

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 September 30, 2015

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)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

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 September 30, 2015 was 114,601,888.

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**J.B. HUNT TRANSPORT SERVICES, INC.**

**Form 10-Q**  
**For The Quarterly Period Ended September 30, 2015**  
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## 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<br>September 30, |              | Nine Months Ended<br>September 30, |              |
|--|-------------------------------------|--------------|------------------------------------|--------------|
|  | 2015                                | 2014         | 2015                               | 2014         |
| Operating revenues, excluding fuel surcharge revenues          | \$ 1,419,451                        | \$ 1,316,951 | \$ 4,043,991                       | \$ 3,737,936 |
| Fuel surcharge revenues  | 167,043                             | 284,205      | 522,640                            | 817,994      |
| Total operating revenues                                       | 1,586,494                           | 1,601,156    | 4,566,631                          | 4,555,930    |
| Operating expenses:  |                                     |              |                                    |              |
| Rents and purchased transportation                             | 770,148                             | 802,092      | 2,194,683                          | 2,282,992    |
| Salaries, wages and employee benefits                          | 351,651                             | 327,106      | 1,030,438                          | 951,517      |
| Fuel and fuel taxes  | 76,755                              | 115,503      | 243,459                            | 352,452      |
| Depreciation and amortization                                  | 86,201                              | 75,416       | 251,239                            | 216,109      |
| Operating supplies and expenses                                | 57,299                              | 56,978       | 164,497                            | 165,939      |
| Insurance and claims   | 20,078                              | 21,904       | 55,714                             | 57,622       |
| General and administrative expenses, net of asset dispositions | 14,866                              | 15,057       | 56,471                             | 36,525       |
| Operating taxes and licenses                                   | 10,683                              | 9,893        | 31,505                             | 28,517       |
| Communication and utilities                                    | 4,967                               | 5,107        | 15,824                             | 15,620       |
| Total operating expenses                                       | 1,392,648                           | 1,429,056    | 4,043,830                          | 4,107,293    |
| Operating income   | 193,846                             | 172,100      | 522,801                            | 448,637      |
| Net interest expense   | 7,838                               | 6,649        | 21,202                             | 21,358       |
| Earnings before income taxes                                   | 186,008                             | 165,451      | 501,599                            | 427,279      |
| Income taxes   | 70,869                              | 63,037       | 191,109                            | 162,793      |
| Net earnings   | \$ 115,139                          | \$ 102,414   | \$ 310,490                         | \$ 264,486   |
| Weighted average basic shares outstanding                      | 115,456                             | 117,050      | 116,157                            | 117,020      |
| Basic earnings per share                                       | \$ 1.00                             | \$ 0.87      | \$ 2.67                            | \$ 2.26      |
| Weighted average diluted shares outstanding                    | 116,282                             | 118,221      | 117,293                            | 118,567      |
| Diluted earnings per share                                     | \$ 0.99                             | \$ 0.87      | \$ 2.65                            | \$ 2.23      |
| Dividends declared per common share                            | \$ 0.21                             | \$ 0.20      | \$ 0.63                            | \$ 0.60      |

See Notes to Condensed Consolidated Financial Statements.

# J.B. HUNT TRANSPORT SERVICES, INC.

## Condensed Consolidated Balance Sheets (in thousands)

|   | September 30, 2015<br>(unaudited) | December 31, 2014   |
|---|-----------------------------------|---------------------|
| <b>ASSETS</b>                               |                                   |                     |
| Current assets:                             |                                   |                     |
| Cash and cash equivalents                   | \$ 5,542                          | \$ 5,961            |
| Trade accounts receivable, net              | 671,398                           | 653,795             |
| Prepaid expenses and other                  | 91,231                            | 220,374             |
| Total current assets                        | 768,171                           | 880,130             |
| Property and equipment, at cost             | 3,957,722                         | 3,719,757           |
| Less accumulated depreciation               | 1,287,213                         | 1,237,225           |
| Net property and equipment                  | 2,670,509                         | 2,482,532           |
| Other assets                                | 80,584                            | 34,455              |
| Total assets                                | <u>\$ 3,519,264</u>               | <u>\$ 3,397,117</u> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b> |                                   |                     |
| Current liabilities:                        |                                   |                     |
| Current portion of long-term debt           | \$ -                              | \$ 250,000          |
| Trade accounts payable                      | 355,671                           | 325,838             |
| Claims accruals                             | 100,649                           | 96,719              |
| Accrued payroll                             | 69,447                            | 80,547              |
| Other accrued expenses                      | 18,281                            | 17,966              |
| Total current liabilities                   | 544,048                           | 771,070             |
| Long-term debt                              | 993,353                           | 683,539             |
| Other long-term liabilities                 | 59,646                            | 59,561              |
| Deferred income taxes                       | 673,030                           | 678,424             |
| Stockholders' equity                        | 1,249,187                         | 1,204,523           |
| Total liabilities and stockholders' equity  | <u>\$ 3,519,264</u>               | <u>\$ 3,397,117</u> |

See Notes to Condensed Consolidated Financial Statements.

# J.B. HUNT TRANSPORT SERVICES, INC.

## Condensed Consolidated Statements of Cash Flows

(in thousands)  
(unaudited)

|   | Nine Months Ended<br>September 30, |                   |
|---|------------------------------------|-------------------|
|   | 2015                               | 2014              |
| Cash flows from operating activities:   |                                    |                   |
| Net earnings  | \$ 310,490                         | \$ 264,486        |
| Adjustments to reconcile net earnings to net cash provided by operating activities: |                                    |                   |
| Depreciation and amortization   | 251,239                            | 216,109           |
| Share-based compensation  | 27,010                             | 26,122            |
| Gain on sale of revenue equipment and other   | (1,257)                            | (5,413)           |
| Provision for deferred income taxes   | (5,395)                            | (10,315)          |
| Changes in operating assets and liabilities:  |                                    |                   |
| Trade accounts receivable   | (17,603)                           | (102,779)         |
| Other assets  | 35,591                             | 29,126            |
| Trade accounts payable  | 27,644                             | 39,070            |
| Income taxes payable or receivable  | 75,150                             | 7,500             |
| Claims accruals   | 3,930                              | 19,192            |
| Accrued payroll and other accrued expenses  | (9,839)                            | 3,267             |
| Net cash provided by operating activities   | <u>696,960</u>                     | <u>486,365</u>    |
| Cash flows from investing activities:   |                                    |                   |
| Additions to property and equipment   | (561,774)                          | (599,824)         |
| Net proceeds from sale of equipment   | 131,114                            | 120,599           |
| Changes in other assets   | (20,095)                           | 21                |
| Net cash used in investing activities   | <u>(450,755)</u>                   | <u>(479,204)</u>  |
| Cash flows from financing activities:   |                                    |                   |
| Proceeds from issuances of long-term debt   | 349,129                            | 499,642           |
| Payments on long-term debt  | (250,000)                          | (250,000)         |
| Proceeds from revolving lines of credit and other                                   | 1,576,329                          | 1,380,887         |
| Payments on revolving lines of credit and other                                     | (1,629,244)                        | (1,494,421)       |
| Purchase of treasury stock  | (212,227)                          | (75,000)          |
| Stock option exercises and other  | 2,501                              | 7,070             |
| Stock repurchased for payroll taxes   | (24,263)                           | (22,789)          |
| Tax benefit of stock options exercised  | 14,446                             | 17,645            |
| Dividends paid  | (73,295)                           | (70,167)          |
| Net cash used in financing activities   | <u>(246,624)</u>                   | <u>(7,133)</u>    |
| Net change in cash and cash equivalents   | (419)                              | 28                |
| Cash and cash equivalents at beginning of period                                    | 5,961                              | 5,831             |
| Cash and cash equivalents at end of period  | <u>\$ 5,542</u>                    | <u>\$ 5,859</u>   |
| Supplemental disclosure of cash flow information:                                   |                                    |                   |
| Cash paid during the period for:  |                                    |                   |
| Interest  | \$ 25,290                          | \$ 25,635         |
| Income taxes  | <u>\$ 103,832</u>                  | <u>\$ 136,116</u> |

See Notes to Condensed Consolidated Financial Statements.

# **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, 2014. 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, 2015, 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.

#### *Recent Accounting Pronouncements*

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers, which supersedes virtually all existing revenue recognition guidance. The new standard requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. This update also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. We have the option of using either a full retrospective or a modified retrospective approach when adopting this new standard. In August 2015, the FASB issued ASU 2015-14 Revenue from Contracts with Customers: Deferral of the Effective Date, which deferred the effective date of ASU 2014-09 one year to interim and annual periods beginning after December 15, 2017. Early adoption is permitted after the original effective date of December 15, 2016. We are currently evaluating the alternative transition methods and the potential effects of the adoption of this update on our financial statements.

In April 2015, the FASB issued ASU 2015-03, Interest – Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs, which amends the current presentation of debt issuance costs in the financial statements. ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts, instead of as an asset. The amendments are to be applied retrospectively and are effective for interim and annual periods beginning after December 15, 2015, but early adoption is permitted. The adoption of the new guidance is not expected to have a material impact on our condensed consolidated financial statements.

## 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 or vested and unvested stock options exercised or converted their holdings into common stock. The dilutive effect of restricted and performance share units and stock options was 0.8 million shares during the third quarter 2015, compared to 1.2 million shares during third quarter 2014. During the nine months ended September 30, 2015 and 2014, the dilutive effect of restricted and performance share units and stock options was 1.1 million shares and 1.5 million shares, respectively.

## 3. Share-based Compensation

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

|  | Three Months Ended<br>September 30, |                 | Nine Months Ended<br>September 30, |                  |
|--|-------------------------------------|-----------------|------------------------------------|------------------|
|  | 2015                                | 2014            | 2015                               | 2014             |
| <b>Restricted share units:</b>             |                                     |                 |                                    |                  |
| Pretax compensation expense                | \$ 4,668                            | \$ 5,812        | \$ 20,372                          | \$ 20,243        |
| Tax benefit                                | 1,778                               | 2,214           | 7,762                              | 7,713            |
| Restricted share unit expense, net of tax  | <u>\$ 2,890</u>                     | <u>\$ 3,598</u> | <u>\$ 12,610</u>                   | <u>\$ 12,530</u> |
| <b>Performance share units:</b>            |                                     |                 |                                    |                  |
| Pretax compensation expense                | \$ 1,645                            | \$ 1,462        | \$ 6,638                           | \$ 5,716         |
| Tax benefit                                | 627                                 | 557             | 2,529                              | 2,178            |
| Performance share unit expense, net of tax | <u>\$ 1,018</u>                     | <u>\$ 905</u>   | <u>\$ 4,109</u>                    | <u>\$ 3,538</u>  |
| <b>Stock options:</b>                      |                                     |                 |                                    |                  |
| Pretax compensation expense                | \$ -                                | \$ 33           | \$ -                               | \$ 163           |
| Tax benefit                                | -                                   | 13              | -                                  | 62               |
| Stock option expense, net of tax           | <u>\$ -</u>                         | <u>\$ 20</u>    | <u>\$ -</u>                        | <u>\$ 101</u>    |

As of September 30, 2015, we had \$38.7 million and \$10.2 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 3.9 years for restricted share units and 2.5 years for performance share units. During the nine months ended September 30, 2015, we issued 780,747 shares for vested restricted share units, 103,796 shares for vested performance share units, and 71,500 shares as a result of stock option exercises. Of these totals, 741,755 shares for vested restricted share units, 103,796 for performance share units, and 12,900 share resulting from stock option exercises were issued during the third quarter, 2015.

## 4. Financing Arrangements

Outstanding borrowings under our current financing arrangements consist of the following (in millions):

|   | September 30, 2015 | December 31, 2014 |
|---|--------------------|-------------------|
| Senior revolving line of credit           | \$ 135.0           | \$ 183.0          |
| Senior notes, net of unamortized discount | 858.4              | 750.5             |
| Less current portion of long-term debt    | -                  | (250.0)           |
| Total long-term debt                      | <u>\$ 993.4</u>    | <u>\$ 683.5</u>   |

### *Senior Revolving Line of Credit*

On September 30, 2015, we replaced our \$500 million senior revolving credit facility dated August 12, 2011 with a new credit facility authorizing us to borrow up to \$500 million under a senior revolving line of credit, which is supported by a credit agreement with a group of banks. This new senior credit facility has a five year term expiring in September 2020, and 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 September 30, 2015, we had \$135 million outstanding at an average interest rate of 1.21% under this agreement.

### *Seni or Notes*

Our senior notes consist of three separate issuances. The first and second issuances are \$250 million of 2.40% senior notes due March 2019 and \$250 million of 3.85% senior notes due March 2024, respectively, both of which were issued in March 2014. Interest payments under both notes are due semiannually in March and September of each year, beginning September 2014. The third is \$350 million of 3.30% senior notes due August 2022, issued on August 6, 2015. Interest payments under this note are due semiannually in February and August of each year, beginning February 2016. 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 a shelf registration statement filed in February 2014. 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 interest rate swaps entered into on the \$250 million of 2.40% senior notes due March 2019 and the \$350 million of 3.30% senior notes due August 2022.

Our \$250 million of 3.375% senior notes matured in September 2015. The entire outstanding balance was paid in full at maturity.

Our financing arrangements require us to maintain certain covenants and financial ratios. We were in compliance with all covenants and financial ratios at September 30, 2015.

## **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 receive fixed-rate and pay variable-rate interest rate swap agreements simultaneously with the issuance of our \$250 million of 2.40% senior notes due March 2019 and \$350 million of 3.30% senior notes due August 2022, to effectively convert this fixed-rate debt to variable-rate. The notional amounts of these interest rate swap agreements equal those of the corresponding fixed-rate debt. The applicable interest rates under these agreements is based on LIBOR plus an established margin, resulting in an interest rate of 1.18% for our \$250 million of 2.40% senior notes and 1.68% for our \$350 million of 3.30% senior notes at September 30, 2015. The swaps expire when the corresponding senior notes are due. The fair values of these swaps are recorded in other assets in our Condensed Consolidated Balance Sheet at September 30, 2015. See Note 7, Fair Value Measurements, for disclosure of fair value. These derivatives meet the required criteria to be designated as fair value hedges and as the specific terms and notional amounts of these derivative instruments match those of the fixed-rate debt being hedged, these derivative instruments are 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 these interest rate swaps recorded in earnings is offset by a corresponding change in the fair value of the related debt.



## 6. Capital Stock

On October 27, 2011, our Board of Directors authorized the purchase of \$500 million of our common stock, of which \$1 million was remaining at September 30, 2015. We purchased approximately 2,245,000 shares, or \$177.9 million, of our common stock under our repurchase authorization during the three months ended September 30, 2015 and approximately 2,655,000, or \$212.2 million, for the nine months ended September 30, 2015. On October 22, 2015, our Board of Directors authorized an additional purchase of up to \$500 million of our common stock. On July 23, 2015, our Board of Directors declared a regular quarterly dividend of \$0.21 per common share, which was paid on August 14, 2015, to stockholders of record on July 31, 2015. On October 22, 2015, our Board of Directors declared a regular quarterly dividend of \$0.21 per common share, which will be paid on November 20, 2015, to stockholders of record on November 6, 2015.

## 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 at September 30, 2015 (in millions):

|                     | Asset/(Liability)<br>Balance | Input Level |
|---------------------|------------------------------|-------------|
| Trading investments | \$ 13.4                      | 1           |
| Interest rate swaps | \$ 9.5                       | 2           |
| Senior notes        | \$ (608.6)                   | 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 swaps and corresponding senior notes have been measured using the income approach (Level 2), which includes relevant interest rate curve inputs. Trading investments and interest rate swaps are classified in other assets in our Condensed Consolidated Balance Sheets and 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 September 30, 2015, 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 \$384.8 million and \$394.4 million, respectively.

The carrying amounts of all other instruments at September 30, 2015, approximate their fair value due to the short maturity of these instruments.

## 8. Income Taxes

Our effective income tax rate was 38.10% for the three and nine months ended September 30, 2015 and September 30, 2014. 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.

At September 30, 2015, we had a total of \$31.8 million in gross unrecognized tax benefits, which are a component of other long-term liabilities on our balance sheet. Of this amount, \$20.7 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 \$4.9 million at September 30, 2015.

## 9. Legal Proceedings

We are a defendant in certain class-action lawsuits in which the plaintiffs are current and former California-based drivers who allege claims for unpaid wages, failure to provide meal and rest periods, and other items. During the first half of 2014, the Court in the lead class-action granted Judgment in our favor with regard to all claims. The plaintiffs have appealed the case to the Ninth Circuit Court of Appeals where it is currently pending. The overlapping claims in the remaining action have been stayed pending a decision in the lead class-action case. We cannot reasonably estimate at this time the possible loss or range of loss, if any, that may arise from these lawsuits.

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

We reported four distinct business segments during the three and nine months ended September 30, 2015 and 2014. These segments included Intermodal (JBI), Dedicated Contract Services® (DCS), Integrated Capacity Solutions (ICS), and Truck (JBT). The operation of each of these businesses is described in Note 11, *Segment Information*, of our Annual Report (Form 10-K) for the year ended December 31, 2014. A summary of certain segment information is presented below (in millions):

|                            | Assets<br>(Excludes intercompany accounts)<br>As of |                   |
|----------------------------|---|-------------------|
|                            | September 30, 2015                                  | December 31, 2014 |
|                            |   |                   |
| JBI                        | \$ 1,890  | \$ 1,733          |
| DCS                        | 912   | 832               |
| ICS                        | 81  | 106               |
| JBT                        | 309   | 289               |
| Other (includes corporate) | 327   | 437               |
| Total                      | <u>\$ 3,519</u>                                     | <u>\$ 3,397</u>   |

|                            | Operating Revenues                  |                 |                                    |                 |
|----------------------------|-------------------------------------|-----------------|------------------------------------|-----------------|
|                            | Three Months Ended<br>September 30, |                 | Nine Months Ended<br>September 30, |                 |
|                            | 2015                                | 2014            | 2015                               | 2014            |
| JBI                        | \$ 949                              | \$ 964          | \$ 2,698                           | \$ 2,730        |
| DCS                        | 370                                 | 361             | 1,082                              | 1,031           |
| ICS                        | 173                                 | 185             | 510                                | 521             |
| JBT                        | 98                                  | 96              | 286                                | 289             |
| Subtotal                   | 1,590                               | 1,606           | 4,576                              | 4,571           |
| Inter-segment eliminations | (4)                                 | (5)             | (9)                                | (15)            |
| Total                      | <u>\$ 1,586</u>                     | <u>\$ 1,601</u> | <u>\$ 4,567</u>                    | <u>\$ 4,556</u> |

|                            | Operating Income                    |                 |                                    |                 |
|----------------------------|-------------------------------------|-----------------|------------------------------------|-----------------|
|                            | Three Months Ended<br>September 30, |                 | Nine Months Ended<br>September 30, |                 |
|                            | 2015                                | 2014            | 2015                               | 2014            |
| JBI                        | \$ 126.1                            | \$ 125.0        | \$ 349.0                           | \$ 331.6        |
| DCS                        | 45.1                                | 34.3            | 121.5                              | 80.2            |
| ICS                        | 11.5                                | 8.4             | 23.0                               | 20.8            |
| JBT                        | 11.2                                | 4.3             | 29.4                               | 16.1            |
| Other (includes corporate) | (0.1)                               | 0.1             | (0.1)                              | (0.1)           |
| Total                      | <u>\$ 193.8</u>                     | <u>\$ 172.1</u> | <u>\$ 522.8</u>                    | <u>\$ 448.6</u> |

|                            | Depreciation and Amortization Expense |                |                                    |                 |
|----------------------------|---------------------------------------|----------------|------------------------------------|-----------------|
|                            | Three Months Ended<br>September 30,   |                | Nine Months Ended<br>September 30, |                 |
|                            | 2015                                  | 2014           | 2015                               | 2014            |
| JBI                        | \$ 37.8                               | \$ 33.5        | \$ 109.3                           | \$ 95.5         |
| DCS                        | 33.9                                  | 29.5           | 98.4                               | 85.8            |
| ICS                        | 0.1                                   | 0.3            | 0.7                                | 0.7             |
| JBT                        | 10.5                                  | 8.3            | 31.1                               | 23.0            |
| Other (includes corporate) | 3.9                                   | 3.8            | 11.7                               | 11.1            |
| Total                      | <u>\$ 86.2</u>                        | <u>\$ 75.4</u> | <u>\$ 251.2</u>                    | <u>\$ 216.1</u> |

## 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, 2014, 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 conditions, cost and availability of fuel, accidents, adverse weather conditions, competitive rate fluctuations, availability of drivers, adverse legal decisions, and audits or tax assessments of various federal, state or local taxing authorities. 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 Item 1A of our Annual Report (Form 10-K) for the year ended December 31, 2014, 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 four 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 four business segments is described in Note 11, Segment Information, of our Annual Report (Form 10-K) for the year ended December 31, 2014.

### **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 revisions 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, 2014, 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 September 30, 2015 to Three Months Ended September 30, 2014

| Summary of Operating Segment Results<br>For the Three Months Ended September 30,<br>(in millions) |                    |          |                  |          |
|---|--------------------|----------|------------------|----------|
|   | Operating Revenues |          | Operating Income |          |
|   | 2015               | 2014     | 2015             | 2014     |
| JB I  | \$ 949             | \$ 964   | \$ 126.1         | \$ 125.0 |
| DCS   | 370                | 361      | 45.1             | 34.3     |
| ICS   | 173                | 185      | 11.5             | 8.4      |
| JBT   | 98                 | 96       | 11.2             | 4.3      |
| Other (includes corporate)  | -                  | -        | (0.1)            | 0.1      |
| Subtotal  | 1,590              | 1,606    | 193.8            | 172.1    |
| Inter-segment eliminations  | (4)                | (5)      | -                | -        |
| Total   | \$ 1,586           | \$ 1,601 | \$ 193.8         | \$ 172.1 |

Total consolidated operating revenues were \$1.59 billion for the third quarter 2015, compared to \$1.60 billion for the third quarter 2014. Despite all four business segments achieving customer rate increases and load growth, and JBI, DCS, and JBT each increasing fleet counts, the decrease in fuel surcharge (FSC) revenue and weaker than expected customer demand resulted in third quarter 2015 consolidated operating revenues to decrease 1% when compared to the same period in 2014. If FSC revenues were excluded from both periods, the increase of 2015 revenues from 2014 was 8%.

JB I segment revenue decreased 2% to \$949 million during the third quarter 2015, compared with \$964 million in 2014. This decrease in segment revenue was primarily a result of a 3% increase in load volume, offset by a 4% decrease in revenue per load, which is the combination of changes in freight mix, customer rate increases, and lower FSC revenue, compared to a year ago. Load volume in our eastern network increased 1%, and transcontinental loads grew 4% over the third quarter 2014. Operating income of our JB I segment increased 1% to \$126.1 million in 2015, from \$125.0 million in 2014. Benefits from rate increases, reduced reliance on third party dray carriers and lower dray fleet maintenance costs were partially offset by increases in rail purchased transportation rates, higher equipment depreciation expense, lower box utilization and higher driver procurement and retention expenses.

DCS segment revenue increased 3% to \$370 million in 2015, from \$361 million in 2014. Productivity, defined as revenue per truck per week, decreased 4% in the third quarter 2015, when compared to the same period in 2014, primarily from lower FSC revenue. Productivity excluding FSC revenue increased 2% from a year ago primarily from customer rate increases and increased customer demand. A net additional 413 revenue producing trucks, approximately 56% representing private fleet conversions versus traditional dedicated capacity services, were in the fleet by the end of the quarter compared to 2014 from new contract implementations in the current and prior periods. Customer retention rates remain above 96% as value driven services continue to support necessary rate increases. Operating income of our DCS segment increased 32% to \$45.1 million in 2015, from \$34.3 million in 2014. Revenues from new accounts, higher productivity excluding FSC revenue, less reliance on third party carrier capacity and lower equipment maintenance costs were partially offset by increased equipment depreciation expense and higher driver wages and recruiting costs.

ICS segment revenue decreased 7% to \$173 million in the third quarter 2015, from \$185 million in the third quarter 2014. Volumes increased 9%, while revenue per load decreased 14%, primarily from lower fuel prices, freight mix changes driven by customer demand, and less transactional volumes versus third quarter 2014. Contractual volumes increased 13% to approximately 66% of total load volume and 61% of total revenue compared to 64% and 58%, respectively, in third quarter 2014. Operating income of our ICS segment increased 36% to \$11.5 million from \$8.4 million in 2014, primarily due to an increase in gross profit margin. Gross profit margin increased to 15.9% in the current quarter compared to 13.3% in the third quarter 2014. The increase in operating income was partially offset by increased personnel costs as the total branch count grew to 33 compared to 28 at the end of the comparable period last year. ICS's carrier base increased 17% and employee count increased 13% compared to third quarter 2014.

JBT segment revenue increased 2% to \$98 million for the third quarter 2015, from \$96 million in the third quarter 2014. The increase in revenue is primarily the result of increased truck count and core rate increases, partially offset by lower FSC revenue and lower utilization per tractor. At the end of the third quarter 2015, JBT operated 2,100 tractors compared to 1,843 a year ago. Operating income of our JBT segment increased 159% to \$11.2 million, compared to \$4.3 million in the third quarter 2014. Favorable changes in core rates, increased truck count, lower equipment maintenance costs, lower safety and insurance costs, and improved fuel economy were partially offset by increased driver and independent contractor costs per mile, increased driver procurement and retention expenses, increased equipment depreciation expense, and lower asset utilization compared to third quarter 2014.

### 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 September 30,  |        |                                    |
|--|-----------------------------------|--------|------------------------------------|
|  | Dollar Amounts as a Percentage of |        | Percentage Change                  |
|  | Total Operating Revenues          |        | of Dollar Amounts Between Quarters |
|  | 2015                              | 2014   | 2015 vs. 2014                      |
| Total operating revenues                                       | 100.0%                            | 100.0% | (0.9%)                             |
| Operating expenses:  |                                   |        |                                    |
| Rents and purchased transportation                             | 48.5                              | 50.1   | (4.0)                              |
| Salaries, wages and employee benefits                          | 22.2                              | 20.4   | 7.5                                |
| Fuel and fuel taxes  | 4.8                               | 7.2    | (33.5)                             |
| Depreciation and amortization                                  | 5.4                               | 4.7    | 14.3                               |
| Operating supplies and expenses                                | 3.6                               | 3.6    | 0.6                                |
| Insurance and claims   | 1.3                               | 1.4    | (8.3)                              |
| General and administrative expenses, net of asset dispositions | 1.0                               | 0.9    | (1.3)                              |
| Operating taxes and licenses                                   | 0.7                               | 0.7    | 8.0                                |
| Communication and utilities                                    | 0.3                               | 0.3    | (2.7)                              |
| Total operating expenses                                       | 87.8                              | 89.3   | (2.5)                              |
| Operating income   | 12.2                              | 10.7   | 12.6                               |
| Net interest expense   | 0.5                               | 0.4    | 17.9                               |
| Earnings before income taxes                                   | 11.7                              | 10.3   | 12.4                               |
| Income taxes   | 4.4                               | 3.9    | 12.4                               |
| Net earnings   | 7.3%                              | 6.4%   | 12.4%                              |

Total operating expenses decreased 2.5%, while operating revenues decreased 0.9% during the third quarter 2015, from the comparable period 2014. Operating income increased to \$193.8 million during the third quarter 2015 from \$172.1 million in 2014.

Rents and purchased transportation costs decreased 4.0% in 2015. This decrease was primarily the result of the lower fuel component in the cost of services provided by third-party rail and truck carriers within JBI, DCS, and ICS segments.

Salaries, wages and employee benefit costs increased 7.5% during the third quarter 2015, compared with 2014. This increase was primarily related to increases in driver pay and office personnel compensation due to an increase in the number of employees and a tighter supply of qualified drivers.

Fuel costs decreased 33.5% in 2015, compared with 2014, due to decreases in the price of fuel, partially offset by increased road miles. Depreciation and amortization expense increased 14.3% in 2015, primarily due to additions to our JBI segment tractor, container and chassis fleets to support additional business demand, equipment purchased related to new DCS long-term customer contracts, and new replacement equipment in JBT. Operating supplies and expenses increased 0.6%, driven primarily by increased toll activity, partially offset by decreased equipment maintenance and repairs.

Insurance and claims expense decreased 8.3% in 2015 compared with 2014, primarily due to lower incident volume and accident severity. General and administrative expenses decreased 1.3% for the current quarter from the comparable period in 2014, primarily due to an increase in net gains from asset sales and disposals. Net gains from sale or disposal of assets were \$1.4 million in 2015, compared with \$0.3 million in 2014.

Net interest expense increased 17.9% in 2015, due primarily to an increase in average debt levels in connection with the refinancing of maturing debt. Our effective income tax rate was 38.10% for the three months ended September 30, 2015 and September 30, 2014. 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 Nine Months Ended September 30, 2015 to Nine Months Ended September 30, 2014

| Summary of Operating Segment Results<br>For the Nine Months Ended September 30,<br>(in millions) |                    |          |                  |          |
|--|--------------------|----------|------------------|----------|
|  | Operating Revenues |          | Operating Income |          |
|  | 2015               | 2014     | 2015             | 2014     |
| JBI  | \$ 2,698           | \$ 2,730 | \$ 349.0         | \$ 331.6 |
| DCS  | 1,082              | 1,031    | 121.5            | 80.2     |
| ICS  | 510                | 521      | 23.0             | 20.8     |
| JBT  | 286                | 289      | 29.4             | 16.1     |
| Other (includes corporate)   | -                  | -        | (0.1)            | (0.1)    |
| Subtotal   | 4,576              | 4,571    | 522.8            | 448.6    |
| Inter-segment eliminations   | (9)                | (15)     | -                | -        |
| Total  | \$ 4,567           | \$ 4,556 | \$ 522.8         | \$ 448.6 |

Total consolidated operating revenues were \$4.57 billion for the first nine months 2015, and remained flat when compared to \$4.56 billion for the comparable period 2014. FSC revenues were \$522.6 million during the first nine months 2015, compared with \$818.0 million in 2014. If FSC revenues were excluded from both periods, the increase of 2015 revenue from 2014 was 8%.

JBI segment revenue decreased 1% to \$2.70 billion during the first nine months 2015, compared with \$2.73 billion in 2014. This decrease in revenue was the result of a decrease in revenue per load, which is the combination of changes in customer rate, freight mix and fuel surcharges. This decrease was partially offset by increases in load volume in both our eastern and transcontinental networks. Operating income of the JBI segment increased to \$349.0 million in the first nine months 2015, from \$331.6 million in 2014. Benefits from customer rate increases, reduced reliance on outsourced dray carriers, lower insurance and cargo claim costs and lower maintenance costs were partially offset by increases in rail purchased transportation rates, higher equipment depreciation expense, higher driver procurement and retention expenses, and \$6.4 million in corporate wide streamlining and technology redevelopment costs recorded in the second quarter 2015.

DCS segment revenue increased 5% to \$1.08 billion in 2015, from \$1.03 billion in 2014. Productivity, defined as revenue per truck per week, decreased 1% when compared to the first nine months 2014, primarily from lower FSC revenue. Productivity excluding FSC revenue increased 4% from a year ago primarily from customer rate increases and additional activity at customer accounts. Operating income of our DCS segment increased to \$121.5 million in 2015, from \$80.2 million in 2014. Higher revenue, improved asset utilization, less reliance on third party carriers and lower maintenance costs were partially offset by increased equipment depreciation expense, higher driver procurement and retention expenses, and \$2.6 million in corporate wide streamlining and technology redevelopment costs and higher driver wage and recruiting costs.

ICS segment revenue decreased 2% to \$510 million in 2015, from \$521 million in 2014, as a result of increases in volume being offset by decreases in revenue per load as a result of lower fuel prices and less transactional customer demand. Operating income of our ICS segment increased to \$23.0 million from \$20.8 million in 2014, primarily due to improved gross profit margin. Gross profit margin increased to 15.0% for the first nine months 2015 versus 12.7% in the prior year. Improvements in gross profit margin were offset by increased personnel costs and \$4.4 million in corporate wide streamlining and technology redevelopment costs.

JBT segment revenue decreased 1% to \$286 million for the first nine months 2015, from \$289 million in 2014, primarily due to lower FSC revenue, partially offset by increased truck count and core rate increases. JBT segment operating income increased 82.4% to \$29.4 million during the first nine months 2015, from \$16.1 million in 2014. Benefits from core rate increases and improvements in equipment maintenance costs, insurance and claims costs and fuel economy, were partially offset by higher driver wage and hiring costs, lower gains on equipment sales, increased equipment depreciation expense, increased driver and independent contractor costs per mile, and \$700,000 in corporate wide streamlining and technology redevelopment costs.

### 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.

|  | Nine Months Ended September 30,                                  |        |   |
|--|--|--------|---|
|  | Dollar Amounts as a<br>Percentage of<br>Total Operating Revenues |        | Percentage Change<br>of Dollar Amounts<br>Between Periods |
|  | 2015   | 2014   | 2015 vs. 2014   |
| Total operating revenues                                       | 100.0%   | 100.0% | 0.2%  |
| Operating expenses:  |  |        |   |
| Rents and purchased transportation                             | 48.1   | 50.1   | (3.9)   |
| Salaries, wages and employee benefits                          | 22.6   | 20.9   | 8.3   |
| Fuel and fuel taxes  | 5.3  | 7.7    | (30.9)  |
| Depreciation and amortization                                  | 5.5  | 4.7    | 16.3  |
| Operating supplies and expenses                                | 3.6  | 3.6    | (0.9)   |
| Insurance and claims   | 1.2  | 1.3    | (3.3)   |
| General and administrative expenses, net of asset dispositions | 1.3  | 0.9    | 54.6  |
| Operating taxes and licenses                                   | 0.7  | 0.7    | 10.5  |
| Communication and utilities                                    | 0.3  | 0.3    | 1.3   |
| Total operating expenses                                       | 88.6   | 90.2   | (1.5)   |
| Operating income   | 11.4   | 9.8    | 16.5  |
| Net interest expense   | 0.4  | 0.4    | (0.7)   |
| Earnings before income taxes                                   | 11.0   | 9.4    | 17.4  |
| Income taxes   | 4.2  | 3.6    | 17.4  |
| Net earnings   | 6.8%   | 5.8%   | 17.4%   |



Total operating expenses decreased 1.5%, while operating revenues increased 0.2%, during the first nine months 2015, from the comparable period of 2014. Operating income increased to \$522.8 million during the first nine months 2015 from \$448.6 million in 2014.

Rents and purchased transportation costs decreased 3.9% in 2015. This decrease was primarily the result of the lower fuel component in the cost of services provided by third-party rail and truck carriers within JBI, DCS, and ICS segments.

Salaries, wages and employee benefit costs increased 8.3% in 2015 from 2014. This increase was primarily related to increases in driver pay and office personnel compensation due to an increase in the number of employees and a tighter supply of qualified drivers.

Fuel costs decreased 30.9% in 2015, compared with 2014, due to decreases in the price of fuel, partially offset by increased road miles. Depreciation and amortization expense increased 16.3% in 2015, primarily due to additions to our JBI segment tractor, container and chassis fleets to support additional business demand, equipment purchased related to new DCS long-term customer contracts, and new replacement equipment in JBT. Operating supplies and expenses decreased 0.9%, driven primarily by decreased equipment maintenance and repairs, partially offset by increased toll activity.

Insurance and claims expense decreased 3.3% in 2015 compared with 2014, primarily due to lower incident severity. General and administrative expenses increased 54.6% from the comparable period in 2014 due primarily to costs related to corporate wide streamlining and technology redevelopment efforts. Net gains from sale or disposal of assets were \$1.3 million in 2015, compared with \$5.4 million in 2014.

Net interest expense remained relatively flat in 2015, due primarily to increased average debt levels being offset by lower effective interest rates. Our effective income tax rate was 38.10% for the nine months ended September 30, 2015 and September 30, 2014. 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 \$697 million during the first nine months of 2015, compared with \$486 million for the same period 2014. Operating cash flows increased due to increased earnings and the collection of trade and income taxes receivable, partially offset by the timing of the payments of trade payables and accrued expenses. Net cash used in investing activities totaled \$451 million in 2015, compared with \$479 million in 2014. The decrease resulted from a reduction in equipment purchases, combined with an increase in proceeds from the sale of equipment in 2015, compared to the same period 2014. Net cash used in financing activities increased to \$247 million in 2015, compared to \$7 million in 2014. This change resulted primarily from an increase in treasury stock purchases and higher long-term debt repayments, net of proceeds from long-term debt issuances, in 2015.

#### **Debt and Liquidity Data**

|  | September 30, 2015 | December 31, 2014 | September 30, 2014 |
|--|--------------------|-------------------|--------------------|
| Working capital ratio                        | 1.41               | 1.14              | 0.93               |
| Current portion of long-term debt (millions) | -                  | 250.0             | 250.0              |
| Total debt (millions)                        | 993.4              | 934.0             | 837.1              |
| Total debt to equity                         | 0.80               | 0.78              | 0.72               |
| Total debt as a percentage of total capital  | 44%                | 44%               | 42%                |

## Liquidity

Our need for capital has typically resulted from the acquisition of containers, chassis, trucks, tractors, and trailers required to support our growth and the replacement of older equipment. We are frequently able to accelerate or postpone a portion of equipment replacements depending on market conditions. We have, during the past few 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. The following table summarizes our expected obligations and commitments as of September 30, 2015 (in millions):

|   | Total             | One Year Or<br>Less | One to Three<br>Years | Three to Five<br>Years | After<br>Five Years |
|---|-------------------|---------------------|-----------------------|------------------------|---------------------|
| Operating leases  | \$ 27.0           | \$ 12.3             | \$ 12.7               | \$ 1.7                 | \$ 0.3              |
| Debt obligations  | 985.0             | -                   | -                     | 250.0                  | 735.0               |
| Interest payments on debt <sup>(1)</sup>                | 141.6             | 20.1                | 40.2                  | 35.7                   | 45.6                |
| Commitments to acquire revenue equipment and facilities | 116.0             | 108.1               | 7.9                   | -                      | -                   |
| Total   | <u>\$ 1,269.6</u> | <u>\$ 140.5</u>     | <u>\$ 60.8</u>        | <u>\$ 287.4</u>        | <u>\$ 780.9</u>     |

(1) Interest payments on debt are based on the debt balance and applicable rate at September 30, 2015.

Our net capital expenditures were approximately \$431 million during the first nine months of 2015, compared with \$479 million for the same period 2014. 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 2015 were primarily for tractors, additional intermodal containers and chassis, and other trailing equipment. We are currently committed to spend approximately \$116 million during the remainder of 2015 and 2016. We expect to spend in the range of \$570 million to \$590 million for net capital expenditures during calendar year 2015. The table above excludes \$36.7 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

Our only off-balance sheet arrangements as of September 30, 2015, were operating leases related primarily to facility lease obligations.

## Risk Factors

You should refer to Item 1A of our Annual Report (Form 10-K) for the year ended December 31, 2014, 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.
- 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.
- 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 results.
- 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, the violation of which could result in substantial fines or penalties.



### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We had \$993 million of debt outstanding at September 30, 2015, including our senior revolving line of credit and senior notes issuances. Our senior notes have fixed interest rates ranging from 2.40% to 3.85%. These fixed-rate facilities reduce the impact of changes to market interest rates on future interest expense. 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 interest rate swap agreements which effectively convert our \$250 million of 2.40% and \$350 million of 3.30% fixed rate senior notes due March 2019 and August 2022, respectfully, to variable rates. The applicable interest rates under these agreements are 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 \$7.4 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 nine months ended September 30, 2015. 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 September 30, 2015, 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 September 30, 2015, we had no derivative financial instruments to reduce our exposure to fuel price fluctuations.

## **ITEM 4. CONTROLS AND PROCEDURES**

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 internal controls and disclosure controls. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded our disclosure controls and procedures were effective as of September 30, 2015, in alerting them on a timely basis to material information required to be disclosed by us in our periodic reports to the SEC.

There were no changes in our internal control over financial reporting during the third quarter of 2015 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**

We are a defendant in certain class-action lawsuits in which the plaintiffs are current and former California-based drivers who allege claims for unpaid wages, failure to provide meal and rest periods, and other items. During the first half of 2014, the Court in the lead class-action granted Judgment in our favor with regard to all claims. The plaintiffs have appealed the case to the Ninth Circuit Court of Appeals where it is currently pending. The overlapping claims in the remaining action have been stayed pending a decision in the lead class-action case. We cannot reasonably estimate at this time the possible loss or range of loss, if any, that may arise from these lawsuits.

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.

### **ITEM 1A. RISK FACTORS**

Information regarding risk factors appears in Part I, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations of this report on Form 10-Q and in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2014.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS****Purchases of Equity Securities**

The following table summarizes purchases of our common stock during the three months ended September 30, 2015:

| Period                                 | Number of<br>Common<br>Shares<br>Purchased | Average Price<br>Paid Per<br>Common Share<br>Purchased | Total Number<br>of Shares<br>Purchased as<br>Part of a<br>Publicly<br>Announced<br>Plan (1) | Maximum<br>Dollar Amount<br>of Shares That<br>May Yet Be<br>Purchased<br>Under the<br>Plan (2)<br>(in millions) |
|--|--|--|---|---|
| July 1 through July 31, 2015           | 870,584                                    | \$ 82.01   | 870,584   | \$ 107  |
| August 1 through August 31, 2015       | 1,374,132                                  | 77.48  | 1,374,132   | 1   |
| September 1 through September 30, 2015 | -  | -  | -   | 1   |
| Total                                  | <u>2,244,716</u>                           | \$ 79.24   | <u>2,244,716</u>  | \$ 1  |

(1) On October 27, 2011 our Board of Directors authorized the purchase of up to \$500 million of our common stock.

(2) On October 22, 2015, our Board of Directors authorized the purchase of up to \$500 million of our common stock.

**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

| <u>Exhibit<br/>Number</u> | <u>Exhibits</u>   |
|---------------------------|---|
| 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)   |
| 10.1                      | Credit Agreement and related documents (incorporated by reference from Exhibit 10.1 of the Company's current report on Form 8-K, filed October 2, 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                   | XBRL Instance Document  |
| 101.SCH                   | XBRL Taxonomy Extension Schema Document   |
| 101.CAL                   | XBRL Taxonomy Extension Calculation Linkbase Document   |
| 101.DEF                   | XBRL Taxonomy Extension Definition Linkbase Document  |
| 101.LAB                   | XBRL Taxonomy Extension Label Linkbase Document   |
| 101.PRE                   | XBRL Taxonomy Extension Presentation Linkbase Document  |

## 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 23rd day of October, 2015.

**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/ David G. Mee  
David G. Mee  
Executive Vice President, Finance and Administration  
and Chief Financial Officer  
(Principal Financial Officer)

By: /s/ John K. Kuhlow  
John K. Kuhlow  
Senior Vice President Finance, Controller,  
Chief Accounting Officer  
(Principal Accounting Officer)



**R U L E 13a -14(a)/15d-14(a) C E R T I F I C A T I O N**

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: October 23, 2015

/s/ John N. Roberts, III

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

**R U L E 13a -14(a)/15d-14(a) C E R T I F I C A T I O N**

I, David G. Mee, 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: October 23, 2015

/s/ David G. Mee

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David G. Mee  
Executive Vice President, Finance and Administration  
and 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 September 30, 2015 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: October 23, 2015

/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 September 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, David G. Mee, 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: October 23, 2015

/s/ David G. Mee

David G. Mee

Executive Vice President, Finance and Administration  
and Chief Financial Officer  
(Principal Financial Officer)