

## J.B. Hunt Transport Services

## Shelley Simpson in as CEO, replacing John Roberts (13-year run); expected move

Reiterate Rating: BUY | PO: 228.00 USD | Price: 205.20 USD

## Names Shelley Simpson as CEO, not a surprise

J.B. Hunt Transport Services (JBHT) named Shelley Simpson as CEO and President effective July 1, replacing current CEO John Roberts (CEO 2011-2024), who will assume the role of executive chair. The move was expected given JBHT's history of long-tenured executives and clear lines of succession and Shelley Simpson's (30 years with JBHT) diverse experience and increasing role within management over the past two decades. Mrs. Simpson, who will also become a member of the board, was named President in August 2022, EVP People & HR/Chief Commercial Officer in December 2020, EVP Chief Commercial Officer and Highway Services President in May 2017, President Truckload in 2014, EVP Chief Marketing Officer in 2011, and President Integrated Capacity Solutions (ICS) in 2007. Mr. Roberts will replace Executive Board Chair Kirk Thompson (retiring from the board), a title held for 13 years after serving as CEO for 24 years (1987-2010). Mr. Thompson previously replaced Wayne Garrison (also retiring from board) as Executive Board Chair in 2010, after Mr. Garrison served as CEO 1985-1987. During Mr. Roberts' CEO tenure, JBHT stock is up 403%, outperforming S&P's +303%, KNX's +222%, and WERN's +74%.

## Simpson's experience fits; coiled spring remains focus

Mrs. Simpson helped found ICS in 2007, which tripled its operating income from \$4 million in 2007 to \$13 million in 2011 over her tenure as President. This segment today houses J.B. Hunt 360, JBHT's digital freight marketplace, which provides transportation capacity with JBHT's 163,000 pieces of trailing equipment and nearly 1 million accessible third-party trucks. We remain focused on an upturn in Intermodal (49% of 2023 revenue, 56% of EBIT), as JBHT works through an elongated freight recession and aims to scale the business after posting its weakest intermodal operating margin in 21 years in 3Q23. Last week, JBHT signed an intermodal agreement with Walmart and acquired its intermodal container fleet (terms and amounts undisclosed), which we believe will be accretive toward JBHT's long-term target of 150,000 containers by 2027.

## Reiterate Buy and increase PO to \$228

We reiterate our Buy rating and increase our PO to \$228 (from \$216) on 28x our 2024e EPS (from 26.5x previously). We increase our target multiple further above JBHT's 16x-23x historical range as earnings rebound from 2023's trough and the business remains primed and leveraged to an upturn in the freight cycle.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	9.79	7.20	8.15	10.35	11.90
GAAP EPS	9.21	6.97	8.15	10.35	11.90
EPS Change (YoY)	37.1%	-26.5%	13.2%	27.0%	15.0%
Consensus EPS (Bloomberg)			7.79	9.57	10.68
DPS	1.60	1.68	1.72	1.80	1.88
Valuation (Dec)					
P/E	21.0x	28.5x	25.2x	19.8x	17.2x
GAAP P/E	22.3x	29.4x	25.2x	19.8x	17.2x
Dividend Yield	0.8%	0.8%	0.8%	0.9%	0.9%
EV / EBITDA*	11.3x	13.0x	11.7x	10.1x	9.2x
Free Cash Flow Yield*	1.1%	-0.5%	2.5%	1.2%	3.6%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 4.

29 February 2024

## Equity

## Key Changes

(US\$)	Previous	Current
Price Obj.	216.00	228.00

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## Stock Data

Price	205.20 USD
Price Objective	228.00 USD
Date Established	29-Feb-2024
Investment Opinion	B-1-7
52-Week Range	163.66 USD - 219.51 USD
Mrkt Val (mn) / Shares Out (mn)	21,457 USD / 104.6
Free Float	79.1%
Average Daily Value (mn)	190.02 USD
BofA Ticker / Exchange	JBHT / NAS
Bloomberg / Reuters	JBHT US / JBHT.OQ
ROE (2024E)	19.4%
Net Dbt to Eqty (Dec-2023A)	37.1%
ESGMeter <sup>TM</sup>	High

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](#)".

KNX: Knight-Swift

PO: price objective

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Timestamp: 29 February 2024 02:38PM EST

# iQprofile<sup>SM</sup> J.B. Hunt Transport Services

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

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	18.4%	12.1%	12.3%	3.5%	15.4%
Return on Equity	30.4%	19.4%	19.4%	23.0%	22.7%
Operating Margin	9.5%	8.2%	8.8%	9.8%	10.4%
Free Cash Flow	236	(118)	541	249	764

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

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	1.7x	2.3x	1.8x	1.8x	1.8x
Asset Replacement Ratio	2.4x	2.5x	1.2x	1.5x	1.6x
Tax Rate	24.4%	23.7%	24.5%	24.5%	24.5%
Net Debt-to-Equity Ratio	33.0%	37.1%	30.2%	30.2%	15.9%
Interest Cover	28.2x	17.3x	16.4x	18.8x	23.7x

## Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	14,814	12,830	13,567	14,718	15,899
% Change	21.7%	-13.4%	5.7%	8.5%	8.0%
Gross Profit	14,814	12,830	13,567	14,718	15,899
% Change	21.7%	-13.4%	5.7%	8.5%	8.0%
EBITDA	2,058	1,785	1,986	2,302	2,517
% Change	28.4%	-13.3%	11.3%	15.9%	9.4%
Net Interest & Other Income	(50)	(61)	(73)	(74)	(70)
<b>Net Income (Adjusted)</b>	<b>1,031</b>	<b>752</b>	<b>842</b>	<b>1,055</b>	<b>1,196</b>
<b>% Change</b>	<b>35.5%</b>	<b>-27.1%</b>	<b>12.0%</b>	<b>25.3%</b>	<b>13.4%</b>

## Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	1,031	752	842	1,055	1,196
Depreciation & Amortization	645	738	798	830	862
Change in Working Capital	(148)	58	(109)	(5)	45
Deferred Taxation Charge	175	16	0	0	0
Other Adjustments, Net	74	181	0	0	0
Capital Expenditure	(1,541)	(1,862)	(990)	(1,240)	(1,340)
<b>Free Cash Flow</b>	<b>236</b>	<b>-118</b>	<b>541</b>	<b>249</b>	<b>764</b>
<b>% Change</b>	<b>-14.6%</b>	<b>NM</b>	<b>NM</b>	<b>-54.0%</b>	<b>207.1%</b>
Share / Issue Repurchase	(300)	(160)	(275)	(300)	(400)
Cost of Dividends Paid	(167)	(174)	(178)	(184)	(189)
Change in Debt	(33)	313	35	(145)	(145)

## Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	52	53	228	292	373
Trade Receivables	1,528	1,335	1,578	1,746	1,880
Other Current Assets	588	711	711	711	711
Property, Plant & Equipment	4,980	5,775	5,968	6,378	6,856
Other Non-Current Assets	595	678	678	678	678
<b>Total Assets</b>	<b>7,742</b>	<b>8,553</b>	<b>9,163</b>	<b>9,163</b>	<b>10,498</b>
Short-Term Debt	0	250	250	250	250
Other Current Liabilities	1,568	1,529	1,623	1,623	1,855
Long-Term Debt	1,262	1,326	1,361	1,361	1,071
Other Non-Current Liabilities	1,246	1,343	1,347	1,347	1,355
<b>Total Liabilities</b>	<b>4,076</b>	<b>4,449</b>	<b>4,581</b>	<b>4,581</b>	<b>4,531</b>
<b>Total Equity</b>	<b>3,667</b>	<b>4,104</b>	<b>4,582</b>	<b>4,582</b>	<b>5,967</b>
<b>Total Equity &amp; Liabilities</b>	<b>7,742</b>	<b>8,553</b>	<b>9,163</b>	<b>9,163</b>	<b>10,498</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 4.

## Company Sector

Road Transport/Trucking

## Company Description

J.B. Hunt Transport Services (JBHT), founded in 1969, is one of the largest intermodal, dedicated, truckload, and brokerage providers in North America. The company provides a range of transportation services throughout the continental United States, Canada and Mexico. The company operates in five segments: Truck (7% of revenues), Intermodal (48%), Dedicated contract services (21%), Final Mile Services (6%) and Integrated capacity solutions (18%).

## Investment Rationale

JBHT should see accelerating earnings upside as volumes growth return to its fixed cost network. As a leading multimodal carrier across Intermodal, Dedicated, Brokerage, and Final Mile, we view the carrier as an early cycle beneficiary as the freight cycle inflects and pricing begins trending with its accelerating volumes. Given its diverse exposure to intermodal, truck, brokerage, dedicated, and final mile, JBHT works to grow through cycles, with a focus on improving returns

## Stock Data

Average Daily Volume 926,047

## Quarterly Earnings Estimates

	2023	2024
Q1	1.89A	1.59E
Q2	1.81A	1.94E
Q3	1.64A	2.17E
Q4	1.86A	2.45E

## Price objective basis & risk

### J.B. Hunt Transport Services (JBHT)

Our \$228 price objective is based on a 28x target multiple of our 2024E EPS estimate. Our target multiple is above its 16x-23x one standard deviation trading band as earnings troughed in 2023 and begin to recover in 2024. We expect pricing pressure, a lagging indicator to volumes, to be somewhat countered with improved rail operational performance as supply chains improve fluidity. We forecast solid double-digit EPS gains over time, robust Intermodal performance, and potential for improved box turns. The company also plans to grow its container fleet to 150k over 2-4 years as it scales growth on BNSF's network.

Risks to our PO are a slowing economic environment, an inability for the company to raise rates to offset rising costs (driver pay, insurance, depreciation, and fuel), a severe accident impacting costs or the company's image, or significant impacts (strikes, network outages) to BNSF or Norfolk Southern's rail network or J.B. Hunt's relationship with either of those carriers impacting intermodal operations. Additional risks are regulatory changes impacting the flow of freight from the highway to rail, or rapidly falling fuel prices that could encourage freight to stay on the highway, its occasional arbitration with BNSF over rail rates, a sustained loose capacity truckload market that may overhang Intermodal pricing, and inability to obtain labor.

## 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



**US - Transportation Coverage Cluster**

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	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

**RSTR**

	Norfolk Southern	NSC	NSC US	Ken Hoexter
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**iQmethod<sup>SM</sup> Measures Definitions****Business Performance**

Return On Capital Employed

Return On Equity  
Operating Margin  
Earnings Growth  
Free Cash Flow

**Quality of Earnings**

Cash Realization Ratio  
Asset Replacement Ratio  
Tax Rate  
Net Debt-To-Equity Ratio  
Interest Cover

**Valuation Toolkit**

Price / Earnings Ratio  
Price / Book Value  
Dividend Yield  
Free Cash Flow Yield  
Enterprise Value / Sales

EV / EBITDA

**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

**Numerator**

Cash Flow From Operations  
Capex  
Tax Charge  
Net Debt = Total Debt – Cash & Equivalents  
EBIT

**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**

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill  
Amortization  
Shareholders' Equity  
Sales  
N/A  
N/A

**Denominator**

Net Income  
Depreciation  
Pre-Tax Income  
Total Equity  
Interest Expense

**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

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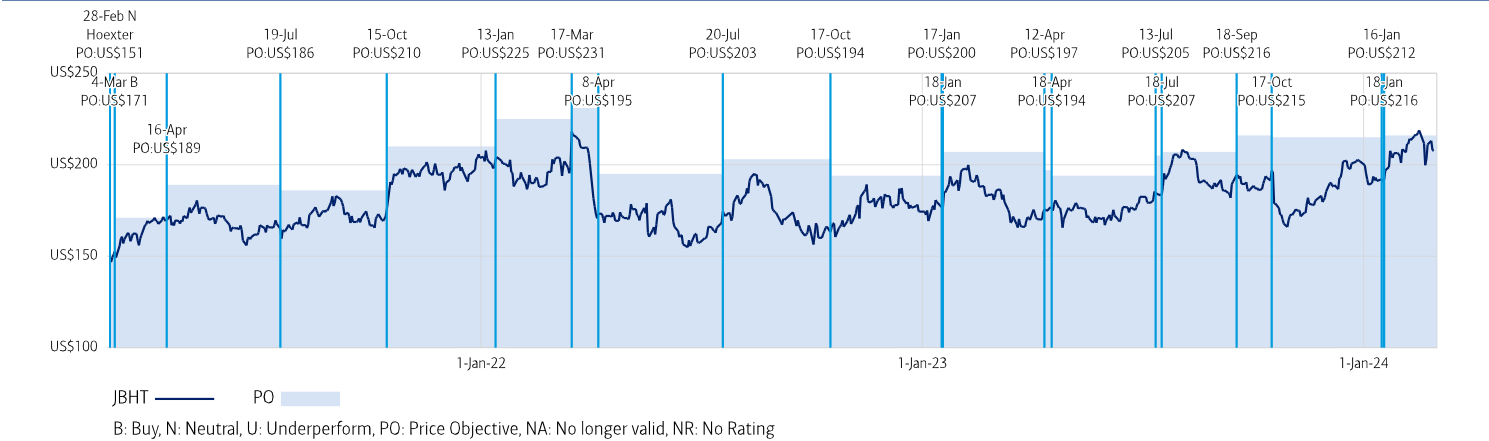
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J.B. Hunt Trans (JBHT) Price Chart



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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%

<sup>R2</sup> Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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