

LOGISTICS REPORT

# J.B. Hunt Third-Quarter Profit Falls Short of Expectations

Freight operator reports flat volumes in key intermodal segment, rising rail transport costs



J.B. Hunt's truck-rail intermodal unit has struggled with lower volumes, although the company has managed to squeeze more money from each load. PHOTO: SERGIO FLORES/BLOOMBERG NEWS

*By Maria Armental*

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J.B. Hunt Transport Services Inc. reported roughly flat load volumes in its truck-rail intermodal business in the latest period, which still drove a better-than-expected 7% increase in overall revenue.

Profit for the September quarter missed Wall Street expectations, and company officials said they expected continued pressure on the money-losing integrated capacity solutions segment.

Shares of the company, a freight industry bellwether, fell almost 1.9% to \$109.49 in after-hours trading after closing Tuesday up 1.8% at \$111.60.

The intermodal segment accounts for more than half of Lowell, Ark.-based J.B. Hunt's revenue and operating profit. The unit has struggled with lower volumes, although the company has managed to squeeze more money from each load.

On Tuesday, company officials reported the segment's revenue rose 1.8% to \$1.24 billion in the September quarter, slightly below analysts' projections, reflecting roughly flat volume compared with the same period a year earlier and about a 2% increase in revenue per load.

The operator said it faced higher costs in buying freight rail service and higher costs to recruit and retain drivers.

Chief Financial Officer David Mee said during a conference call with analysts that freight volumes remain below 2018 levels.

Third-quarter profit rose to \$151.2 million, or \$1.40 a share, up from \$131.1 million, or \$1.19 a share, in the year-ago quarter. Operating revenue, including fuel surcharge revenue, rose to \$2.36 billion.

Analysts surveyed by FactSet expected about \$1.44 a share in profit and \$2.34 billion in revenue.

J.B. Hunt didn't update the status of a freight revenue dispute with BNSF Railway, its partner in the intermodal business. The matter is in arbitration, and J.B. Hunt has taken more than \$100 million in contingency charges.

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