HUNT J B TRANSPORT SERVICES INC
Form S-3/A
May 29, 2002

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As filed with the Securities and Exchange Commission on May 29, 2002

Registration No. 333-88016

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 2
to

Form S-3

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

J.B. Hunt Transport Services, Inc.

(Exact name of registrant as specified in charter)

Arkansas	**71-0335111**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

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615 J.B. Hunt Corporate Drive
Lowell, Arkansas 72745
479-820-0000
(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Kirk Thompson, President
J.B. Hunt Transport Services, Inc.
615 J.B. Hunt Corporate Drive
Lowell, Arkansas 72745
479-820-0000
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

C. Douglas Buford, Jr.	**Thomas E. Constance**
Charles C. Price	**Thomas E. Molner**
Wright, Lindsey & Jennings LLP	**Kramer Levin Naftalis & Frankel LLP**
200 West Capitol Avenue, Suite 2200	**919 Third Avenue**
Little Rock, Arkansas 72201	**New York, New York 10022-3852**
501-371-0808	**212-715-9100**

Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, check the following box. o

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plan, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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SUBJECT TO COMPLETION, DATED MAY 29, 2002

PROSPECTUS

5,100,000 Shares

Common Stock

We are selling 2,000,000 shares of our common stock, and the selling shareholder identified in this prospectus is selling an additional 3,100,000 shares of our common stock. We will not receive any proceeds from the sale of shares by the selling stockholder.

Our common stock is traded on the Nasdaq National Market under the symbol JBHT. On May 28, 2002, the last reported sale price for our common stock was $26.30 per share.

See Risk Factors beginning on page 7 for certain risks that you should consider before buying shares of our common stock.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	$	$
Underwriting discounts and commissions	$	$
Proceeds, before expenses, to the company	$	$
Proceeds, before expenses, to the selling stockholder	$	$

The underwriters may, under certain circumstances, purchase up to an additional 765,000 shares of common stock from the Company at the public offering price less the underwriting discount.

The underwriters are severally underwriting the shares being offered. The underwriters expect to deliver the shares against payment in New York, New York, on or before , 2002.

Bear, Stearns & Co. Inc. **Credit Suisse First Boston** **Deutsche Bank Securities**

JPMorgan

BB&T Capital Markets

Stephens Inc.

The date of this prospectus is , 2002.

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PROSPECTUS SUMMARY

This summary highlights certain information contained elsewhere in this prospectus. This summary is not complete and does not contain all of the information that you should consider before investing in our common stock. You should read the entire prospectus carefully, especially the risks of investing in our common stock discussed under Risk Factors. The terms Company, we or us refer to J.B. Hunt Transport Services, Inc., and its subsidiaries unless the context otherwise requires.

Unless otherwise stated in this prospectus, we have assumed throughout this prospectus that the underwriters over-allotment option is not exercised.

The Company

We are one of the largest full-load transportation logistics companies in North America. We operate in three distinct, yet complementary, business segments, providing a wide range of tailored solutions to a diverse group of customers. Our three business segments are: Truck, the movement of freight by dry van truckload; Intermodal, the movement of freight by container or trailer using two or more modes of transportation; and Dedicated Contract Services (DCS), the design, development, and execution of supply chain solutions for customers. We believe that this wide range of services gives us a competitive advantage and provides significant cross-selling opportunities with large shippers that seek to use a limited number of core carriers. In 2001, all of our ten largest customers utilized at least two of our three service offerings, and nine of them used all three. For the fiscal year ended December 31, 2001, our revenues totaled $2.1 billion of which $829 million or 39% was attributed to our Truck business segment, $741 million or 35% to our Intermodal business segment, and $549 million or 26% to our DCS business segment.

In recent years, we have taken significant steps to re-establish a primary focus on the profitability of our core business segments. The benefits of these initiatives, which are summarized below, are beginning to become apparent in our operating results. The most significant of these are:

- Focusing on our core businesses by separating our Truck and Intermodal segments, which had previously operated as a single segment, and selling or discontinuing seven non-core businesses;
- Improving and standardizing our equipment fleet to provide additional operating flexibility and to address driver preference;
- Stabilizing our driver pool and enhancing our ability to attract experienced drivers; and
- Implementing our yield management program using proprietary technologies to deploy our assets where we believe they can optimize profitability.

As a result of these and other initiatives, we improved our operating ratio for the first quarter of 2002 compared to the first quarter of 2001 and for the fiscal year 2001 compared to the fiscal year 2000 by 1.0% and 0.5%, respectively. We believe that there are significant opportunities to continue to improve our margins, particularly in our Truck and DCS segments.

Operating Strategy

We seek to add value to each customer s supply chain by providing superior service at competitive rates while reducing our customers costs through network density, modal conversion, and dedicated fleets. We believe that our operating strategy can add value to customers and increase our profits and returns to shareholders. The key elements of our operating strategy are:

- *Focus on yield management.* In each business segment, we have implemented a yield management driven decision-making process that directs us to deploy our assets where we believe they can generate optimal profitability. In our Truck segment, we continually seek to replace less profitable freight with more profitable lanes and loads. This involves an increased focus on service-sensitive customers in short-to-medium haul traffic lanes where margins are higher and seasonal demand fluctuations are less volatile. We seek additional freight density in our Intermodal lanes where we believe our service is superior to our competitors and where our margins are attractive. We intend to continue to grow our DCS business with customers in selected industries that we believe have freight characteristics that provide an acceptable level of profitability.

Offer diversified, complementary services. We are one of three major full-load transportation logistics companies to offer truckload, intermodal, and dedicated contract services. We believe our diversified service offering adds value for our customers and provides us with significant cross-selling opportunities.

Leverage our broad geographic scope and high network density. We believe that the large scale and broad geographic scope of our operations allow us to meet our customers shipping requirements better than smaller or more limited truckload carriers. Although a large number of carriers may provide competition on a regional basis, only a limited number of carriers can compete in all of our geographic markets. In addition, our high network density allows us to fill backhaul routes, thereby reducing empty miles and increasing asset utilization.

Provide safe, superior service. We pride ourselves on our record of quality service and safety. Our on-time service for 2001 was 97% for our Truck segment, 93% for our Intermodal segment, and over 99% for our DCS segment. We ranked second in terms of safety in a recent DOT peer group comparison including 22 of our largest competitors.

Utilize leading edge systems and technology. We believe we have the most advanced technological systems in the truckload industry. Our proprietary systems enable us to better manage our assets, improve profitability, and enhance customer service.

Company Information

We were incorporated in Arkansas in 1961. Our principal executive offices are located at 615 J.B. Hunt Corporate Drive, Lowell, Arkansas 72745, and our telephone number is (479) 820-0000. Our website address is *http://www.jbhunt.com.* Information contained on our website is not incorporated by reference into this prospectus, and you should not consider information on our website as part of this prospectus.

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The Offering

We are offering for sale 2,000,000 shares, par value $0.01 per share, of our common stock. The selling stockholder is offering for sale a total of 3,100,000 shares of our common stock.

Common stock offered by us	2,000,000 shares
Common stock offered by the selling stockholder	3,100,000 shares
Common stock outstanding after the offering(1)	38,365,045 shares
Use of proceeds	We intend to use the net proceeds from this offering to repay indebtedness and to fund capital expenditures. We will not receive any proceeds from the sale of shares by the selling stockholder.
Nasdaq National Market symbol	JBHT

(1) The number of shares to be outstanding after this offering is based on 36,365,045 shares of our common stock outstanding as of March 31, 2002, before giving effect to this offering. The number excludes approximately 1.3 million shares of our common stock available for issuance under our Management Incentive Plan. In addition, approximately 345,000 shares of common stock were issuable upon exercise of outstanding stock options as of March 31, 2002, with a weighted average exercise price of $16.95 per share.

Risk Factors

For a description of certain risks that you should consider before buying shares of our common stock, see Risk Factors.

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Summary Historical Financial and Operating Data

The following summary financial data of the Company as of and for the years ended December 31, 1999, 2000, and 2001, under the captions Statement of Operations Data, Other Financial Data, Balance Sheet Data and Financial Data by Operating Segment are derived from our consolidated financial statements and the footnotes thereto. These financial statements have been audited by KPMG LLP. The summary financial data as of and for the periods ended March 31, 2001 and 2002 have been derived from our unaudited interim financial statements. The unaudited financial statements include all adjustments, consisting of normal recurring accruals, which we consider necessary for a fair presentation of our financial position and the results of operation for these periods. This data should be read in conjunction with the financial statements, related notes, and other financial information included or incorporated by reference in this prospectus.

	Year Ended December 31,			Three Months Ended March 31,	
	1999	2000	2001	2001	2002
				(unaudited)	
	(in millions, except per share data and percentages)				
Statement of Operations Data:					
Operating revenue	$2,045.1	$2,160.4	$2,100.3	$495.4	$510.2
Operating expenses	1,970.8	2,097.0	2,028.1	487.1	496.6
Operating income	74.3	63.4	72.2	8.4	13.6
Interest expense	(28.3)	(25.7)	(27.0)	(6.3)	(6.8)
Equity in earnings (loss) of associated companies(1)	3.1	4.8	(2.1)	0.2	(0.5)
Earnings before income taxes	49.1	42.4	43.1	2.3	6.3
Net earnings	$ 31.9	$ 36.1	$ 32.9	$ 1.6	$ 4.9
Basic earnings per share	$ 0.90	$ 1.02	$ 0.93	$ 0.05	$ 0.13
Diluted earnings per share	$ 0.89	$ 1.02	$ 0.91	$ 0.05	$ 0.13
Weighted average common shares outstanding	35.6	35.3	35.6	35.3	36.3
Weighted average diluted shares outstanding	35.8	35.4	36.2	35.7	37.3
Other Financial Data:					
Operating ratio(2)	96.4%	97.1%	96.6%	98.3%	97.3%
EBITDA(3)	$ 223.3	$ 197.8	$ 215.0	$ 43.9	$ 49.6
Capital expenditures, net(4)	$ 10.3	$ 99.3	$ 27.8	$ (25.2)	$ 40.9

	March 31, 2002	
	Actual	As Adjusted(5)
	(unaudited)	
Balance Sheet Data:		
Current assets	$ 329.5	$ 358.2
Total assets	1,220.6	1,249.3
Current liabilities	228.6	205.6
Total debt and capitalized leases	408.3	385.3
Stockholders equity	472.5	524.2

(1)

Includes our share of the financial results of: (i) Transplace, Inc. (TPC) beginning in July, 2000, and (ii) our former Mexican joint venture for all periods presented. In July 2000, we contributed our logistics business to TPC in exchange for a 27% ownership interest in TPC. During the first quarter of 2002, we closed the sale of our Mexican joint venture to the majority owner.

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(2) Operating expenses, as a percentage of revenue.

(3) We define EBITDA as operating income plus depreciation and amortization. We have included EBITDA because it is commonly used as a measurement of financial performance by investors to analyze and compare companies on the basis of operating performance. EBITDA is not a measurement of financial performance under generally accepted accounting principles (GAAP) and should not be considered an alternative either to operating income, as an indicator of our operating performance, or to cash flows from operating activities, as a measurement of our liquidity, each as determined in accordance with GAAP.

(4) Capital expenditures less proceeds from sales of revenue equipment.

(5) As adjusted to give effect to our receipt of the estimated net proceeds from our sale of 2,000,000 shares of common stock in this offering at an assumed public offering price of $27.33 per share.

Financial Data by Operating Segment:

	Year Ended December 31,		Three Months Ended March 31,	
	2000	**2001**	**2001**	**2002**
	(in millions)			
Operating Revenue:				
Truck	$ 833.8	$ 828.6	$204.7	$187.7
Intermodal	681.1	740.5	167.9	185.5
DCS	478.6	548.7	127.8	142.9
Logistics(1)	230.0		0.1	
Other		0.6		
Subtotal	2,223.5	2,118.4	500.5	516.1
Inter-segment eliminations	(63.1)	(18.1)	(5.0)	(5.9)
Total	$2,160.4	$2,100.3	$495.4	$510.2
Operating Income (Loss):				
Truck	$ (7.1)	$ 8.7	$ (3.2)	$ (2.2)
Intermodal	36.7	42.1	7.3	10.5
DCS	28.4	17.4	4.3	5.3
Logistics(1)	8.1			
Other	(2.7)	4.0		
Total	$ 63.4	$ 72.2	$ 8.4	$ 13.6

(1) As of December 31, 2000, TPC qualified as a reportable business segment for financial reporting purposes. However, the logistics segment information for 2001 shown above excludes TPC from its inception in July 2000. We account for TPC using the equity method, and it did not qualify as a reporting segment in 2001.

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Operating Statistics by Segment:

	Year Ended December 31,		Three Months Ended March 31,	
	2000	2001	2001	2002
Truck:				
Operating ratio	100.8%	98.9%	101.6%	101.2%
Total loads	915,783	946,672	229,872	229,297
Net revenue (excluding fuel surcharge) per tractor per week	$ 2,710	$ 2,600	$ 2,416	$ 2,477
Length of haul in miles	616	590	609	557
Net change in revenue per loaded mile (excluding fuel surcharge)	3.4%	3.2%	2.6%	3.3%
Average number of tractors during the period	5,767	5,964	6,089	5,880
Tractors at end of period:				
Company owned	5,851	5,382	5,942	5,487
Independent contractor	16	337	112	459
Total tractors	5,867	5,719	6,054	5,946
Trailers at end of period	18,121	20,948	18,756	20,786
Intermodal:				
Operating ratio	94.6%	94.3%	95.6%	94.3%
Total loads	425,729	446,569	104,872	110,770
Net change in revenue per loaded mile (excluding fuel surcharge)	0.2%	1.7%	0.1%	1.4%
Tractors at end of period	908	910	902	918
Containers at end of period	21,929	18,711	21,162	18,808
DCS:				
Operating ratio	94.1%	96.8%	96.6%	96.3%
Net revenue (excluding fuel surcharge) per tractor per week	2,605	2,500	2,460	2,580
Average number of tractors during the period	3,511	4,235	3,919	4,418
Tractors at end of period	3,890	4,478	4,020	4,365
Trailers at end of period	4,257	4,631	4,357	4,615

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RISK FACTORS

Any investment in our common stock involves significant risks. You should carefully consider the following information about such risks, together with all of the other information contained in or incorporated into this prospectus, before buying shares of our common stock.

Our business is subject to general economic and business factors that are largely out of our control, any of which could have a materially adverse effect on our results of operations.

Our business is dependent upon a number of factors that may have a materially adverse effect on the results of our operations, many of which are beyond our control. These factors include significant increases or rapid fluctuations in fuel prices, excess capacity in the trucking industry, surpluses in the market for used equipment, interest rates, fuel taxes, license and registration fees, insurance premiums, self-insurance levels, and difficulty in attracting and retaining qualified drivers and independent contractors.

We are also affected by recessionary economic cycles and downturns in customers business cycles, particularly in market segments and industries, such as retail and manufacturing, where we have a significant concentration of customers. Economic conditions may adversely affect our customers and their ability to pay for our services. It is not possible to predict the medium or long-term effects of the September 11, 2001, terrorist attacks and subsequent events on the economy or on customer confidence in the United States, or the impact, if any, on our future results of operations. Customers encountering adverse economic conditions represent a greater potential for loss, and we may be required to increase our reserve for bad-debt losses. In addition, our results of operations may be affected by seasonal factors. Customers tend to reduce shipments after the winter holiday season, and our operating expenses tend to be higher in the winter months primarily due to colder weather, which causes higher fuel consumption from increased idle time and higher maintenance costs.

We operate in a highly competitive and fragmented industry. Numerous factors could impair our ability to maintain our current profitability and to compete with other carriers.

These factors include:

- We compete with many other truckload carriers of varying sizes and, to a lesser extent, with less-than-truckload carriers and railroads, some of which have more equipment and greater capital resources than we do.

- Many of our competitors periodically reduce their freight rates to gain business, especially during times of reduced growth rates in the economy, which may limit our ability to maintain or increase freight rates or maintain our profit margins.

- Many customers reduce the number of carriers they use by selecting so-called core carriers as approved transportation service providers, and in some instances we may not be selected.

- Many customers periodically accept bids from multiple carriers for their shipping needs, and this process may depress freight rates or result in the loss of some business to competitors.

- The trend toward consolidation in the trucking industry may create other large carriers with greater financial resources and other competitive advantages relating to their size.

- Advances in technology require increased investments to remain competitive, and our customers may not be willing to accept higher freight rates to cover the cost of these investments.

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.

For the fiscal year ended December 31, 2001, our top ten customers, based on revenue, accounted for approximately 46% of our revenue. Our largest customer is Wal-Mart Stores, Inc., which accounted for approximately 16% of our total revenue in 2001. Generally, we do not have long-term contracts with our

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customers, and we cannot assure you that our current customers will continue to utilize our services or that they will continue at the same levels. A reduction in or termination of our services by one or more of our major customers could have a materially adverse effect on our business and operating results.

We depend on third parties in the operation of our business.

Our Intermodal business segment utilizes railroads in the performance of its transportation services. These services are provided pursuant to contractual relationships with the railroads. While we have agreements with various Class I railroads, the majority of our business travels on the Burlington Northern Santa Fe Railway and the Norfolk Southern Railroad. The inability to utilize one or more of these railroads could have a material adverse effect on our business and operating results. In addition, a portion of the freight we deliver is imported to the United States through ports of call that are subject to labor union contracts. On July 1, 2002, the contract between the