers.

Edward Wolfe - Bear Stearns

So do you think from fourth quarter minus 2% volume is where we should be or is it getting worse?
How do we think about it?

Dave Yeager

I don't we're getting worse, no. I would not anticipate us -- I would say that we'll be more flattish to slightly up, which I know is contrary to what my Chief Financial Officer maybe thinking about.

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