

Saia Inc.

Impressive pricing gains; \$1b capex drives LT growth (adding 14% capac); PO to \$600

Reiterate Rating: BUY | PO: 600.00 USD | Price: 467.45 USD

Closing pricing gap w/ ~9% renewal; Sees '24 margin gain

Saia continues to demonstrate its strong pricing focus as it makes progress on closing the price gap to the best-in-class peer ODFL. LTL yields ex-fuel (revenue/hundredweight ex-fuel) increased 12%, outpacing our +10% target (and higher than peer ODFL's +8%), aided by strong renewals and mix gains. It renewed 50% more contracts year-year in 4Q23 as it pulled forward bids with 8.7% higher pricing, accelerating from +5.6% in 3Q as it capitalized on its service and tight LTL backdrop. 4Q Tons/Day increased 8% year-year, above ODFL's 2% decline, which suggests share gains. Saia targets 2024 capex of ~\$1 billion (we were \$500 mil, now \$1 billion) as it expects to add 15 to 20 new service centers in addition to the 28 it acquired in Yellow's auction (some of which may replacement), and expand existing centers, as well as grow its tractor/trailer fleet. This compares to its 194 sorts and 7 net adds in 2023. While the expansion of its terminal network may add some near-term costs, it remains confident in driving 100-200 bps margin improvement in 2024 (we target 180 bps better) as pricing accelerates.

Core ops in-line; Slight gain in 1Q despite weather impact

Saia reported 4Q23 EPS of \$3.33, above our \$3.18 and Street's \$3.20. Core operating income was in-line as stronger than anticipated pricing was offset by higher-than-expected Salaries and other op costs. Revenues were \$751 mil, up 15% year-year and \$31 million above our target. Operating Income was \$113 mil, up 22% year-year and in-line with our target, for an Operating Ratio of 85.0%, 160 bps worse than 3Q (vs its target of 150-200 bps sequential deterioration), and 60 bps worse than our target. Saia noted weather led to 6-7 days of service impacts and saw January tons/day and shipments/day increase +11.8% and +3.3% year-year, respectively, decelerating from +16.5% and +6.8% in December. Nevertheless, it expects margins to improve 60-75 bps in 1Q as higher pricing will work to offset the impact (we target 70 bps better).

PO to \$600; Poised for profitable growth over long-term

We reiterate our Buy on Saia's shares and increase our PO to \$600 (from \$498) based on 37.0x our 2024e revised EPS (from 31x) 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 increase our 2024 and 2025 EPS estimates 1% and 7%, to \$16.20 and \$19.70, from \$16.05 and \$18.35, respectively, as we account for near term costs and improved leverage.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	13.40	13.27	16.20	19.70	23.75
EPS Change (YoY)	41.4%	-1.0%	22.1%	21.6%	20.6%
Consensus EPS (Bloomberg)			16.03	18.89	21.46
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	34.9x	35.2x	28.9x	23.7x	19.7x
EV / EBITDA*	20.9x	20.5x	16.7x	13.9x	11.9x
Free Cash Flow Yield*	0.8%	0.9%	-2.2%	2.7%	3.4%

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

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Timestamp: 02 February 2024 01:57PM EST

02 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	498.00	600.00
2024E Rev (m)	3,166.8	3,254.2
2025E Rev (m)	3,450.1	3,614.4
2026E Rev (m)	NA	3,963.3
2024E EPS	16.05	16.20
2025E EPS	18.35	19.70
2026E EPS	NA	23.75

Ken Hoexter

Research Analyst
BofAS
+1 646 855 1498
ken.hoexter@bofa.com

Adam Roszkowski, CFA

Research Analyst
BofAS
+1 646 855 5498
adam.roszkowski@bofa.com

Nathan Ho, CFA

Research Analyst
BofAS
+1 646 855 3599
nathan.m.ho@bofa.com

Stock Data

Price	467.45 USD
Price Objective	600.00 USD
Date Established	2-Feb-2024
Investment Opinion	B-1-9
52-Week Range	244.69 USD - 472.10 USD
Mkt Val (mn) / Shares Out (mn)	12,477 USD / 26.7
Free Float	99.8%
Average Daily Value (mn)	111.51 USD
BofA Ticker / Exchange	SAIA / NAS
Bloomberg / Reuters	SAIA US / SAIA.OQ
ROE (2024E)	20.1%
Net Dbt to Eqty (Dec-2023A)	-14.4%
ESGMeter TM	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".

ODFL: Old Dominion Freight Line

LTL: less than truckload

iQprofileSM Saia Inc.

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	20.8%	16.7%	16.6%	15.6%	14.7%
Return on Equity	25.5%	20.2%	20.1%	20.0%	19.8%
Operating Margin	16.9%	16.0%	17.8%	19.7%	21.5%
Free Cash Flow	106	110	(279)	337	420

iQmethodSM – 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	4.9x	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%	10.6%	-3.2%	-14.7%
Interest Cover	NM	NM	NM	NM	NM

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	2,792	2,881	3,254	3,614	3,963
% Change	22.0%	3.2%	12.9%	11.1%	9.7%
Gross Profit	2,792	2,881	3,254	3,614	3,963
% Change	22.0%	3.2%	12.9%	11.1%	9.7%
EBITDA	628	639	785	941	1,098
% Change	31.6%	1.9%	22.8%	19.9%	16.7%
Net Interest & Other Income	(2)	6	(4)	(12)	(11)
Net Income (Adjusted)	357	355	434	528	636
% Change	41.1%	-0.7%	22.3%	21.6%	20.6%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	357	355	434	528	636
Depreciation & Amortization	157	179	206	230	244
Change in Working Capital	(72)	(22)	39	52	52
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	31	39	49	60	72
Capital Expenditure	(367)	(440)	(1,008)	(533)	(585)
Free Cash Flow	106	110	-279	337	420
% Change	9.0%	4.4%	NM	NM	24.7%
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	14	344	747
Trade Receivables	290	312	339	375	411
Other Current Assets	53	41	41	41	41
Property, Plant & Equipment	1,483	1,763	2,766	3,295	3,876
Other Non-Current Assets	161	172	172	172	172
Total Assets	2,175	2,584	3,332	4,226	5,246
Short-Term Debt	15	10	10	10	10
Other Current Liabilities	260	312	324	341	357
Long-Term Debt	16	6	256	241	216
Other Non-Current Liabilities	302	314	365	731	1,123
Total Liabilities	592	642	956	1,323	1,707
Total Equity	1,579	1,941	2,375	2,903	3,539
Total Equity & Liabilities	2,172	2,584	3,332	4,226	5,246

* For full definitions of iQmethodSM 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

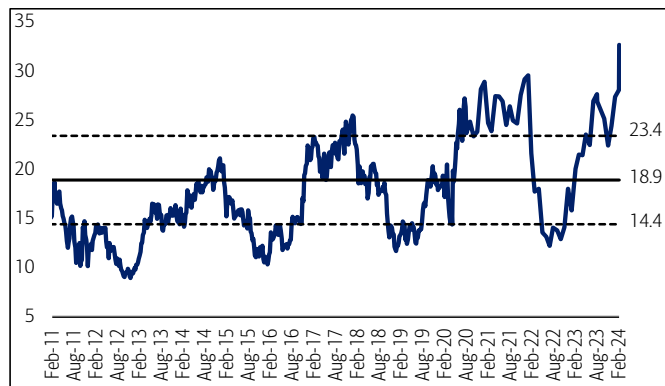
Average Daily Volume 238,553

Quarterly Earnings Estimates

	2023	2024
Q1	2.85A	3.39E
Q2	3.42A	4.31E
Q3	3.67A	4.63E
Q4	3.33A	3.87E

Exhibit 1: Saia Forward P/E

Shares are trading at 33x 2024e EPS, above its 14x-23x trading range.

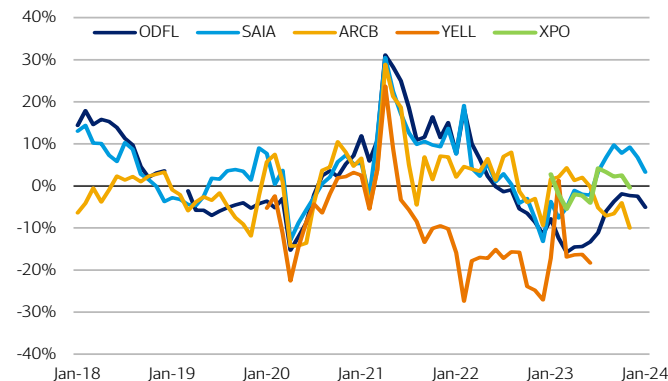


Source: BofA Global Research estimates and Bloomberg.

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Exhibit 2: LTL Monthly Tonnage Trends

Saia tons/day were up 3% in January, above ODFL's -5%.



Source: BofA Global Research and company reports.

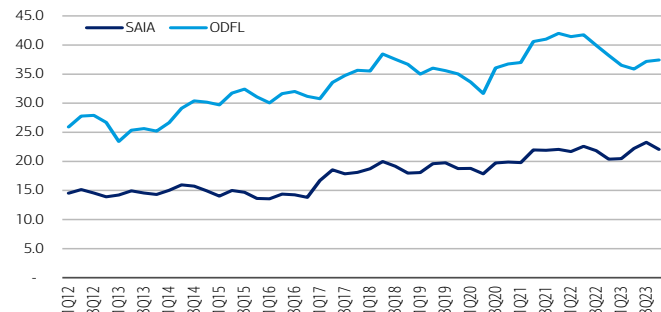
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CapEx plan to expand network, service, and growth

Saia targets 2024 CapEx of approximately \$1 billion, consisting of \$250 million on the acquisition of 28 terminals from Yellow Corp's bankruptcy auction, \$300 million on additional launches and expansions (it targets to open 15-20 new service centers in 2024), \$400-\$450 million in new equipment given delays to its fleet renewal after post-COVID supply chain tightness and to grow its fleet to meet current demand, and \$50 million in IT investments. Saia's terminal network currently has approximately 8,700 operating doors with its CapEx plan expected to add 8-9% in new starts and 4-5% on expansion of existing sort centers.

Exhibit 3: SAIA vs ODFL Tons/Day

Saia LTL tons/day was up 8% in 4Q23 (vs ODFL's -2%), below our +9% target

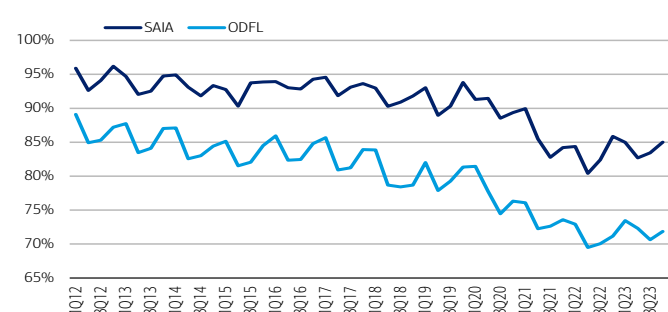


Source: BofA Global Research and company reports.

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Exhibit 4: SAIA vs ODFL Operating Ratio

Saia Operating Ratio was 85.0% in 4Q23, below ODFL's 71.8%.

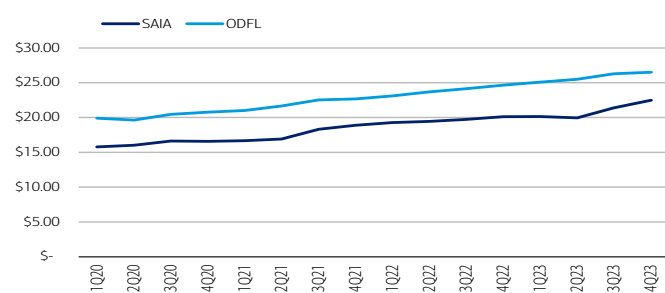


Source: BofA Global Research and company reports.

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Exhibit 5: SAIA vs ODFL Revenue/Hundredweight Ex-Fuel

Saia LTL Revenue/Hundredweight Ex-Fuel was +12% in 4Q (vs ODFL's +8%)

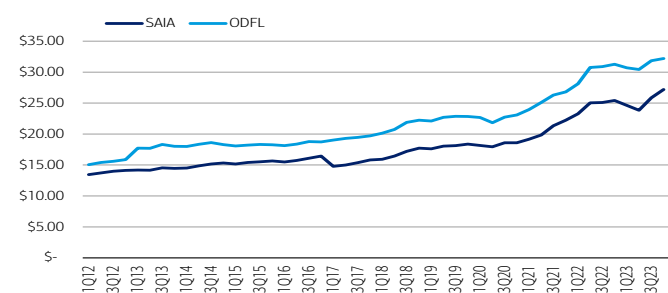


Source: BofA Global Research and company reports.

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Exhibit 6: SAIA vs ODFL Revenue/Hundredweight

Saia LTL Revenue/Hundredweight all-in was +7% in 4Q (vs ODFL's +3%)



Source: BofA Global Research and company reports.

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Price objective basis & risk

Saia Inc. (SAIA)

Our \$600 price objective is based on a 37x 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

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BUY				
	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
	Norfolk Southern	NSC	NSC US	Ken Hoexter
	Old Dominion Freight Line	ODFL	ODFL US	Ken Hoexter
	RXO, Inc.	RXO	RXO 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
NEUTRAL				
	Canadian National	CNI	CNI 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	YFII	TFII CN	Ken Hoexter
	UPS	UPS	UPS US	Ken Hoexter
UNDERPERFORM				
	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

iQmethodSM 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 & 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

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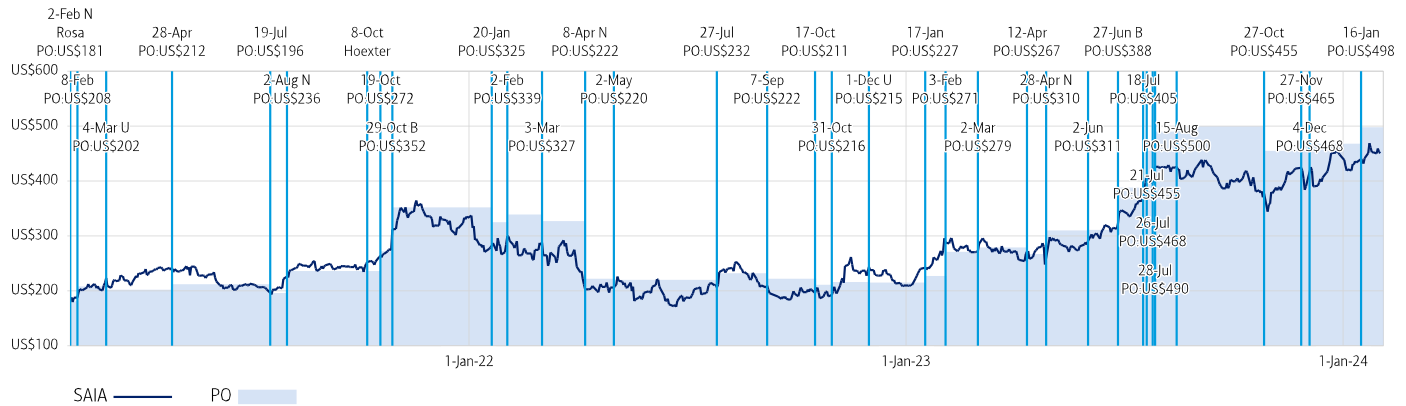
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Important Disclosures

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 ^{R1}	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 ^{R1}	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%

^{R1} 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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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} 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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