

Saia Inc.

# Mid-1Q Update; Feb tons, shipments/day accel post-soft Jan (above tgt): PO to \$645

Reiterate Rating: BUY | PO: 645.00 USD | Price: 584.01 USD

## 1Q-to-date tons/day above target

Saia provided an interim 1Q24 update with January and February to-date volumes ahead of our estimates. February tons/day were up +11% year-year, accelerating from +3.3% in January after 6-7 days of weather-related disruption, to average +7.2% quarter-to-date. The Jan-Feb combo is above our prior +5.9% (now 7.5%). February LTL shipments/day were up 19%, accelerating from +11.8% in January, to average +15.4% for 1Q-to-date. We increase our 1Q shipments/day target to +16.4% (from 16%). February weight/shipment was down 6.7% year-year, moderating slightly from -7.5% in January, to average -7.1% for 1Q-to-date. We adjust our 1Q target to -7.6% from -8.6%. Saia targets 1Q operating ratio to improve 60-75 bps (we target 70 bps) as higher pricing works to offset the impact of 6-7 days of service disruption in January. Saia targets a 100-200 bps operating ratio improvement in 2024 (vs our 190 bps (from 180 bps), to 82.1%). We believe service improvement will enhance price potential and cost leverage as Saia increases density on its network. Saia noted 25 terminals or ~13% of its 195 year-end 2023 service centers were running at a 92%-93% operating ratio, highlighting room for margin expansion.

## More peer updates this week; Price/service in focus

We expect LTL peers XPO, Old Dominion (ODFL), and ArcBest (ARCB) to post 1Q-to-date updates this week, with the latter two also providing mid-quarter yield updates. As noted in our [LTL 4Q23 Wrap-Up](#), LTL share has been redistributed to price/service focused operators in the seven months since Yellow's bankruptcy, and pricing momentum remains strong. Carriers including Saia and XPO have taken clear strides to accelerate capacity expansion and narrow the price/service/margin gap between it and best-in-class peer Old Dominion. In 4Q23, Saia (SAIA) pulled forward '24 rate renewals, as it repriced 50% more contracts yr-yr in 4Q23 (launched GRI in Dec), at +8.7% higher on average (accelerating from 5.6% in 3Q23). XPO (XPO) made similar gains as it benefited from contract rate increases of 9.0% (in line with 3Q23), given a rapid influx of demand, a level it expects to accelerate in 1Q24 (launched Jan GRI).

## Reiterate Buy, PO to \$645

We reiterate our Buy rating and increase our PO to \$645 (from \$600) based on 39.0x our 2024e revised EPS (from 37x) as we see its accelerating pricing offsetting near-term costs to grow network capacity. We believe Saia's move to scale its network will support its structural runway to improve service, grow volumes, increase pricing, and expand margins. We raise 2024/2025 EPS ests 2% each, to \$16.50/\$20.00, from \$16.20/\$19.70.

| Estimates (Dec) (US\$)    | 2022A | 2023A | 2024E | 2025E | 2026E |
|---------------------------|-------|-------|-------|-------|-------|
| EPS                       | 13.40 | 13.27 | 16.50 | 20.00 | 24.10 |
| EPS Change (YoY)          | 41.4% | -1.0% | 24.3% | 21.2% | 20.5% |
| Consensus EPS (Bloomberg) |       |       | 16.21 | 19.79 | 21.14 |
| DPS                       | 0     | 0     | 0     | 0     | 0     |
| Valuation (Dec)           |       |       |       |       |       |
| P/E                       | 43.6x | 44.0x | 35.4x | 29.2x | 24.2x |
| EV / EBITDA*              | 25.8x | 25.4x | 20.4x | 17.0x | 14.6x |
| Free Cash Flow Yield*     | 0.7%  | 0.9%  | -1.8% | 2.2%  | 2.7%  |

\* For full definitions of *IQmethod™* measures, see page 5.

04 March 2024

### Equity

#### Key Changes

| (US\$)        | Previous | Current |
|---------------|----------|---------|
| Price Obj.    | 600.00   | 645.00  |
| 2024E Rev (m) | 3,254.2  | 3,291.1 |
| 2025E Rev (m) | 3,614.4  | 3,653.6 |
| 2026E Rev (m) | 3,963.3  | 4,006.2 |
| 2024E EPS     | 16.20    | 16.50   |
| 2025E EPS     | 19.70    | 20.00   |
| 2026E EPS     | 23.75    | 24.10   |

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### Stock Data

|                                 |                         |
|---------------------------------|-------------------------|
| Price                           | 584.01 USD              |
| Price Objective                 | 645.00 USD              |
| Date Established                | 4-Mar-2024              |
| Investment Opinion              | B-1-9                   |
| 52-Week Range                   | 244.69 USD - 595.68 USD |
| Mrkt Val (mn) / Shares Out (mn) | 15,588 USD / 26.7       |
| Free Float                      | 99.8%                   |
| Average Daily Value (mn)        | 186.52 USD              |
| BofA Ticker / Exchange          | SAIA / NAS              |
| Bloomberg / Reuters             | SAIA US / SAIA.OQ       |
| ROE (2024E)                     | 20.4%                   |
| Net Dbt to Eqty (Dec-2023A)     | -14.4%                  |
| ESGMeter™                       | Medium                  |

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to ["BofA ESGMeter Methodology"](#).

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Timestamp: 04 March 2024 08:05PM EST

# iQprofile<sup>SM</sup> Saia Inc.

## iQmethod<sup>SM</sup> – Bus Performance\*

| (US\$ Millions)            | 2022A | 2023A | 2024E | 2025E | 2026E |
|----------------------------|-------|-------|-------|-------|-------|
| Return on Capital Employed | 20.8% | 16.7% | 16.7% | 15.6% | 14.7% |
| Return on Equity           | 25.5% | 20.2% | 20.4% | 20.2% | 19.9% |
| Operating Margin           | 16.9% | 16.0% | 17.9% | 19.8% | 21.6% |
| Free Cash Flow             | 106   | 138   | (277) | 341   | 425   |

## iQmethod<sup>SM</sup> – Quality of Earnings\*

| (US\$ Millions)          | 2022A | 2023A  | 2024E | 2025E | 2026E  |
|--------------------------|-------|--------|-------|-------|--------|
| Cash Realization Ratio   | 1.3x  | 1.6x   | 1.7x  | 1.6x  | 1.6x   |
| Asset Replacement Ratio  | 2.3x  | 2.5x   | 5.0x  | 2.3x  | 2.4x   |
| Tax Rate                 | 23.6% | 23.9%  | 24.5% | 24.5% | 24.5%  |
| Net Debt-to-Equity Ratio | -9.9% | -14.4% | 9.4%  | -4.2% | -15.6% |
| Interest Cover           | NM    | NM     | NM    | NM    | NM     |

## Income Statement Data (Dec)

| (US\$ Millions)              | 2022A        | 2023A        | 2024E        | 2025E        | 2026E        |
|------------------------------|--------------|--------------|--------------|--------------|--------------|
| Sales                        | 2,792        | 2,881        | 3,291        | 3,654        | 4,006        |
| % Change                     | 22.0%        | 3.2%         | 14.2%        | 11.0%        | 9.7%         |
| Gross Profit                 | 2,792        | 2,881        | 3,291        | 3,654        | 4,006        |
| % Change                     | 22.0%        | 3.2%         | 14.2%        | 11.0%        | 9.7%         |
| EBITDA                       | 628          | 639          | 795          | 952          | 1,110        |
| % Change                     | 31.6%        | 1.9%         | 24.4%        | 19.7%        | 16.6%        |
| Net Interest & Other Income  | (2)          | 6            | (4)          | (12)         | (11)         |
| <b>Net Income (Adjusted)</b> | <b>357</b>   | <b>355</b>   | <b>442</b>   | <b>536</b>   | <b>645</b>   |
| <b>% Change</b>              | <b>41.1%</b> | <b>-0.7%</b> | <b>24.5%</b> | <b>21.2%</b> | <b>20.5%</b> |

## Free Cash Flow Data (Dec)

| (US\$ Millions)                        | 2022A       | 2023A        | 2024E       | 2025E      | 2026E        |
|--|-------------|--------------|-------------|------------|--------------|
| Net Income from Cont Operations (GAAP) | 357         | 355          | 442         | 536        | 645          |
| Depreciation & Amortization            | 157         | 179          | 206         | 230        | 244          |
| Change in Working Capital              | (72)        | 22           | 45          | 53         | 53           |
| Deferred Taxation Charge               | NA          | NA           | NA          | NA         | NA           |
| Other Adjustments, Net                 | 31          | 23           | 50          | 61         | 73           |
| Capital Expenditure                    | (367)       | (440)        | (1,019)     | (539)      | (591)        |
| <b>Free Cash Flow</b>                  | <b>106</b>  | <b>138</b>   | <b>-277</b> | <b>341</b> | <b>425</b>   |
| <b>% Change</b>                        | <b>9.0%</b> | <b>30.8%</b> | <b>NM</b>   | <b>NM</b>  | <b>24.7%</b> |
| Share / Issue Repurchase               | (7)         | (4)          | 0           | 0          | 0            |
| Cost of Dividends Paid                 | 0           | 0            | 0           | 0          | 0            |
| Change in Debt                         | 0           | 0            | 250         | (15)       | (25)         |

## Balance Sheet Data (Dec)

| (US\$ Millions)                       | 2022A        | 2023A        | 2024E        | 2025E        | 2026E        |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Cash & Equivalents                    | 187          | 296          | 41           | 375          | 783          |
| Trade Receivables                     | 290          | 312          | 342          | 379          | 415          |
| Other Current Assets                  | 53           | 41           | 41           | 41           | 41           |
| Property, Plant & Equipment           | 1,483        | 1,763        | 2,778        | 3,312        | 3,899        |
| Other Non-Current Assets              | 161          | 172          | 172          | 172          | 172          |
| <b>Total Assets</b>                   | <b>2,175</b> | <b>2,584</b> | <b>3,374</b> | <b>4,279</b> | <b>5,309</b> |
| Short-Term Debt                       | 15           | 10           | 10           | 10           | 10           |
| Other Current Liabilities             | 260          | 312          | 326          | 342          | 359          |
| Long-Term Debt                        | 16           | 6            | 256          | 241          | 216          |
| Other Non-Current Liabilities         | 302          | 314          | 398          | 766          | 1,159        |
| <b>Total Liabilities</b>              | <b>592</b>   | <b>642</b>   | <b>991</b>   | <b>1,359</b> | <b>1,745</b> |
| <b>Total Equity</b>                   | <b>1,579</b> | <b>1,941</b> | <b>2,383</b> | <b>2,919</b> | <b>3,565</b> |
| <b>Total Equity &amp; Liabilities</b> | <b>2,172</b> | <b>2,584</b> | <b>3,374</b> | <b>4,279</b> | <b>5,309</b> |

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 5.

## Company Sector

Road Transport/Trucking

## Company Description

Saia is among the top 10 largest less-than-truckload (LTL) carriers in the United States. It has a network of approximately 192 service centers. The company was founded in 1924 and is based in Johns Creek, Georgia.

## Investment Rationale

Saia is one of the best operators in the less-than-truckload (LTL) segment of the trucking industry. The company has increased revenue and EPS at rates above the industry average, and has potential to continue to grow through market share gains and margin improvement. Saia's service levels should enable it to leverage operations and expand margins. Earnings should accelerate as it turns volume growth into strong incremental contributions.

## Stock Data

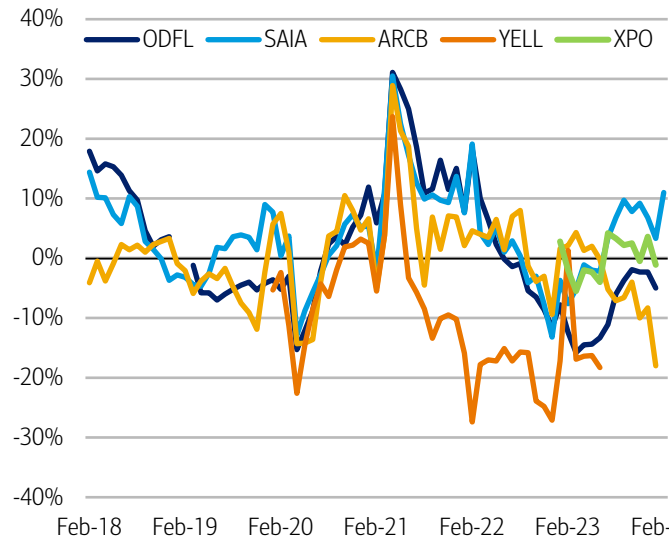
Average Daily Volume 319,380

## Quarterly Earnings Estimates

|    | 2023  | 2024  |
|----|-------|-------|
| Q1 | 2.85A | 3.45E |
| Q2 | 3.42A | 4.38E |
| Q3 | 3.67A | 4.71E |
| Q4 | 3.33A | 3.95E |

**Exhibit 1: Less-than-Truckload Tons/Day (Y-Y%)**

SAIA Feb tons/day was up 11% year-year, accelerating from +3.3% in Jan



Source: BofA Global Research estimates, company reports

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**Exhibit 2: Less-than-Truckload Tons/Day Y-Y%**

SAIA Mid 1Q-to-date tons/day up 7.2% year-year on average, above our prior +5.9% target (now +7.5%)

| Date   | ODFL   | YELL   | ARCB   | SAIA  | XPO   |
|--------|--------|--------|--------|-------|-------|
| Feb-23 | -12.4% | 1.3%   | 2.1%   | -7.6% | -2.0% |
| Mar-23 | -15.8% | -16.9% | 4.3%   | -5.2% | -5.5% |
| Apr-23 | -14.5% | -16.4% | 1.3%   | -1.1% | -2.0% |
| May-23 | -14.4% | -16.3% | 2.0%   | -2.0% | -2.3% |
| Jun-23 | -13.3% | -18.3% | -0.2%  | -2.2% | -4.0% |
| Jul-23 | -11.1% |        | -5.2%  | 3.4%  | 4.2%  |
| Aug-23 | -6.0%  |        | -7.1%  | 6.8%  | 3.3%  |
| Sep-23 | -3.7%  |        | -6.6%  | 9.7%  | 2.2%  |
| Oct-23 | -1.9%  |        | -4.0%  | 7.8%  | 2.5%  |
| Nov-23 | -2.3%  |        | -10.0% | 9.2%  | -0.5% |
| Dec-23 | -2.3%  |        | -8.3%  | 6.8%  | 3.6%  |
| Jan-24 | -5.0%  |        | -18.0% | 3.3%  | -1.1% |
| Feb-24 |        |        |        | 11.0% |       |

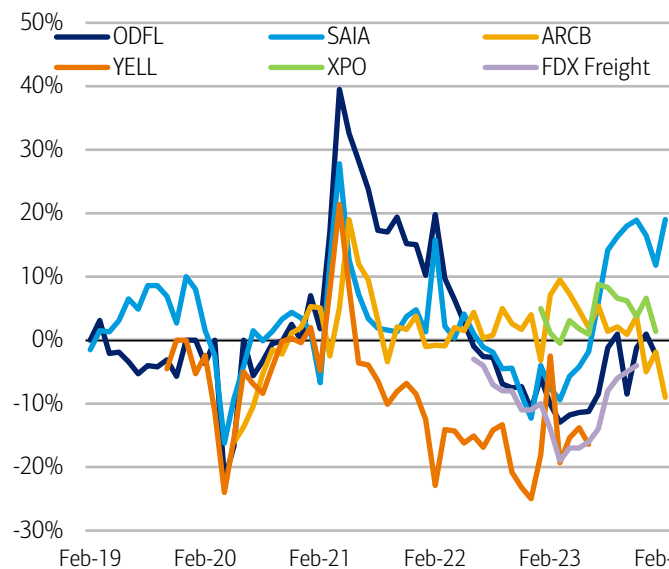
No data provided (BofA quarterly average)

Source: BofA Global Research estimates, company reports

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**Exhibit 3: Less-than-Truckload Shipments/Day (Y-Y%)**

SAIA Feb shipments/days was up 19% year-year, accelerating from +11.8% in Jan.



Source: BofA Global Research estimates, company reports

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**Exhibit 4: Less-than-Truckload Shipments/Day Y-Y%**

SAIA Mid-1Q-to-date shipments day up 15.4% on average, above our prior +14.4% Avg Jan-Feb target; we now target +16.4% in 1Q (from +16%)

| Date   | ODFL   | YELL   | ARCB  | SAIA  | XPO   | FDX    |
|--------|--------|--------|-------|-------|-------|--------|
| Feb-23 | -10.1% | -2.5%  | 9.5%  | -7.6% | 1.1%  | -14.0% |
| Mar-23 | -12.9% | -19.3% | 7.3%  | -9.4% | -0.5% | -19.0% |
| Apr-23 | -11.8% | -15.4% | 4.7%  | -5.7% | 3.1%  | -17.0% |
| May-23 | -11.4% | -13.8% | 2.0%  | -4.2% | 1.8%  | -17.0% |
| Jun-23 | -11.2% | -16.4% | 5.4%  | -1.8% | 0.9%  | -16.0% |
| Jul-23 | -8.5%  |        | 1.4%  | 6.0%  | 8.8%  | -14.0% |
| Aug-23 | -1.2%  |        | 2.1%  | 14.2% | 8.3%  | -8.0%  |
| Sep-23 | 1.0%   |        | 0.9%  | 16.3% | 6.6%  | -6.0%  |
| Oct-23 | -8.5%  |        | 3.7%  | 18.0% | 6.2%  | -5.0%  |
| Nov-23 | -1.2%  |        | -5.0% | 18.9% | 3.7%  | -4.0%  |
| Dec-23 | 1.0%   |        | -1.9% | 16.5% | 6.6%  |        |
| Jan-24 | -2.3%  |        | -9.0% | 11.8% | 1.4%  |        |
| Feb-24 |        |        |       | 19.0% |       |        |

No data provided (BofA quarterly average)

Source: BofA Global Research estimates, company reports

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## Price objective basis & risk

### Saia Inc. (SAIA)

Our \$645 price objective is based on a 39x target multiple on our 2024 EPS estimate. Our target remains above its 14x-23x one-standard deviation 10-year trading range as it continues to benefit from ramping EPS. Our target multiple is above the top end given its leading service, ability to win share, and disruption in the LTL market which can aid premiere carriers, which should more than offset a soft freight environment.

Downside risks to our PO are weak freight demand and slow or negative industrial production growth. Our price objective is also threatened by increasing competition, which could limit Saia's ability to grow volume and increase market share, while also negatively impacting freight rates and pressuring profit margins. The less-than-truckload industry is competitive, with a large number of national and regional companies vying for business.

## Analyst Certification

I, Ken Hoexter, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

### US - Transportation Coverage Cluster

| Investment rating   | Company                                  | BofA Ticker | Bloomberg symbol | Analyst     |
|---------------------|--|-------------|------------------|-------------|
| <b>BUY</b>          |  |             |                  |             |
|                     | Canadian Pacific Kansas City Ltd         | CP          | CP US            | Ken Hoexter |
|                     | CSX Corporation                          | CSX         | CSX US           | Ken Hoexter |
|                     | FedEx Corp.                              | FDX         | FDX US           | Ken Hoexter |
|                     | J.B. Hunt Transport Services             | JBHT        | JBHT US          | Ken Hoexter |
|                     | Kirby Corp                               | KEX         | KEX US           | Ken Hoexter |
|                     | Knight-Swift Transportation Holdings Inc | KNX         | KNX US           | Ken Hoexter |
|                     | Old Dominion Freight Line                | ODFL        | ODFL US          | Ken Hoexter |
|                     | Saia Inc.                                | SAIA        | SAIA US          | Ken Hoexter |
|                     | Teekay Tankers Limited                   | TNK         | TNK US           | Ken Hoexter |
|                     | Union Pacific                            | UNP         | UNP US           | Ken Hoexter |
|                     | Wabtec Corp.                             | WAB         | WAB US           | Ken Hoexter |
|                     | XPO, Inc.                                | XPO         | XPO US           | Ken Hoexter |
| <b>NEUTRAL</b>      |  |             |                  |             |
|                     | Canadian National                        | CNI         | CNI US           | Ken Hoexter |
|                     | RXO, Inc.                                | RXO         | RXO US           | Ken Hoexter |
|                     | Schneider National                       | SNDR        | SNDR US          | Ken Hoexter |
|                     | Scorpio Tankers Inc.                     | STNG        | STNG US          | Ken Hoexter |
|                     | TFI International                        | TFII        | TFII US          | Ken Hoexter |
|                     | TFI International                        | YTFII       | TFII CN          | Ken Hoexter |
|                     | UPS                                      | UPS         | UPS US           | Ken Hoexter |
| <b>UNDERPERFORM</b> |  |             |                  |             |
|                     | ArcBest Corporation                      | ARCB        | ARCB US          | Ken Hoexter |
|                     | C.H. Robinson                            | CHRW        | CHRW US          | Ken Hoexter |
|                     | The Greenbrier Companies                 | GBX         | GBX US           | Ken Hoexter |
|                     | Werner Enterprises                       | WERN        | WERN US          | Ken Hoexter |
|                     | World Kinect                             | WKC         | WKC US           | Ken Hoexter |
| <b>RSTR</b>         |  |             |                  |             |
|                     | Norfolk Southern                         | NSC         | NSC US           | Ken Hoexter |

## iQmethod<sup>SM</sup> Measures Definitions

### Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

### Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

### Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

### Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

### Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash &amp; Equivalents

EBIT

### Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

### Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

### Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

### Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

iQmethod<sup>SM</sup> is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

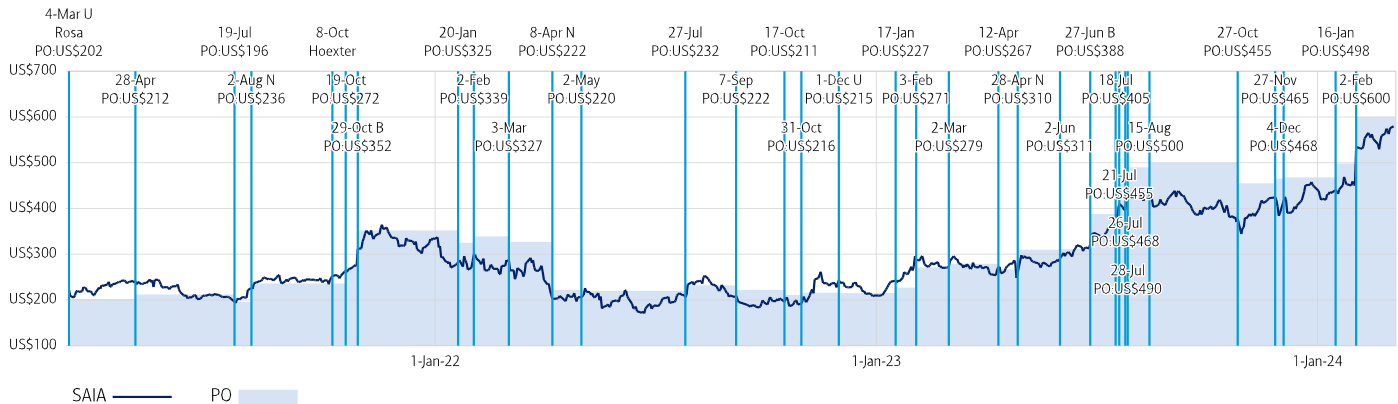
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# Disclosures

## Important Disclosures

### Saia Inc. (SAIA) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

### Equity Investment Rating Distribution: Transport/Infrastructure Group (as of 31 Dec 2023)

| Coverage Universe | Count | Percent | Inv. Banking Relationships <sup>R1</sup> | Count | Percent |
|-------------------|-------|---------|--|-------|---------|
| Buy               | 67    | 50.38%  | Buy                                      | 44    | 65.67%  |
| Hold              | 31    | 23.31%  | Hold                                     | 13    | 41.94%  |
| Sell              | 35    | 26.32%  | Sell                                     | 17    | 48.57%  |

### Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

| Coverage Universe | Count | Percent | Inv. Banking Relationships <sup>R1</sup> | Count | Percent |
|-------------------|-------|---------|--|-------|---------|
| Buy               | 1895  | 53.62%  | Buy                                      | 1083  | 57.15%  |
| Hold              | 832   | 23.54%  | Hold                                     | 454   | 54.57%  |
| Sell              | 807   | 22.84%  | Sell                                     | 383   | 47.46%  |

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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| Investment rating | Total return expectation (within 12-month period of date of initial rating) | Ratings dispersion guidelines for coverage cluster <sup>R2</sup> |
|-------------------|---|--|
| Buy               | ≥ 10%   | ≤ 70%  |
| Neutral           | ≥ 0%  | ≤ 30%  |
| Underperform      | N/A   | ≥ 20%  |

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