

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, 2020

OR

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

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

(Exact name of registrant as specified in its charter)

Arkansas  
(State or other jurisdiction  
of incorporation or  
organization)

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

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

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

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to the filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

The number of shares of the registrant's \$0.01 par value common stock outstanding on September 30, 2020 was 105,678,955.

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

**Form 10-Q**  
**For The Quarterly Period Ended September 30, 2020**  
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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**

**Nine Months Ended**

	September 30,		September 30,	
	2020	2019	2020	2019
Operating revenues, excluding fuel surcharge revenues	\$ 2,296,053	\$ 2,102,494	\$ 6,327,876	\$ 5,954,102
Fuel surcharge revenues	176,470	261,166	571,045	760,832
Total operating revenues	2,472,523	2,363,660	6,898,921	6,714,934
Operating expenses:				
Rents and purchased transportation	1,297,333	1,196,377	3,467,782	3,282,682
Salaries, wages and employee benefits	594,162	554,872	1,722,548	1,606,344
Depreciation and amortization	132,392	126,803	392,786	370,728
Fuel and fuel taxes	87,350	114,764	263,932	344,926
Operating supplies and expenses	86,103	87,044	250,835	249,480
General and administrative expenses, net of asset dispositions	41,894	49,077	131,654	140,654
Insurance and claims	35,412	43,956	98,672	124,963
Operating taxes and licenses	13,696	14,266	40,575	40,991
Communication and utilities	8,678	8,639	24,710	25,416
Total operating expenses	2,297,020	2,195,798	6,393,494	6,186,184
Operating income	175,503	167,862	505,427	528,750
Net interest expense	11,895	12,357	36,749	40,153
Earnings before income taxes	163,608	155,505	468,678	488,597
Income taxes	38,112	37,095	116,650	116,953
Net earnings	\$ 125,496	\$ 118,410	\$ 352,028	\$ 371,644
Weighted average basic shares outstanding	105,653	106,735	105,714	107,610
Basic earnings per share	\$ 1.19	\$ 1.11	\$ 3.33	\$ 3.45
Weighted average diluted shares outstanding	106,798	107,692	106,776	108,569
Diluted earnings per share	\$ 1.18	\$ 1.10	\$ 3.30	\$ 3.42
Dividends declared per common share	\$ 0.27	\$ 0.26	\$ 0.81	\$ 0.78

See Notes to Condensed Consolidated Financial Statements.

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

### Condensed Consolidated Balance Sheets (in thousands)

	September 30, 2020 (unaudited)	December 31, 2019
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 318,549	\$ 35,000
Trade accounts receivable, net	1,121,825	1,011,829
Prepaid expenses and other	288,224	434,470
Total current assets	1,728,598	1,481,299
Property and equipment, at cost	5,842,114	5,640,806
Less accumulated depreciation	2,159,710	2,019,940
Net property and equipment	3,682,404	3,620,866
Goodwill and intangible assets, net	192,648	202,832
Other assets, net	175,412	165,857
Total assets	\$ 5,779,062	\$ 5,470,854
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Trade accounts payable	\$ 603,523	\$ 602,601
Claims accruals	273,088	279,590
Accrued payroll	145,110	68,220

Other accrued expenses	73,702	85,355
Total current liabilities	1,095,423	1,035,766
Long-term debt	1,303,353	1,295,740
Other long-term liabilities	181,561	173,241
Deferred income taxes	711,301	699,078
Stockholders' equity	2,487,424	2,267,029
Total liabilities and stockholders' equity	\$ 5,779,062	\$ 5,470,854

See Notes to Condensed Consolidated Financial Statements.

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

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

	Three Months Ended September 30, 2019 and 2020				
	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Stockholders' Equity
Balances at June 30, 2019	\$ 1,671	\$ 367,166	\$ 4,385,391	\$ (2,618,872)	\$ 2,135,356
Comprehensive income:					
Net earnings	-	-	118,410	-	118,410
Cash dividend declared and paid (\$0.26 per share)	-	-	(27,809)	-	(27,809)
Purchase of treasury shares	-	-	-	(35,946)	(35,946)
Share-based compensation	-	13,850	-	-	13,850
Restricted share issuances, net of stock repurchased for payroll taxes and other	-	(13,073)	-	2,741	(10,332)
Balances at September 30, 2019	\$ 1,671	\$ 367,943	\$ 4,475,992	\$ (2,652,077)	\$ 2,193,529
Balances at June 30, 2020	\$ 1,671	\$ 402,653	\$ 4,762,295	\$ (2,775,776)	\$ 2,390,843
Comprehensive income:					
Net earnings	-	-	125,496	-	125,496
Cash dividend declared and paid (\$0.27 per share)	-	-	(28,533)	-	(28,533)
Purchase of treasury shares	-	-	-	-	-
Share-based compensation	-	14,594	-	-	14,594
Restricted share issuances, net of stock repurchased for payroll taxes and other	-	(12,910)	-	(2,066)	(14,976)
Balances at September 30, 2020	\$ 1,671	\$ 404,337	\$ 4,859,258	\$ (2,777,842)	\$ 2,487,424
	Nine Months Ended September 30, 2019 and 2020				
	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Stockholders' Equity
Balances at December 31, 2018	\$ 1,671	\$ 340,457	\$ 4,188,435	\$ (2,429,179)	\$ 2,101,384
Comprehensive income:					
Net earnings	-	-	371,644	-	371,644
Cash dividend declared and paid (\$0.78 per share)	-	-	(84,087)	-	(84,087)
Purchase of treasury shares	-	-	-	(225,680)	(225,680)
Share-based compensation	-	42,154	-	-	42,154
Restricted share issuances, net of stock repurchased for payroll taxes and other	-	(14,668)	-	2,782	(11,886)
Balances at September 30, 2019	\$ 1,671	\$ 367,943	\$ 4,475,992	\$ (2,652,077)	\$ 2,193,529
Balances at December 31, 2019	\$ 1,671	\$ 374,049	\$ 4,592,938	\$ (2,701,629)	\$ 2,267,029
Comprehensive income:					
Net earnings	-	-	352,028	-	352,028
Cash dividend declared and paid (\$0.81 per share)	-	-	(85,708)	-	(85,708)
Purchase of treasury shares	-	-	-	(75,193)	(75,193)
Share-based compensation	-	48,658	-	-	48,658

Restricted share issuances, net of stock repurchased for payroll taxes and other	-	(18,370)	-	(1,020)	(19,390)
Balances at September 30, 2020	<u>\$ 1,671</u>	<u>\$ 404,337</u>	<u>\$ 4,859,258</u>	<u>\$ (2,777,842)</u>	<u>\$ 2,487,424</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 September 30,	
	2020	2019
Cash flows from operating activities:		
Net earnings	\$ 352,028	\$ 371,644
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	392,786	370,728
Noncash lease expense	34,110	28,731
Share-based compensation	48,658	42,154
Loss on sale of revenue equipment and other	2,255	9,085
Deferred income taxes	12,223	644
Changes in operating assets and liabilities:		
Trade accounts receivable	(109,996)	9,579
Other assets	7,910	16,356
Trade accounts payable	86,867	64,578
Income taxes payable or receivable	45,411	89,975
Claims accruals	(5,440)	(4,749)
Accrued payroll and other accrued expenses	44,182	(61,130)
Net cash provided by operating activities	<u>910,994</u>	<u>937,595</u>
Cash flows from investing activities:		
Additions to property and equipment	(559,763)	(722,371)
Net proceeds from sale of equipment	111,042	135,764
Business acquisition	-	(98,232)
Changes in other assets	49	(77)
Net cash used in investing activities	<u>(448,672)</u>	<u>(684,916)</u>
Cash flows from financing activities:		
Proceeds from issuances of long-term debt	-	700,000
Payments on long-term debt	-	(250,000)
Proceeds from revolving lines of credit and other	221,618	1,590,506
Payments on revolving lines of credit and other	(220,100)	(1,904,000)
Purchase of treasury stock	(75,193)	(225,680)
Stock repurchased for payroll taxes and other	(19,390)	(11,886)
Dividends paid	(85,708)	(84,087)
Net cash used in financing activities	<u>(178,773)</u>	<u>(185,147)</u>
Net change in cash and cash equivalents	<u>283,549</u>	<u>67,532</u>
Cash and cash equivalents at beginning of period	<u>35,000</u>	<u>7,600</u>
Cash and cash equivalents at end of period	<u>\$ 318,549</u>	<u>\$ 75,132</u>
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	\$ 47,095	\$ 42,111
Income taxes	<u>\$ 58,497</u>	<u>\$ 33,738</u>
Noncash investing activities		
Accruals for equipment received	<u>\$ 36,010</u>	<u>\$ 26,934</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, 2019. Operating results for the periods presented in this report are not necessarily indicative of the results that may be expected for the calendar year ending December 31, 2020, or any other interim period. Our business is somewhat seasonal with slightly higher freight volumes typically experienced during August through early November in our full-load freight transportation business.

##### *Use of Estimates*

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

##### *Accounting Pronouncement Adopted in 2020*

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

##### *Accounts Receivable and Allowance*

Our trade accounts receivable includes accounts receivable reduced by an allowance for uncollectible accounts. Receivables are recorded at amounts billed to customers when loads are delivered or services are performed. The allowance for uncollectible accounts is calculated over the life of the underlying receivable and is based on historical experience; any known trends or uncertainties related to customer billing and account collectability; current economic conditions; and reasonable and supportable economic forecasts, each applied to segregated risk pools based on the business segment that generated the receivable. The adequacy of our allowance is reviewed quarterly. Balances are charged against the allowance when it is determined the receivable will not be recovered. The allowance for uncollectible accounts for our trade accounts receivable was \$18.1 million at September 30, 2020 and \$13.3 million at December 31, 2019. During the nine months ended September 30, 2020, the allowance for uncollectible accounts increased by \$5.3 million and was reduced \$0.5 million by write-offs. There were no material write-offs charged or increases to the allowance for uncollectible accounts during the third quarter 2020.

#### 2. Earnings Per Share

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

#### 3. Share-based Compensation

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

	Three Months Ended September 30,	Nine Months Ended September 30,

	2020	2019	2020	2019
Restricted share units:				
Pretax compensation expense	\$ 11,250	\$ 10,309	\$ 38,358	\$ 30,942
Tax benefit	2,880	2,660	9,820	7,983
Restricted share unit expense, net of tax	<u>\$ 8,370</u>	<u>\$ 7,649</u>	<u>\$ 28,538</u>	<u>\$ 22,959</u>
Performance share units:				
Pretax compensation expense	\$ 3,344	\$ 3,541	\$ 10,300	\$ 11,212
Tax benefit	856	914	2,637	2,893
Performance share unit expense, net of tax	<u>\$ 2,488</u>	<u>\$ 2,627</u>	<u>\$ 7,663</u>	<u>\$ 8,319</u>

As of September 30, 2020, we had \$72.8 million and \$17.3 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 3.1 years for restricted share units and 2.3 years for performance share units. During the nine months ended September 30, 2020, we issued 305,558 shares for vested restricted share units and 117,118 shares for vested performance share units. Of these totals, 214,206 shares for vested restricted share units and 72,248 shares for vested performance share units were issued during the third quarter 2020.

#### 4. Financing Arrangements

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

	September 30, 2020	December 31, 2019
Senior notes	1,303.4	1,295.7

##### *Senior Revolving Line of Credit*

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

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

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

## 5. Derivative Financial Instruments

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

We entered into a receive fixed-rate and pay variable-rate interest rate swap agreement simultaneously with the issuance of our \$350 million of 3.30% senior notes due August 2022, to effectively convert this fixed-rate debt to variable-rate. The notional amount of this interest rate swap agreement equals that of the corresponding fixed-rate debt. The applicable interest rate under this agreement is based on LIBOR plus an established margin, resulting in an interest rate of 1.64% for our \$350 million of 3.30% senior notes at September 30, 2020. The swap expires when the corresponding senior notes are due. The fair value of this swap is recorded in other assets in our Condensed Consolidated Balance Sheet at September 30, 2020. See Note 7, Fair Value Measurements, for disclosure of fair value. This derivative meets the required criteria to be designated as a fair value hedge, and as the specific terms and notional amount of this derivative instrument match those of the fixed-rate debt being hedged, this derivative instrument is assumed to perfectly hedge the related debt against changes in fair value due to changes in the benchmark interest rate. Accordingly, any change in the fair value of this interest rate swap recorded in earnings is offset by a corresponding change in the fair value of the related debt.

## 6. Capital Stock

On April 20, 2017, our Board of Directors authorized the purchase of up to \$500 million of our common stock. On January 22, 2020, our Board of Directors authorized an additional purchase of up to \$500 million of our common stock. At September 30, 2020, \$520 million of this combined authorization was remaining. We purchased approximately 800,000 shares, or \$75 million, of our common stock under our repurchase authorization during the nine months ended September 30, 2020, none of which occurred in third quarter 2020. On July 22, 2020, our Board of Directors declared a regular quarterly cash dividend of \$0.27, which was paid August 21, 2020, to stockholders of record on August 7, 2020. On October 22, 2020, our Board of Directors declared a regular quarterly dividend of \$0.27 per common share, which will be paid on November 20, 2020, to stockholders of record on November 6, 2020.

## 7. Fair Value Measurements

### *Assets and Liabilities Measured at Fair Value on a Recurring Basis*

Our assets and liabilities measured at fair value are based on valuation techniques which consider prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. These valuation methods are based on either quoted market prices (Level 1) or inputs, other than quoted prices in active markets, that are observable either directly or indirectly (Level 2). The following are assets and liabilities measured at fair value on a recurring basis at September 30, 2020 (in millions):

	Asset/(Liability) Balance		Input Level
	September 30, 2020	December 31, 2019	
Trading investments	\$ 21.3	\$ 20.4	1
Interest rate swap	\$ 10.9	\$ 4.8	2
Senior notes, net of unamortized discount and debt issuance costs	\$ (360.0)	\$ (353.1)	2

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

debt in our Condensed Consolidated Balance Sheets.

### *Financial Instruments*

The carrying amount and estimated fair value at September 30, 2020, using the income approach (Level 2), based on their net present value, discounted at our current borrowing rate, of our senior revolving line of credit and remaining senior notes not measured at fair value on a recurring basis, were \$943.4 million and \$1.09 billion, respectively.

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

## **8. Income Taxes**

Our effective income tax rate was 23.3% for the three months ended September 30, 2020, compared to 23.9% for the three months ended September 30, 2019. Our effective income tax rate was 24.9% for the first nine months of 2020, compared to 23.9% in 2019. In determining our quarterly provision for income taxes, we use an estimated annual effective tax rate, adjusted for discrete items. This rate is based on our expected annual income, statutory tax rates, best estimate of nontaxable and nondeductible items of income and expense, and the ultimate outcome of tax audits. Our effective income tax rate for the first nine months of 2019 included the effect of a favorable settlement of a state income tax audit.

At September 30, 2020, we had a total of \$55.2 million in gross unrecognized tax benefits, which are a component of other long-term liabilities on our Condensed Consolidated Balance Sheets. Of this amount, \$45.4 million represents the amount of unrecognized tax benefits that, if recognized, would impact our effective tax rate. The total amount of accrued interest and penalties for such unrecognized tax benefits was \$5.5 million at September 30, 2020.

## **9. Legal Proceedings**

In January 2017 we exercised our right to utilize the arbitration process to review the division of revenue collected beginning May 1, 2016, as well as to clarify other issues, under our Joint Service Agreement with BNSF Railway Company (BNSF). BNSF requested the same. In October 2019 the arbitrators issued a Final Award and we recorded pretax charges in the third quarter 2019 of \$26.8 million related to certain charges claimed by BNSF and \$17.4 million for legal fees, cost and interest claimed by BNSF, for a total of \$44.2 million. On January 17, 2020, we filed under seal in the United States District Court for the Western District of Arkansas (the Arkansas Federal Court) a motion to confirm and enforce the Final Award, seeking the Court's specific enforcement of certain confidential contractual rights the arbitrators decided in our favor. BNSF has moved to confirm the Final Award in the United States District Court for the District of Columbia. During the first quarter 2020, we recorded an \$8.2 million pretax charge resulting from an adjusted calculation of the revenue divisions owed to BNSF under the Final Award. On July 21, 2020, the Arkansas Federal Court granted our motion in part, entering a judgment confirming the arbitration awards. In a sealed opinion, the Court denied our request for additional enforcement relief but did not foreclose our right to pursue post-confirmation enforcement in court or in arbitration if warranted. We have filed an appeal with the United States Court of Appeals for the Eighth Circuit seeking review of the Arkansas Federal Court's denial.

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

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

## 10. Business Segments

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

	Assets (Excludes intercompany accounts)	
	September 2020	December 31, 2019
JBI	\$ 2,462	\$ 2,217
DCS	1,529	1,445
ICS	268	208
FMS	433	432
JBT	267	241
Other (includes corporate)	820	928
Total	<u>\$ 5,779</u>	<u>\$ 5,471</u>

	Operating Revenues			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
JBI	\$ 1,211	\$ 1,240	\$ 3,426	\$ 3,477
DCS	553	547	1,628	1,576
ICS	431	337	1,071	972
FMS	182	149	475	402
JBT	109	94	322	296
Subtotal	2,486	2,367	6,922	6,723
Inter-segment eliminations	(13)	(3)	(23)	(8)
Total	<u>\$ 2,473</u>	<u>\$ 2,364</u>	<u>\$ 6,899</u>	<u>\$ 6,715</u>

	Operating Income/(Loss)			
	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
JBI	\$ 108.4	\$ 88.7	\$ 317.7	\$ 316.4
DCS	80.4	76.4	236.4	202.7
ICS	(18.3)	(5.6)	(50.3)	0.8
FMS	2.1	1.9	(6.5)	(13.7)
JBT	2.9	6.6	8.2	22.7
Other (includes corporate)	-	(0.1)	(0.1)	(0.1)
Total	\$ 175.5	\$ 167.9	\$ 505.4	\$ 528.8

	Depreciation and Amortization Expense			
	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
JBI	\$ 47.4	\$ 45.8	\$ 140.7	\$ 134.9
DCS	55.9	54.9	167.8	159.4
ICS	0.3	0.9	0.9	2.7
FMS	8.2	8.2	24.6	22.6
JBT	8.8	8.2	25.6	25.4
Other (includes corporate)	11.8	8.8	33.2	25.7
Total	\$ 132.4	\$ 126.8	\$ 392.8	\$ 370.7

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

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

### GENERAL

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

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

## Critical Accounting Policies and Estimates

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

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

## RESULTS OF OPERATIONS

### Comparison of Three Months Ended September 30, 2020 to Three Months Ended September 30, 2019

Summary of Operating Segment Results For the Three Months Ended September 30, (in millions)				
	Operating Revenues		Operating Income/(Loss)	
	2020	2019	2020	2019
JB	\$ 1,211	\$ 1,240	\$ 108.4	\$ 88.7
DCS	553	547	80.4	76.4
ICS	431	337	(18.3)	(5.6)
FMS	182	149	2.1	1.9
JBT	109	94	2.9	6.6
Other (includes corporate)	-	-	-	(0.1)
Subtotal	2,486	2,367	175.5	167.9
Inter-Segment eliminations	(13)	(3)	-	-
Total	\$ 2,473	\$ 2,364	\$ 175.5	\$ 167.9

Total consolidated operating revenues were \$2.47 billion for the third quarter 2020, compared to \$2.36 billion for the third quarter 2019. This increase was primarily due to a 25% increase in revenue per load in ICS, a 34% increase in stops in FMS, and 9% and 14% increases in load volumes in DCS and JBT, respectively. These increases were partially offset by a 5% decrease in revenue per load in JB and a 32% decrease in overall fuel surcharge revenue. Current quarter total operating revenues, excluding fuel surcharge revenue, increased 9% versus the comparable quarter in 2019.

JB segment revenue decreased 2% to \$1.21 billion during the third quarter 2020, compared with \$1.24 billion in 2019. This decrease in segment revenue was primarily a result of a 5% decrease in revenue per load compared to a year ago, which is the combination of changes in freight mix, customer rates, and fuel surcharge revenue, partially offset by a 2% increase in load volume. Revenue per load excluding fuel surcharge revenue was flat compared to third quarter 2019. Load volume in our eastern network increased 3% and transcontinental loads increased 2% over the third quarter 2019. Operating income of our JB segment increased 22% to \$108.4 million in 2020, from \$88.7 million in 2019. Third quarter 2019 operating income was impacted by a \$26.8 million charge to rail purchase transportation expense resulting from the issuance of the final award regarding our arbitration with BNSF Railway Company (BNSF) and a \$17.4 million charge to insurance and claims expense, for arbitration related legal fees, costs and interest claimed by BNSF. Excluding these 2019 charges, operating income for third quarter 2020, decreased 18% compared to third quarter 2019. Benefits from increased load volume were more than offset by higher rail purchased transportation costs, increased box repositioning costs, and higher dray costs resulting from disruptions in rail capacity and a constricted labor and truck capacity environment. Load volume disruptions related to the recent outbreak of COVID-19 began to emerge in March 2020 and escalated over the following months, followed by a subsequent steady increase in load volumes that continued through the third quarter 2020. Despite this rebound in JB load volumes, load volume disruptions could return, and current network imbalances may continue throughout the remainder of 2020, as a result of the overall economic effects caused by the

ongoing COVID-19 pandemic. Third quarter 2020 ended with approximately 97,400 units of trailing capacity and 5,647 power units assigned to the dray fleet.

DCS segment revenue increased 1% to \$553 million in 2020, from \$547 million in 2019. Productivity, defined as revenue per truck per week was flat when compared to 2019, while productivity excluding fuel surcharge revenue increased by approximately 2% from a year ago. A net additional 63 revenue producing trucks were in the fleet by the end of the current quarter compared to prior year, primarily from private fleet conversions. During the first half of 2020, DCS experienced a reduction in the rate of newly awarded customer private fleet conversions as a result of the ongoing effects of the COVID-19 pandemic. However, this trend reversed in third quarter 2020. Despite this recovery, due to the continuation of the COVID-19 pandemic, the current rate of newly awarded customer private fleet conversions may decline during the remainder of 2020 or in 2021. Customer retention rates remain above 97%. Operating income of our DCS segment increased 5% to \$80.4 million in 2020, from \$76.4 million in 2019. The increase is primarily due to increased productivity, lower driver related turnover costs, reduced start-up expenditures for new customer contracts, and decreased travel and entertainment expenses, which were partially offset by higher driver and account manager wages and benefits.

ICS segment revenue increased 28% to \$431 million in the third quarter 2020, from \$337 million in the third quarter 2019. Overall volumes increased 2% while revenue per load increased 25%, primarily due to changes in customer freight mix and an improved pricing environment for both contractual and spot business compared to 2019. Contractual business represented approximately 58% of total load volume and 38% of total revenue in the current period compared to 68% and 52%, respectively, in third quarter 2019. Approximately \$291 million of third quarter 2020 ICS revenue was executed through the marketplace for J.B. Hunt 360° compared to \$205 million in third quarter 2019. This increase was driven primarily by a 22% increase in loads on the J.B. Hunt 360° platform, in addition to higher revenue per load. Gross profit margin decreased to 7.6% in the current quarter versus 12.7% last year primarily due to a more competitive pricing environment and constricted supply dynamics compared to third quarter 2019. ICS could experience continued volatility in overall load volumes and gross profit margin performance throughout the remainder of 2020 and into 2021 as a result of the economic effects caused by the ongoing COVID-19 pandemic. ICS segment incurred an operating loss of \$18.3 million in third quarter 2020, compared to operating loss of \$5.6 million in 2019. The increase in operating loss is primarily due to lower gross profit margins. ICS's carrier base increased 14% compared to third quarter 2019.

FMS segment revenue increased 22% to \$182 million in the third quarter 2020 from \$149 million in 2019. Stop count for the third quarter 2020 increased 34% when compared to 2019, primarily due to a December 2019 business acquisition and an increase in new customer contracts throughout 2020. Productivity, defined as revenue per stop, decreased 9% compared to 2019, primarily due to a shift in the mix between asset and asset-light operations resulting from the characteristics of new customer contracts and the 2019 acquisition. While the majority of COVID-19 related operating suspensions previously experienced by FMS at various customer sites have ceased, a large portion of FMS customers are highly susceptible to the impacts of the COVID-19 pandemic and as a result, the operations of FMS may be impacted as those customers' operations are affected. Operating income of our FMS segment increased 13% to \$2.1 million in 2020, from \$1.9 million in 2019. The increase is primarily due to increased revenue and lower travel and entertainment expenses, partially offset by higher costs related to service quality performance controls.

JBT segment revenue increased 16% to \$109 million for the third quarter 2020, from \$94 million in the third quarter 2019. Revenue excluding fuel surcharge revenue increased 19%, primarily due to a 14% increase in load volumes and a 5% increase in revenue per load excluding fuel surcharge revenue, compared to third quarter 2019. Revenue per loaded mile excluding fuel surcharge revenue increased 4% while core customer rates decreased 1% when compared to third quarter 2019. At the end of the current quarter, JBT operated 1,713 tractors and 8,245 trailers compared to 1,896 and 6,826 in 2019. JBT segment operating income decreased 55% to \$2.9 million in 2020, compared with \$6.6 million in 2019. Benefits from increased load volume were more than offset by higher purchased transportation costs as JBT evolves to a more asset-light service offering as well as higher personnel costs and increased technology spending related to our J.B. Hunt 360box program launched in 2019, which continues to expand in functionality and capacity. As a result of the ongoing effects of the COVID-19 pandemic, JBT could experience reduced load volumes, lower customer rates, or higher purchased transportation costs throughout the remainder of 2020 and into 2021.

## 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 Total Operating Revenues		Percentage Change of Dollar Amounts Between Quarters
	2020	2019	2020 vs. 2019
Total operating revenues	100.0%	100.0%	4.6%
Operating expenses:			
Rents and purchased transportation	52.5	50.6	8.4
Salaries, wages and employee benefits	24.0	23.5	7.1
Depreciation and amortization	5.4	5.3	4.4
Fuel and fuel taxes	3.5	4.8	(23.9)
Operating supplies and expenses	3.5	3.7	(1.1)
General and administrative expenses, net of asset dispositions	1.6	2.1	(14.6)
Insurance and claims	1.4	1.9	(19.4)
Operating taxes and licenses	0.6	0.6	(4.0)
Communication and utilities	0.4	0.4	0.5
Total operating expenses	92.9	92.9	4.6
Operating income	7.1	7.1	4.6
Net interest expense	0.5	0.5	(3.7)

Earnings before income taxes	6.6	6.6	5.2
Income taxes	1.5	1.6	2.7
Net earnings	5.1%	5.0%	6.0%

Total operating expenses increased 4.6%, while operating revenues increased 4.6% during the third quarter 2020, from the comparable period 2019. Operating income increased to \$175.5 million during the third quarter 2020 from \$167.9 million in 2019.

Rents and purchased transportation costs increased 8.4% in 2020. This increase was primarily the result of an increase in load volume, which increased services provided by third-party rail and truck carriers within JBI and ICS segments, increased rail and truck carrier purchased transportation rates and an increase in the use of third-party truck carriers by JBT and FMS during third quarter of 2020. JBI third quarter 2019 rail purchased transportation costs included a \$26.8 million charge resulting from the issuance of an award regarding our arbitration with BNSF.

Salaries, wages and employee benefits costs increased 7.1% during the third quarter 2020, compared with 2019. This increase was primarily related to increases in driver pay and office personnel compensation due to a tighter supply of qualified drivers and an increase in the number of employees as well as higher third quarter 2020 cost of employee group medical benefits compared to 2019.

Depreciation and amortization expense increased 4.4% in 2020, primarily due to equipment purchases related to new DCS long-term customer contracts and the addition of specialized trailing equipment and scheduled turnover of tractors within our JBI segment. Fuel costs decreased 23.9% in 2020, compared with 2019, due primarily to a decrease in the price of fuel.

Operating supplies and expenses decreased 1.1%, driven primarily by reduced travel and entertainment expenses, partially offset by higher operating supplies and building maintenance costs in response to COVID-19 and increased tolls expense. General and administrative expenses decreased 14.6% for the current quarter from the comparable period in 2019, primarily due to decreased professional fees, lower bad debt expenses, and decreased net loss from the sale or disposal of assets, partially offset by increased technology spend on the J.B. Hunt 360° platform and legacy system upgrades. Net gain from sale or disposal of assets was \$0.2 million in 2020, compared to a net loss of \$4.0 million in 2019. Insurance and claims expense decreased 19.4% in 2020 compared with 2019, primarily due to the absence of a \$17.4 million in reserve charges for arbitration related legal fees, cost and interest claimed by BNSF in 2019 and lower 2020 incident volume, partially offset by an increase in accident severity in third quarter 2020.

Net interest expense decreased 3.7% in 2020 due to a decrease in effective interest rates on our debt compared to third quarter 2019. Income tax expense increased 2.7% in 2020, compared with 2019, primarily due to higher taxable earnings. Our effective income tax rate was 23.3% for the third quarter 2020, compared with 23.9% for the third quarter 2019. Our annual tax rate for 2020 is expected to be between 24.0% and 24.5%. 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, 2020 to Nine Months Ended September 30, 2019

	Summary of Operating Segment Results For the Nine Months Ended September 30, (in millions)			
	Operating Revenues		Operating Income/(Loss)	
	2020	2019	2020	2019
JBI	\$ 3,426	\$ 3,477	\$ 317.7	\$ 316.4
DCS	1,628	1,576	236.4	202.7
ICS	1,071	972	(50.3)	0.8
FMS	475	402	(6.5)	(13.7)
JBT	322	296	8.2	22.7
Other (includes corporate)	-	-	(0.1)	(0.1)
Subtotal	6,922	6,723	505.4	528.8
Inter-segment eliminations	(23)	(8)	-	-
Total	\$ 6,899	\$ 6,715	\$ 505.4	\$ 528.8

Total consolidated operating revenues were \$6.90 billion for the first nine months 2020, a 3% increase from \$6.72 billion for the comparable period 2019. Fuel surcharge revenues were \$571 million during the first nine months 2020, compared with \$761 million in 2019. If fuel surcharge revenues were excluded from both periods, the increase of 2020 revenue from 2019 was 6%.

JBI segment revenue decreased 1%, to \$3.43 billion during the first nine months of 2020, compared with \$3.48 billion in 2019. Load volume during the first nine months of 2020 increased 2%, which was offset by a 4% decrease in revenue per load, which is the combination of changes in freight mix, customer rate changes, and fuel surcharge revenue, compared to a year ago. Revenue per load excluding fuel surcharge revenue was flat compared to the first nine months of 2019. Operating income of the JBI segment increased to \$317.7 million in the first nine months of 2020, from \$316.4 million in 2019. Operating income for the first nine months of 2019 was impacted by a \$26.8 million charge to rail purchase transportation expense resulting from the issuance of a final award regarding our arbitration with BNSF and a \$17.4 million charge to insurance and claims expense, for arbitration related legal fees, cost and interest claimed by BNSF. Benefits from increased load volume in 2020 were more than offset by higher rail purchased transportation costs, COVID-19 related network inefficiencies and higher personnel costs, which included a one-time COVID-19 related bonus paid to employee drivers and other key field personnel, and higher dray costs resulting from disruptions in rail capacity and a constricted labor and truck capacity environment.

DCS segment revenue increased 3%, to \$1.63 billion during the first nine months of 2020, from \$1.58 billion in 2019. Productivity, defined as revenue per truck per week, decreased 1% from a year ago. Productivity excluding fuel surcharge revenue for the first nine months of 2020 increased 2% from a year ago. The increase in productivity was primarily a result of better integration of assets between customer accounts, customer rate increases, and increased customer supply chain fluidity largely attributed to a mild winter during the first part of the current period. Operating income of our DCS segment increased to \$236.4 million in 2020, from \$202.7 million in 2019. The increase is primarily due to increased fleet productivity, the absence of significant new customer implementation costs, lower driver related turnover costs, and lower travel and entertainment expenses. Operating income was partially offset by higher personnel costs which included a one-time COVID-19 related bonus, higher equipment ownership costs, and higher insurance and claims costs compared to the first nine months of 2019.

ICS revenue increased 10% to \$1.07 billion during the first nine months of 2020, from \$972 million in 2019. Overall volumes during the first nine months of 2020 decreased 2% when compared to 2019. Revenue per load increased 13% primarily due to customer freight mix changes, when compared to 2019. Gross profit margin decreased to 9.4% in the current year versus 14.1% last year primarily due to a more competitive pricing environment and constricted supply dynamics compared to the first nine months of 2019. ICS segment had an operating loss of \$50.3 million in the first nine months of 2020 compared to operating income of \$0.8 million in 2019, primarily due to lower gross profit margins, increased technology spending as the marketplace for J.B. Hunt 360° continues to expand in functionality and capacity, and higher personnel costs. Approximately \$755 million of ICS revenue for the first nine months of 2020 was executed through the marketplace for J.B. Hunt 360° compared to \$614 million in 2019.

FMS revenue increased 18% to \$475 million during the first nine months of 2020, from \$402 million in 2019, primarily due to two business acquisitions completed in 2019 and an increase in new customer contracts throughout 2020, partially offset by the temporary suspension of operations at various customer sites as a result of the effects of the COVID-19 pandemic. Stop count for the first nine months of 2020 increased 25%, while productivity, defined as revenue per stop, decreased 6% compared to 2019. The reduction in productivity was primarily due to a change in the mix of service methods to a more asset-light model resulting from the 2019 business acquisitions and a shift in the mix of services provided during the current period as customers were affected by COVID-19 within our FMS network. FMS segment had an operating loss of \$6.5 million in the first nine months of 2020 compared to an operating loss of \$13.7 million in 2019. The current period operating loss was primarily due to increased costs to expand the FMS network, lost revenue resulting from the temporary suspension of operations at several customer sites in response to COVID-19, higher bad debt expense, higher personnel costs, which included a one-time COVID-19 related bonus, higher COVID-19 related operating supplies expense and \$1 million in additional noncash amortization expense attributable to the 2019 business acquisitions. FMS segment operating loss for the first nine months of 2019 included a \$20 million insurance claim settlement charge.

JBT segment revenue increased 9% to \$322 million for the first nine months of 2020, from \$296 million in 2019. Revenue excluding fuel surcharge revenue for the first nine months of 2020 increased 12%, primarily due to a 15% increase in load volume, partially offset by a 3% decrease in revenue excluding fuel surcharge revenue per load compared to 2019. Our JBT segment operating income decreased to \$8.2 million during the first nine months 2020, from \$22.7 million in 2019. The decrease in operating income was driven primarily by higher purchased transportation expense, higher insurance and claims costs, and higher technology modernization expenses compared to the first nine months of 2019.

## 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		Percentage Change of Dollar Amounts Between Periods
	2020	2019	
	Percentage of Total Operating Revenues		2020 vs. 2019
Total operating revenues	100.0%	100.0%	2.7%
Operating expenses:			
Rents and purchased transportation	50.3	48.9	5.6
Salaries, wages and employee benefits	25.0	23.9	7.2
Depreciation and amortization	5.7	5.5	5.9
Fuel and fuel taxes	3.8	5.1	(23.5)
Operating supplies and expenses	3.6	3.7	0.5
General and administrative expenses, net of asset dispositions	1.9	2.2	(6.4)
Insurance and claims	1.4	1.8	(21.0)
Operating taxes and licenses	0.6	0.6	(1.0)
Communication and utilities	0.4	0.4	(2.8)
Total operating expenses	92.7	92.1	3.4
Operating income	7.3	7.9	(4.4)
Net interest expense	0.5	0.6	(8.5)
Earnings before income taxes	6.8	7.3	(4.1)
Income taxes	1.7	1.8	(0.3)
Net earnings	5.1%	5.5%	(5.3)%

Total operating expenses increased 3.4%, while operating revenues increased 2.7%, during the first nine months 2020, from the comparable period of 2019. Operating income decreased to \$505.4 million during the first nine months 2020, from \$528.8 million in 2019.

Rents and purchased transportation costs increased 5.6% in 2020. This increase was primarily the result of increased load volume and third-party rail purchased transportation rates in JBI, increased truck purchased transportation rates in ICS, and an increase in the use of third-party truck carriers by FMS and JBT during 2020, partially offset by a decrease in ICS load volume and JBI 2019 rail purchased transportation costs including a \$26.8 million charge resulting from the issuance of an award regarding our arbitration with BNSF.

Salaries, wages and employee benefits costs increased 7.2% in 2020 from 2019. This increase was primarily related to increases in driver pay and office personnel compensation due to a tighter supply of qualified drivers and an increase in the number of employees as well as higher cost of employee group medical benefits compared to 2019. In addition, 2020 included a \$12.3 million one-time COVID-19 related bonus paid to employee drivers and other key field personnel and \$3.4 million of additional stock compensation expense related to the acceleration of equity award vesting for executive employee retirements.

Depreciation and amortization expense increased 5.9% in 2020 primarily due to equipment purchases related to new DCS long-term customer contracts and the addition of specialized trailing equipment and scheduled turnover of tractors within our JBI segment. Fuel costs decreased 23.5% in 2020, compared with 2019, due primarily to a decrease in the price of fuel.

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Operating supplies and expenses increased 0.5% driven primarily by higher operating supplies and building maintenance costs in response to COVID-19, increased toll costs, and higher equipment maintenance costs, partially offset by reduced travel and entertainment expenses. General and administrative expenses decreased 6.4% from the comparable period in 2019, primarily due to decreased professional fees, lower advertising costs, lower driver hiring expenses and, decreased net loss from the sale or disposal of assets, partially offset by increased technology spend on the J.B. Hunt 360° platform and legacy system upgrades, higher bad debt expenses, and increased charitable contributions. Net loss from sale or disposal of assets was \$2.3 million in 2020, compared to a net loss of \$9.1 million in 2019. Insurance and claims expense decreased 21.0% in 2020 compared with 2019, primarily due to the absence of a \$20 million FMS claim settlement charge and \$17.4 million in reserve charges in 2019 for arbitration related legal fees, cost and interest claimed by BNSF, partially offset by an increase in accident severity in 2020.

Net interest expense decreased 8.5% in 2020, due primarily to lower effective interest rates on our debt. Income tax expense decreased 0.3% during the first nine months of 2020, compared with 2019 primarily due to decreased taxable earnings in the first nine months of 2020, partially offset by a higher effective income tax rate. The increase in our effective income tax rate was due to the impact of stock compensation accelerations for executive employee retirements in 2020 and the fact that the effective rate for 2019 was reduced by the favorable settlement of a state income tax audit. Our effective income tax rate was 24.9% for the nine months ended 2020, compared to 23.9% in 2019. Our annual tax rate for 2020 is expected to be between 24.0% and 24.5%. 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 \$911.0 million during the first nine months of 2020, compared with \$937.6 million for the same period 2019. Operating cash flows decreased due to the timing of general working capital activities and decreased earnings. Net cash used in investing activities totaled \$448.7 million in 2020, compared with \$684.9 million in 2019. The decrease resulted from a decrease in equipment purchases, net of proceeds from the sale of equipment, during the current period and from the fact that the Cory 1st Choice Home Delivery acquisition closed during first quarter 2019. Net cash used in financing activities was \$178.8 million in 2020, compared with \$185.1 million in 2019. This decrease resulted primarily from a decrease in treasury stock purchased in 2020 compared to the same period in 2019. Net cash used in financing activities for the first nine months of 2019 included the full retirement of our \$250 million of 2.40% senior notes that matured in March 2019, partially offset by our issuance of \$700 million of 3.875% senior notes due March 2026.

### **Debt and Liquidity Data**

	September 30, 2020	December 31, 2019	September 30, 2019
Working capital ratio	1.58	1.43	1.29
Total debt (millions)	\$ 1,303.4	\$ 1,295.7	\$ 1,293.3
Total debt to equity	0.52	0.57	0.59
Total debt as a percentage of total capital	34%	36%	37%

### **Liquidity**

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

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We believe our liquid assets, cash generated from operations, and revolving line of credit will provide sufficient funds for our operating and capital requirements for the foreseeable future. Should COVID-19 related economic conditions warrant, we believe we have sufficient credit resources available to meet our near-term operating and capital needs. At September 30, 2020, we had a cash balance of \$319 million and we had no outstanding balance on our revolving line of credit, which authorizes us to borrow up to \$750 million as well as request an increase in the total commitment by up to \$250 million.

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

We are continually evaluating the possible effects of current economic conditions and reasonable and supportable economic forecasts on operational cash flows, including the risks of declines in the overall freight market and our customers' liquidity and ability to pay. We are monitoring working capital on a daily basis and are in frequent communication with our customers, suppliers and service providers. Through September 30, 2020, operational cost reduction activities consisted primarily of canceling non-essential travel and hiring activities and the delay of other discretionary spending, which we will continue to do as necessary. A large portion of our cost structure is variable. Purchased transportation expense represents more than half of our total costs but is heavily tied to load volumes. Our second largest cost item is salaries and wages, the largest portion of which is driver pay, which includes a large variable component. Currently, we have made no adjustments to our costs that we consider more fixed in nature. However, we continue to monitor the environment and are prepared to adjust if necessary.

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

	Total	One Year Or Less	One to Three Years	Three to Five Years	After Five Years
Operating leases	\$ 139.5	\$ 46.3	\$ 57.7	\$ 19.2	\$ 16.3
Debt obligations	1,300.0	-	350.0	250.0	700.0
Interest payments on debt (1)	191.7	42.5	78.8	59.1	11.3
Commitments to acquire revenue equipment and facilities	604.1	222.5	381.6	-	-
Total	<u>\$ 2,235.3</u>	<u>\$ 311.3</u>	<u>\$ 868.1</u>	<u>\$ 328.3</u>	<u>\$ 727.6</u>

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

Our net capital expenditures were approximately \$449 million during the first nine months of 2020, compared with \$587 million for the same period 2019. Our net capital expenditures include net additions to revenue equipment and non-revenue producing assets that are necessary to contribute to and support the future growth of our various business segments. Capital expenditures in 2020 were primarily for tractors, intermodal containers and chassis, and other trailing equipment. We are currently committed to spend approximately \$604 million during the years 2020 to 2022. We have paused certain capital expenditures originally planned for 2020 that, considering the effects of the COVID-19 pandemic, are now viewed as non-essential in the near-term. Accordingly, we now expect to spend in the range of \$150 million to \$175 million for net capital expenditures during the remainder of 2020. Our ultimate capital expenditure levels could also be affected by manufacturer production slowdowns resulting from the COVID-19 pandemic. We will also continue to evaluate opportunities for business acquisitions within our markets following our established evaluation process which considers liquidity and funding requirements. The table above excludes \$60.7 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

We had no off-balance sheet arrangements, other than our net purchase commitments of \$604 million, as of September 30, 2020.

#### Risk Factors

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

- Our business is subject to general economic and business factors, any of which could have a material adverse effect on our results of operations. Economic trends and tightening of credit in financial markets could adversely affect our ability, and the ability of our suppliers, to obtain financing for operations and capital expenditures.
- Our business is significantly impacted by the effects of national or international health pandemics on customer operations, third-party suppliers and service providers, and on general economic conditions.
- We depend on third parties in the operation of our business.
- Rapid changes in fuel costs could impact our periodic financial results.
- Insurance and claims expenses could significantly reduce our earnings.

- We derive a significant portion of our revenue from a few major customers, the loss of one or more of which could have a material adverse effect on our business.
- We operate in a regulated industry, and increased direct and indirect costs of compliance with, or liability for violation of, existing or future regulations could have a material adverse effect on our business.
- Difficulty in attracting and retaining drivers, delivery personnel, and third-party carriers could affect our profitability and ability to grow.
- A determination that independent contractors are employees could expose us to various liabilities and additional costs.
- We may be subject to litigation claims that could result in significant expenditures.
- We rely significantly on our information technology systems, a disruption, failure or security breach of which could have a material adverse effect on our business.
- We operate in a competitive and highly fragmented industry. Numerous factors could impair our ability to maintain our current profitability and to compete with other carriers and private fleets.
- Extreme or unusual weather conditions can disrupt our operations, impact freight volumes, and increase our costs, all of which could have a material adverse effect on our business results.
- Our operations are subject to various environmental laws and regulations, including legislative and regulatory responses to climate change. Compliance with environmental requirements could result in significant expenditures and the violation of these regulations could result in substantial fines or penalties.
- Acquisitions or business combinations may disrupt or have a material adverse effect on our operations or earnings.

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

Our outstanding debt at September 30, 2020 includes our senior revolving line of credit and senior notes issuances. Our senior notes have fixed interest rates ranging from 3.30% to 3.85%. Our senior revolving line of credit has variable interest rates, which are based on the Prime Rate, the Federal Funds Rate, or LIBOR, depending upon the specific type of borrowing, plus any applicable margins. We currently have an interest rate swap agreement which effectively converts our \$350 million of 3.30% fixed rate senior notes due August 2022 to a variable rate, to allow us to maintain a desired mix of variable and fixed rate debt. The applicable interest rate under this agreement is based on LIBOR plus an established margin. Risk can be quantified by measuring the financial impact of a near-term adverse increase in short-term interest rates. Our earnings would be affected by changes in these short-term variable interest rates. At our current level of borrowing, a one percentage point increase in our applicable rate would reduce annual pretax earnings by \$3.5 million.

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

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

### ITEM 4. CONTROLS AND PROCEDURES

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

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

## Part II. Other Information

### ITEM 1. LEGAL PROCEEDINGS

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

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

## ITEM 1A. RISK FACTORS

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

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

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

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

Not applicable.

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## ITEM 5. OTHER INFORMATION

Not applicable.

## ITEM 6. EXHIBITS

Index to Exhibits

Exhibit Number	Exhibits
3.1	<a href="#">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)</a>
3.2	<a href="#">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)</a>
31.1	<a href="#">Rule 13a-14(a)/15d-14(a) Certification</a>

31.2	<a href="#">Rule 13a-14(a)/15d-14(a) Certification</a>
32.1	<a href="#">Section 1350 Certification</a>
32.2	<a href="#">Section 1350 Certification</a>
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL Document and include in Exhibit 101)

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized, in the city of Lowell, Arkansas, on the 29th day of October 2020.

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

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

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

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

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

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

Date: October 29, 2020

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

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

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

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

Date: October 29, 2020

/s/ John Kuhlow

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

**SECTION 1350 CERTIFICATION**

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

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

Date: October 29, 2020

/s/ John N. Roberts, III

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

**SECTION 1350 CERTIFICATION**

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

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

Date: October 29, 2020

/s/ John Kuhlow

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