Expeditors International

A leading freight forwarder eyes end of turbulence; Initiate at Neutral, $126 PO

Initiating Coverage: NEUTRAL | PO: 126.00 USD | Price: 118.89 USD

15 March 2024

Equity

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Margin reset after COVID-led freight boom, await next leg

We initiate coverage on Expeditors International (EXPD) with a Neutral and $126 PO, based on 26.5x our 2024e EPS. Margins have reset down following the COVID boom, and the stock valuation remains full. We believe EXPD can grow share in a fragmented industry over the long-term through fiscal discipline and its technology edge. However, we could see near-term pressures as ocean and air rates remain challenged by excess capacity. We target '24/'25 EPS of $4.75/$5.15, both slightly above Consensus, with EPS down in '24 as it finishes a cycle reset, before rebounding to upper-single digits.

A quality forwarding operator with strong fiscal discipline

Expeditors is a leading ocean and air freight forwarder, offering customs brokerage and other services, with a mid- to upper-single digit share of the $200 bil. Global Forwarding market. It has increased its gross revenues at a 7% CAGR from '00-'23. Operating in 60 countries, the company achieved scale through a service and tech advantage over peers. Expeditors maintains fiscal discipline, with virtually no debt and a unique incentive comp structure which dissuades excessive risk-taking. This has allowed EXPD to gain share while investing consistently in its people and technology. It maintains a no-layoff policy during downturns as it focuses on long-term expansion in a cyclical industry.

Downside is in, margins normalized; competitive backdrop

Given the fragmentation within global forwarding (6,000+ operators) and air & ocean freight capacity in excess of demand, we expect margins to remain challenged. EXPD is working to lower headcount via attrition and improve margins (net op margins averaged 27% in 2H23, from a 41.5% avg post COVID ('21-'22), below the 29% average of '00-'23, which could provide upside if it returns to historical levels). Sell rates remain muted with airfreight pressured by return of air passenger belly capacity and ocean pressured by new ship deliveries. Competition remains elevated from asset-based carriers (Hapag Lloyd, Maersk) and growth-focused tech operators (i.e., Flexport) emphasizing price. Meanwhile, peers DSV, Kuehne + Nagle, and DHL pursue growth through service & tech.

Premium valuation leaves less room for relative upside

Expeditors currently trades at 25.5x our 2024 EPS estimate, a premium to its asset-light forwarding peers at 22x and asset-based carriers in the low-teens range. Our target is at the upper end of its 15x-28x trading range. We believe near term upside may be constrained by its higher multiple given continued forwarding earnings pressure.

Estimates (Dec) (US$)	2022A	2023A	2024E	2025E	2026E
EPS	8.26	5.01	4.75	5.15	5.45
EPS Change (YoY)	0%	-39.3%	-5.2%	8.4%	5.8%
Consensus EPS (Bloomberg)			4.73	5.14	5.37
DPS	1.30	1.34	1.41	1.45	1.49
Valuation (Dec)					
P/E	14.4x	23.7x	25.0x	23.1x	21.8x
Dividend Yield	1.1%	1.1%	1.2%	1.2%	1.3%
EV / EBITDA*	8.8x	16.4x	17.8x	16.8x	16.2x
Free Cash Flow Yield*	11.8%	5.8%	4.6%	4.2%	4.3%

* For full definitions of *iQmethod*℠ measures, see page 28.

Stock Data

Price	118.89 USD
Price Objective	126.00 USD
Date Established	15-Mar-2024
Investment Opinion	B-2-7
52-Week Range	102.89 USD - 131.17 USD
Mrkt Val (mn) / Shares Out (mn)	17,345 USD / 145.9
Free Float	99.3%
Average Daily Value (mn)	148.34 USD
BofA Ticker / Exchange	EXPD / NYS
Bloomberg / Reuters	EXPD US / EXPD.N
ROE (2024E)	30.9%
Net Dbt to Eqty (Dec-2023A)	-63.3%
ESGMeter™	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".

Refer to important disclosures on page 29 to 31. Analyst Certification on page 27. Price Objective Basis/Risk on page 27. **12670924**

Timestamp: 15 March 2024 06:00AM EDT

iQprofile℠ Expeditors International

iQ*method* ℠ **– Bus Performance***

(US$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	37.0%	23.5%	25.5%	29.9%	34.3%
Return on Equity	41.1%	27.4%	30.9%	39.3%	51.0%
Operating Margin	10.7%	10.1%	9.3%	9.5%	9.5%
Free Cash Flow	2,043	1,014	796	728	747

iQ*method* ℠ **– Quality of Earnings***

(US$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	1.6x	1.4x	1.2x	1.1x	1.1x
Asset Replacement Ratio	1.5x	0.6x	0.8x	0.7x	0.7x
Tax Rate	25.9%	25.9%	26.5%	26.5%	26.5%
Net Debt-to-Equity Ratio	-65.3%	-63.3%	-67.5%	-68.6%	-72.4%
Interest Cover	NM	NM	NM	NM	NM

Income Statement Data (Dec)

(US$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	17,071	9,300	9,274	9,637	10,036
% Change	3.3%	-45.5%	-0.3%	3.9%	4.1%
Gross Profit	4,494	3,246	3,172	3,339	3,457
% Change	0.7%	-27.8%	-2.3%	5.3%	3.5%
EBITDA	1,882	1,008	927	985	1,022
% Change	-4.0%	-46.4%	-8.0%	6.2%	3.8%
Net Interest & Other Income	12	75	57	44	34
Net Income (Adjusted)	**1,357**	**753**	**677**	**708**	**725**
% Change	**-4.1%**	**-44.5%**	**-10.1%**	**4.6%**	**2.5%**

Free Cash Flow Data (Dec)

(US$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	1,361	752	677	708	725
Depreciation & Amortization	57	68	63	67	69
Change in Working Capital	668	186	68	(31)	(31)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	43	48	35	35	35
Capital Expenditure	(87)	(39)	(48)	(50)	(52)
Free Cash Flow	**2,043**	**1,014**	**796**	**728**	**747**
% Change	**145.5%**	**-50.4%**	**-21.5%**	**-8.5%**	**2.6%**
Share / Issue Repurchase	(1,501)	(1,308)	(760)	(760)	(760)
Cost of Dividends Paid	(214)	(202)	(201)	(200)	(199)
Change in Debt	51	(6)	0	0	0

Balance Sheet Data (Dec)

(US$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	2,034	1,513	1,344	1,108	892
Trade Receivables	2,108	1,533	1,574	1,635	1,703
Other Current Assets	376	390	390	390	390
Property, Plant & Equipment	502	479	432	382	330
Other Non-Current Assets	571	609	594	594	594
Total Assets	**5,590**	**4,524**	**4,333**	**4,109**	**3,908**
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	2,054	1,704	1,823	1,862	1,909
Long-Term Debt	0	0	0	0	0
Other Non-Current Liabilities	423	428	520	632	769
Total Liabilities	**2,477**	**2,132**	**2,343**	**2,494**	**2,677**
Total Equity	**3,114**	**2,391**	**1,991**	**1,615**	**1,232**
Total Equity & Liabilities	**5,590**	**4,524**	**4,334**	**4,110**	**3,909**

* For full definitions of *iQmethod*℠ measures, see page 28.

Company Sector

Freight Forwarding

Company Description

Expeditors International of Washington is a leading global freight forwarder which purchases cargo space from carriers (such as airlines, ocean shipping lines, and trucking lines) which it then resells that space to individual shippers. It was founded in 1979 and listed on the NYSE on 1984. It operates in 440+ locations with 18,000+ employees.

Investment Rationale

We view Expeditors as a leading operator in the Freight Forwarding space as it focuses on organic growth while maintaining significant balance sheet strength (it historically holds no debt). Given its technology stack and strong service, it is expected to gain share over the long-term. However, near term earnings may be pressured by headwinds in the Forwarding cycle.

Stock Data

Average Daily Volume	1,247,740

Quarterly Earnings Estimates

	2023	2024
Q1	1.45A	1.08E
Q2	1.30A	1.18E
Q3	1.16A	1.21E
Q4	1.09A	1.27E

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Valuation Methodology

Our $126 PO on Expeditors International's shares is based on a target P/E multiple of 26.5x our 2024 EPS estimate, toward the upper end of its historical 15x-28x band, as earnings being slow rebound from an earnings pullback after COVID-mania upside. EXPD also trades above its peer forwarder average of 22.3x, given its consistent service and margins. We also believe Expeditor's pure-play exposure to Freight Forwarding warrants its shares a premium to diversified freight operators such as DHL (parcel and forwarding) and C.H. Robinson Worldwide (truckload brokerage in North America and global forwarding). We initiate with a Neutral rating given its valuation premium balanced by the full absorption of cyclical squeeze in margins on earnings.

Our Neutral rating is a differentiator given the market's overwhelmingly negative outlook, with 1 Buy, 7 Neutrals, and 9 Underperforms/Sell ratings, as we believe the carrier is past the worst of the post-COVID margin reset. Air and ocean market rates remain pressured, given excess vessel and aircraft capacity supply, which works to constrain near-term EPS upside. We forecast earnings to remain down year-year in 1H24 before inflecting positive in 2H24. However, the downside to estimates appears to have decelerated, thus driving its share multiple higher, as expectations focus on the end of the downward earnings revisions.

Exhibit 1: Forwarding Peer Comparison Analysis

Expeditors trade at a valuation premium to Forwarding and Asset-based carrier average.

Company	Share Price	Market Cap	EV/EBITDA	P/E
Expeditors International	$121.26	$17.45	17.2x	25.5x
Forwarding Peers				
DHL	$42.06	$52.11	6.0x	11.9x
Kuehne & Nagel	$278.83	$33.70	11.8x	23.3x
DSV	$156.14	$34.19	12.4x	18.8x
C.H. Robinson	$72.45	$8.47	15.2x	22.5x
RXO	$20.91	$2.45	22.2x	n/a
Landstar	$186.37	$6.66	17.3x	28.1x
Bollore Logistics	$6.90	$19.67	16.8x	29.1x
Average			14.5x	22.3x
Ocean Carriers				
AP Moller Maersk	$1,390.84	$24.08	3.6x	n/a
Hapag-Lloyd	$146.48	$25.74	4.6x	8.4x
COSCO Shipping	$1.11	$22.48	2.5x	5.6x
Evergreen Marine	$5.71	$12.20	4.4x	10.5x
Average			3.8x	8.1x
Airfreight Carriers				
UPS	$153.96	$131.27	11.2x	18.6x
FedEx	$247.68	$61.89	7.3x	14.1x
DHL	$42.06	$52.11	6.0x	11.9x
Average			7.1x	13.2x

Source: BofA Global Research and Bloomberg.

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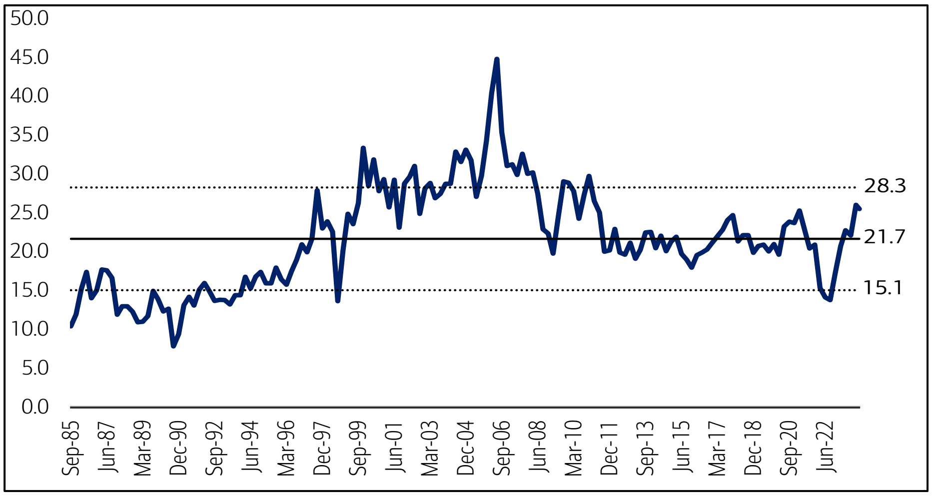
Exhibit 2: Expeditors Forward P/E

Shares are trading at 25.5x its 2024 EPS estimate, above the midpoint of its 15x-28x range.



Source: BofA Global Research and Bloomberg.

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Investment Thesis

Key Positives for Expeditors International:

1. A leading global forwarder steadily gaining share; helps customers move freight

2. Customers require agility in supply chains and pay Expeditors for flexibility and expertise through the cycle (although they are still exposed to the same cycle)

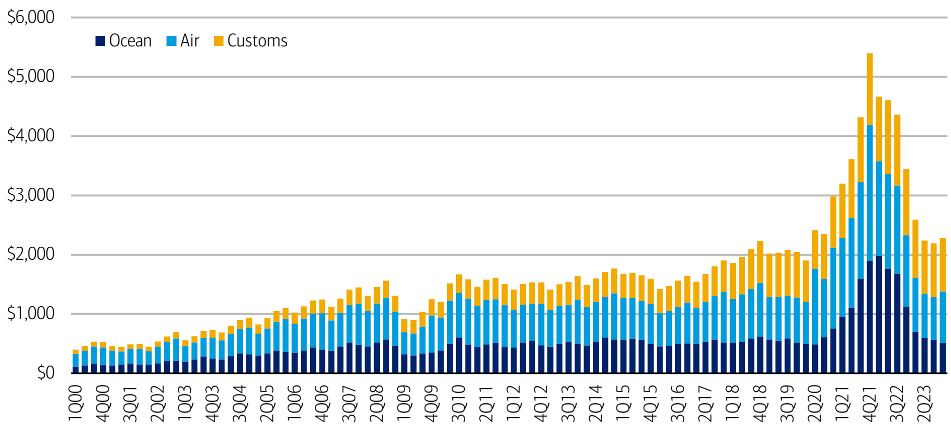
3. Unique incentive structure a productivity driver

1. A leading global forwarder steadily gaining share

Expeditors International has increased gross revenues at a 7% CAGR between 2000-2023, outpacing global GDP growth of low single digits as it grew its global footprint while expanding its technology assets and scale. As we move past record forwarding spreads during the post-COVID freight cycle peak, Expeditor's gross revenues has returned to a $2.0 billion quarterly cadence from its historic high of $5.4 billion in 4Q21, reflecting normalizing volumes, forwarding spreads, and pricing.

Exhibit 3: Expeditors Gross Revenue

Gross revenues have historically grown at a 7% CAGR from 2000-2023.



Source: BofA Global Research and company reports.

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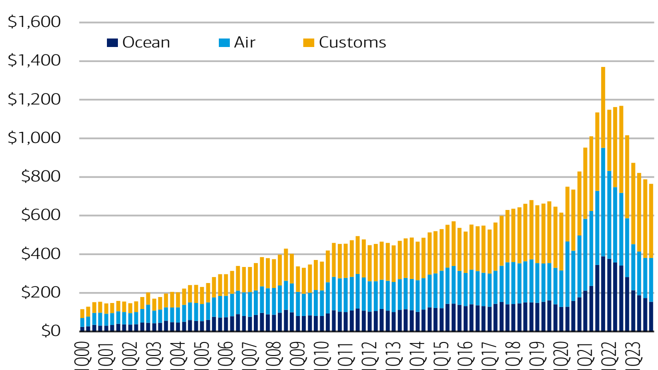
Net Revenues increased at an 8% CAGR from 2000-2023, as the company's cost of capacity increased slower than its top line. Ocean and Air Forwarding Net Revenue Margins have historically averaged 20%-30%, while Customs Brokerage & Other Net Revenue Margin has fallen toward 40% from 60% over time given the addition of transcon and warehousing & distribution services within the category.

Exhibit 4: Expeditors Net Revenues

Net Revenues have grown at an 8% historical CAGR.



Source: BofA Global Research and company reports.

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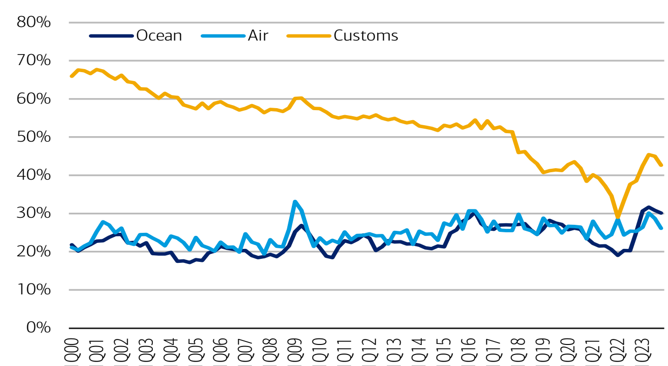
Exhibit 5: Expeditors Net Revenue Margins

Ocean and Air Net Revenue Margins average 20%-30% historically.



Source: BofA Global Research and company reports.

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Based on its 2023 gross revenues of $9 billion, Expeditors has an approximate mid-single digit share of the $200 billion Global Forwarding market. We expect Expeditors to maintain growth levels at/above industry averages (4%-5% CAGR) as it gains share over peers through its advanced technology and balance sheet strength. It maintains virtually zero debt and has high cash levels, allowing it to take share from stressed operators over the course of a volatile forwarding cycle.

2. Customers pay for flexibility/agility through the cycle

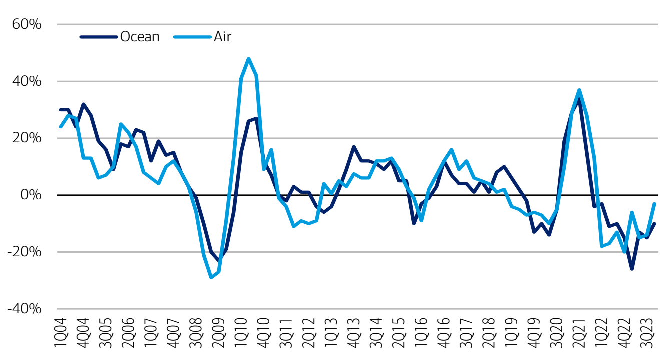
Expeditors International is able to win share as customers want flexibility and multiple carrier choices. This is key for why many small and medium-sized shippers prefer working with the company. On the Ocean side, larger customers (Beneficial Cargo Owners, or BCO's), have a history of signing contracts and working with one or two carriers, and may use Expeditors technology for a portion of the freight move. Alternatively, Expeditors direct customers (many small and medium-sized shippers) prefer choice and flexibility, and thus choose a Non-Vessel Owner Common Carrier (NVOCC) model instead of entering a direct contract with carriers. Additionally, many customers do not want to enter all the data required for moving freight, and thus can outsource different parts of the freight move. Expeditors noted its systems allow customers to customize their business rules to reduce shipment processing exceptions and build efficiencies by encouraging customers to book online, thereby eliminating manual processes.

Within the air network, passenger belly space (passenger airline capacity) represents approximately 30%-50% of air cargo capacity. During and after the COVID-19 pandemic, the use of charter aircraft scaled significantly (~20% over 2 years) given conversions and new allotments. The market has mostly returned to a pre-COVID balance, with still shortages of belly space in the Asia-US market.

Expeditors volumes trend concurrently with the economy, growing at a slight premium over the macroeconomic cycle (~5%) over the last 23 years as Expeditors increased grows its relative share. Given the fragmented industry backdrop, Global Forwarding yields are volatile as pricing is a key lever among competitors to win share. Thus, Ocean and Air gross revenue per container or ton depend on shifts in the forwarding cycle. Given the influx of Ocean and Air capacity (~30% liner orderbook ratio and returning passenger belly space), we anticipate gross yield pressures as supply outweighs demand.

Exhibit 6: Expeditors Ocean & Air Volume Growth

Volumes have grown at 5% on average, a slight premium to the macro cycle.



Source: BofA Global Research and company reports.

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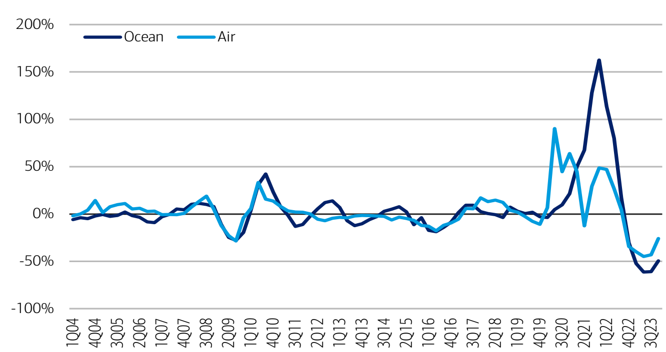
Exhibit 7: Expeditors Ocean & Air Gross Yield Growth

Gross yields are highly volatile as pricing is a key competitive lever.



Source: BofA Global Research and company reports.

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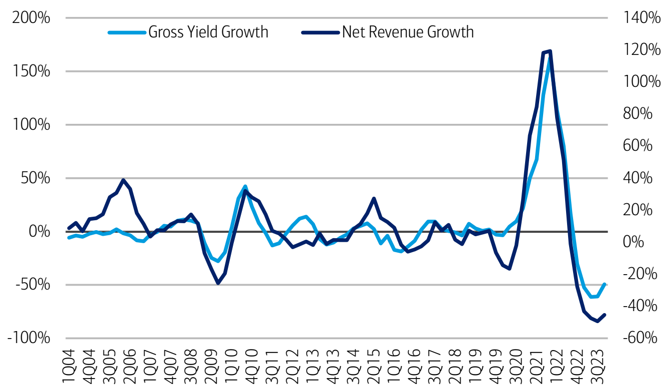
Ocean & Air Gross yield growth is historically inversely correlated with net revenue margins as negative pricing environments provide cost relief on the forwarding capacity as well. However, pricing is the primary driver of net revenue growth given the high operating leverage to rates in the Global Forwarding business model. Dislocation in global supply chains, such as COVID-related congestion, can drive upside in ocean and air pricing, increasing returns for Expeditors. Vice-versa, as supply chain conditions normalize and fluidity recovers with increased Ocean and Air capacity, pricing and gross yields will decelerate and pressure Expeditor's returns.

Exhibit 8: Expeditors Ocean Gross Yield Growth vs Net Revenue Growth
Ocean gross yield growth has a 90% correlation with Net Revenue growth.



Source: BofA Global Research and company reports.

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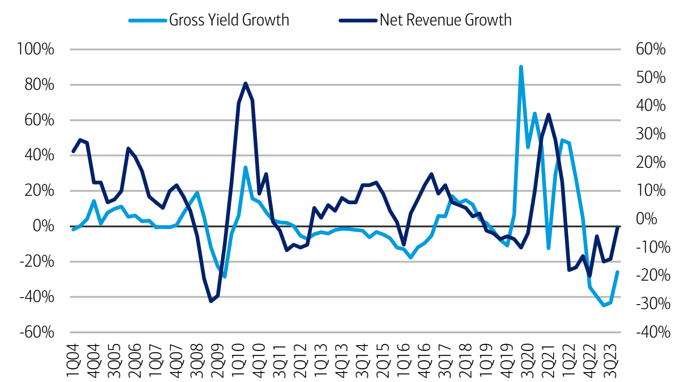
Exhibit 9: Expeditors Air Gross Yield Growth vs Net Revenue Growth
Air gross yield growth has an 85% correlation with Net Revenue growth.



Source: BofA Global Research and company reports.

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3. Unique incentive structure a key productivity driver

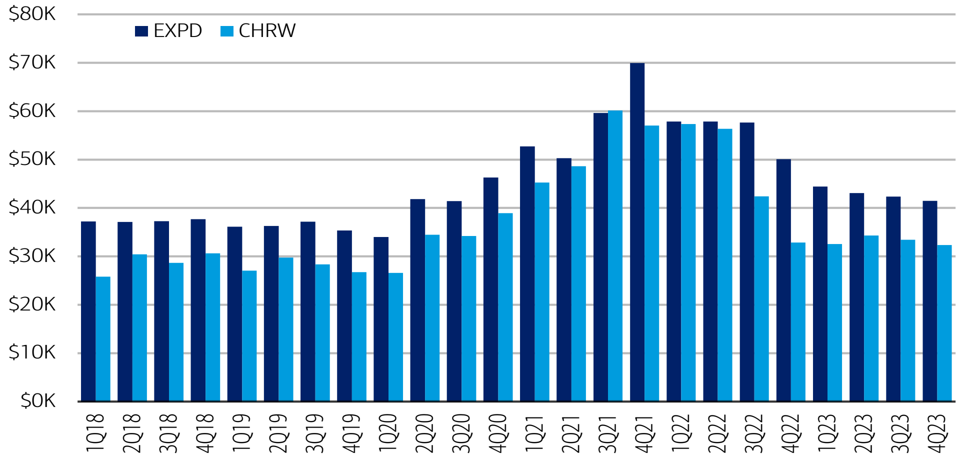
Expeditors has a unique incentive-based compensation system in which employees are given a modest base salary, with compensation mostly tied to cumulative operating profits (or loss) for their operating units based on the results of their decisions. The company's philosophy is 'taking a smaller piece of a bigger pie,' allowing individuals to increase their pay while expanding the overall size of the revenue pie. This enables the company to continue to invest in the business to facilitate future growth.

The company has a bonus program (field and executives) and a commission program for sales executives and account managers. Both programs provide for a percentage of net revenue that is allocated to the sales executive or account manager. That incentivizes staff to retain and grow its business with customers. The sales program has a built-in residual component where net revenue allocated to a salesperson declines on an annual basis. Thus, over time, while employees are paid for accounts won, they are also incentivized to gain new business. The account management program requires growth of each account for related comp to increase. To grow the account, more resources are required, thus splitting a portion of the original manager's incentives to multiple individuals. The regional bonuses are paid monthly, with executive bonuses paid quarterly on GAAP quarterly operating income (no adjustments).

Additionally, employees and managers must make up past losses with future profits before incentive compensation gains return. The structure is a differentiator for Expeditors' versus its peers as it encourages productivity and a returns focus across the organization. Expeditor's Net Revenue/Employee remains consistently above US peer C.H. Robinson Global Forwarding, suggesting an efficient well-compensated workforce.

Exhibit 10: Expeditors vs C.H. Robinson Global Forwarding Net Revenue per Employee

Expeditor's workforce efficiency appears to have an advantage over C.H. Robinson's over the forwarding cycle.



Source: BofA Global Research and company reports.

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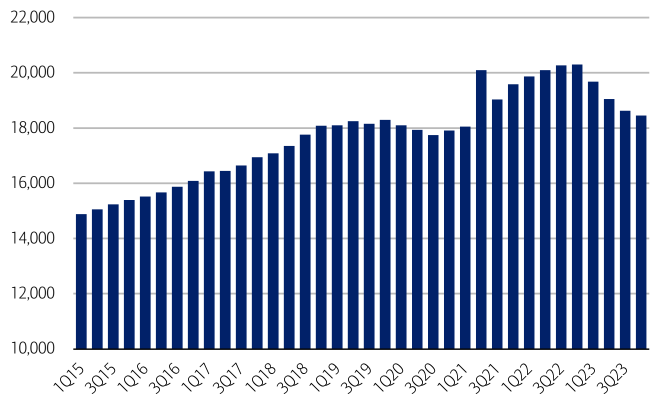
We believe the cumulative nature of its incentive comp disincentivizes excess risk taking, contrary to growth-oriented peers, leading to its steadier earnings. This elevates the focus on organic growth vs other brokers such as now-defunct Truck Broker Convoy, which focused on "Blitzscaling", or growth at any cost, and Global Forwarder Flexport, which accelerated hirings post-COVID and now is rapidly scaling down.

Expeditors maintained a no-layoffs policy in the Great Recession and COVID-19 lockdowns. It has historically managed headcount through attrition and its variable compensation structure. While currently a constraint on earnings in the rebounding cycle, loose capacity environment, Expeditors believes its goodwill in from retaining employees and the difficulty in training forwarding/customs brokerage expertise is an advantage in rebounding markets. That philosophy has been proven over the past few upturns.

Exhibit 11: Expeditors Employees

Expeditors employs a workforce of 18,000 across 176 district offices



Source: BofA Global Research and company reports.

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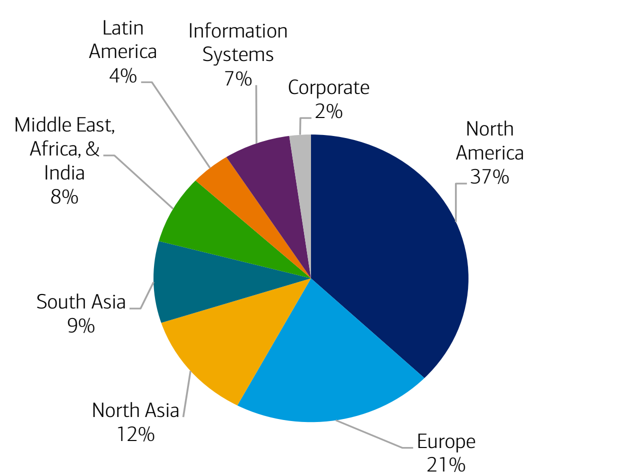
Exhibit 12: Expeditors Employee Mix

More than half of Expeditors' workforce is based in North America and Europe.



Source: BofA Global Research and company reports.

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Industry Overview

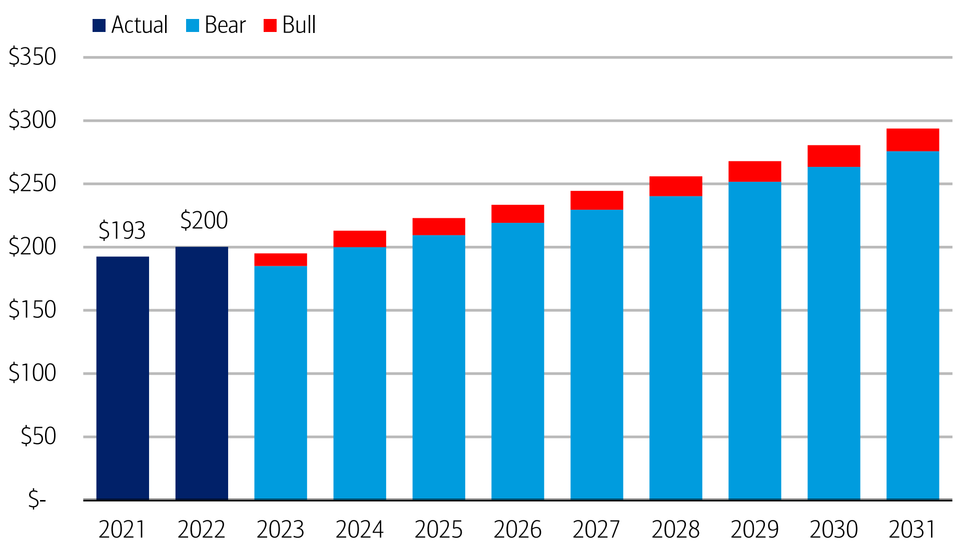
Global Forwarding is a fragmented ~$200 billion industry

The Global Freight Forwarding market was $200 billion in 2022 and is expected to grow at a 4%-5% CAGR over the next 10 years. Operators buy freight capacity in bulk at a discounted rate from asset-based carriers (such as ocean liner Maersk or airfreight carrier FedEx), then resells the service to individual shippers. The difference between the two rates is referred to as a forwarding spread and is what drives forwarding earnings. This historically correlates highly with the difference between spot and contract rates in ocean and airfreight.

The industry is highly fragmented with a large number of operators. According to the Federal Maritime Commission and Bureau of Transportation Statistics, there were 500 registered US airfreight forwarders, 9,200 US ocean forwarders, and 11,000 US customs brokers in 2022. Globally, there are more than 100,000 freight forwarders as of 2024, according to Freightos. Although there are only few global operators with a full range of forwarding services, competition among major operators is intense, contributing to poor pricing discipline. Asset-based Ocean and Air carriers such as Maersk, UPS, DHL, and Hapag-Lloyd compete for Forwarding business as well, with asset-light services complementing their asset-based offerings. Tech-based forwarders, such as Flexport, also compete through digitization.

Exhibit 13: Global Freight Forwarding Market 2021-2031 Bull-Bear Forecast ($bil)

Freight forwarding is expected to grow at 4%-5% annual CAGR from 2021-2031 from $200 bil in 2022.



Source: BofA Global Research estimates and C.H. Robinson Global Freight Insights

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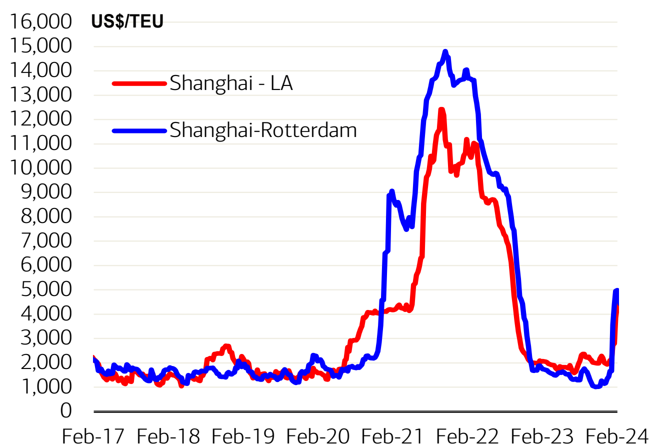
Low interest rates post-COVID and supportive capital markets had led to substantial funding for smaller operators, allowing them to compete more aggressively on sell rates. As larger shippers move to more dynamic supply chain strategies post-pandemic, such as just-in-time delivery and network optimization, services with real-time and accurate data integration are increasingly significant in attracting and retaining business. Product offerings such as Electronic Data Interfaces (EDI), freight Application Programming Interfaces (APIs) and web-based applications can provide service differentiation, leading to winning more volumes for large operators.

Therefore, we believe forwarders with scale, technology, and broader service offerings such as Expeditors can deliver continued share gain over the long-term. However, near-term returns remain volatile given the post-COVID normalization trends and sustained competitive pricing.

Challenging backdrop as downcycle pressures persist

The Global Forwarding industry remains under pressure this year given excess Ocean and Air capacity, normalization of supply chain fluidity, and muted demand. In Ocean, new containership orders are elevated at 25% of the active fleet, with most of those deliveries expected over the next 2 years. This implies liner capacity growth of at least high-single to low double digits in 2024-2025, well above container ton-mile demand expectations of low-single digits. Spot container rates have been volatile year-to-date due to the Red Sea disruptions, yet remain 70-80% below COVID peak levels. Given Expeditor's high contractual mix, short-term spot rate increases could negatively impact its ocean buy rates without a commensurate increase in its sell rates, which are more contract-based. This may lead a potential squeeze in its Ocean Net Margins.

Exhibit 14: Container Liner Freight Rates ($/Fortyfoot Equivalent Unit)
Rates have been volatile near-term due to the Red Sea disruption.



Source: BofA Global Research, Shanghai Containerized Freight Index, Drewry

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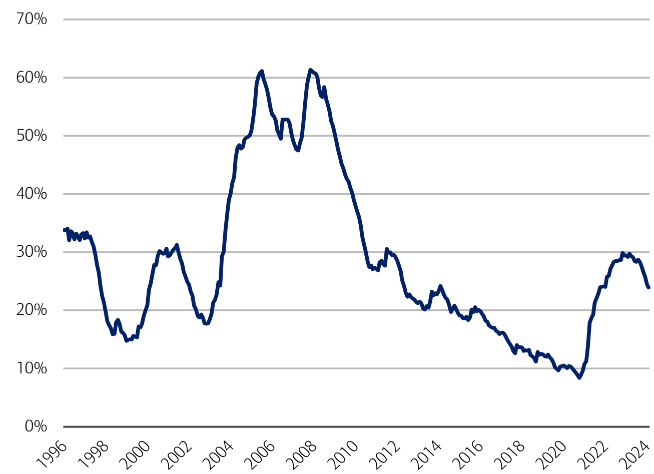
Exhibit 15: Container Liner Orderbook to Fleet Ratio
Global container liner orderbook at 25% of the active liner fleet.



Source: BofA Global Research and Clarksons.

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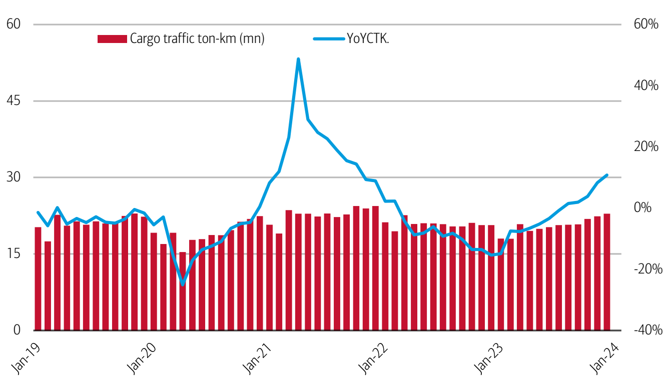
In Airfreight Forwarding, the return of passenger airline belly capacity, which accounts for a third of global airfreight capacity, has led to rate pressure. We see capacity growth in excess of demand this year. Airfreight cargo ton-kilometer demand has accelerated into 2024, yet shifting consumer preference for services (travel, recreation) over goods (e-commerce, durables, and home furnishing) remains an overhang. We highlight demand growth has remained below capacity growth for 28 consecutive months (since August 2021), indicating challenged airfreight pricing.

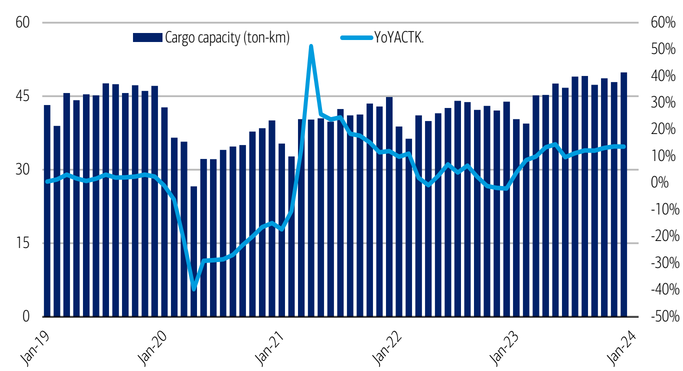
Exhibit 16: Airfreight Demand (mn Cargo Ton-Kilometers (CTK))
Demand growth has accelerated to +11% in Dec '23 from -15% in Jan.



Source: BofA Global Research, International Air Transport Association

BofA GLOBAL RESEARCH

Exhibit 17: Airfreight Supply (mn Available CTKs)
Capacity growth outpacing demand for 28 months (since August '21).



Source: BofA Global Research, International Air Transport Association

BofA GLOBAL RESEARCH

Shipper sentiment still muted at Freight recession levels

Based on our BofA proprietary bi-weekly Truck Shipper Survey, we believe shipper demand has recovered from trough levels in 2023 yet still remains at a historically muted level. In our most recent Survey, which factors in shippers' views on freight demand, inventory, and capacity, the BofA Demand Indicator was at 54 last issue, up from its 42 trough level in 2023. That is a return to average Freight Recession levels (of 54.2 in 2012 2015, 2019) as demand remains muted albeit recovering. The Inventory Indicator was at 59, improving from 66 peak in 2023, yet still above its 49 historical average level. We perceive this as an early cycle backdrop which should benefit asset-based carriers with high spot rate exposure, yet still see pressures for late-cycle beneficiaries such as Freight Forwarders, given Forwarding spreads peak at the height of a freight upcycle.

Exhibit 18: BofA Truck Shipper Demand Indicator

Demand Indicator at 54, matching Freight Recession average level.

Source: BofA Global Research.

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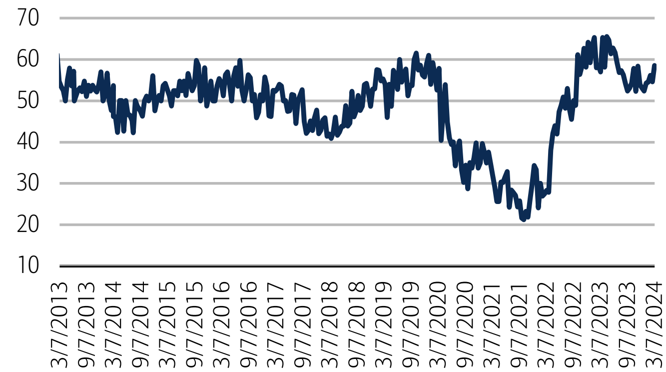
Exhibit 19: BofA Truck Shipper Inventory Indicator

Inventory indicator at 59, still above 49 historical average level.

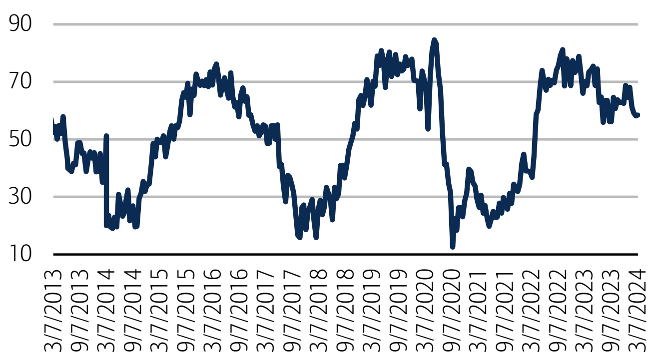


Source: BofA Global Research.

BofA GLOBAL RESEARCH

Exhibit 20: BofA Truck Shipper Capacity Indicator

Capacity Indicator at 59, down from 79 peak yet above 51 hist. average.

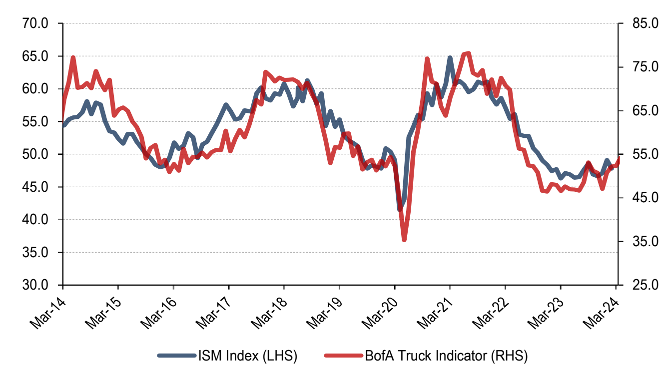


Source: BofA Global Research.

BofA GLOBAL RESEARCH

Exhibit 21: BofA Truck Shipper Demand Indicator vs ISM Manuf. PMI

Our Demand Indicator has a 0.81 correlation in leading the ISM PMI.



Source: BofA Global Research and Bloomberg.

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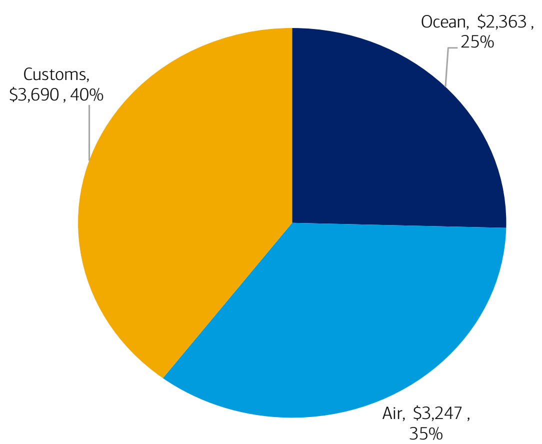
Company Overview

Expeditors is a leading global freight forwarding operator

Expeditors is a leading Freight Forwarder with mid- to upper-single digit share of the $200 billion Global Forwarding industry. It has 18,000 employees operating in 176 district officers in 60 countries. Its businesses include Airfreight Forwarding (35% of 2023 Revenues, 28% of Net Revenues), Ocean Forwarding (25% of 2023 Revenues, 22% of Net Revenues), and Customs Brokerage (40% of 2023 Revenues, 50% of Net Revenues).

Exhibit 22: Expeditors 2023 Gross Revenue Mix ($ mil.)
Gross Revenues in 2023 were 25% Ocean, 35% Air, and 40% Customs.



Source: Company Reports.

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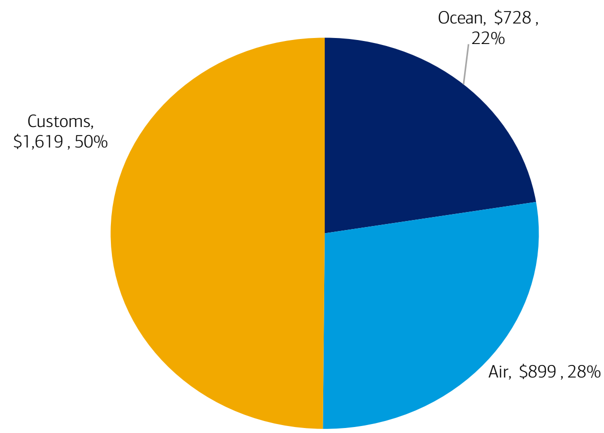
Exhibit 23: Expeditors 2023 Net Revenue Mix ($ mil.)
Net Revenues in 2023 were 22% Ocean, 28% Air, and 50% Customs.



Source: Company Reports.

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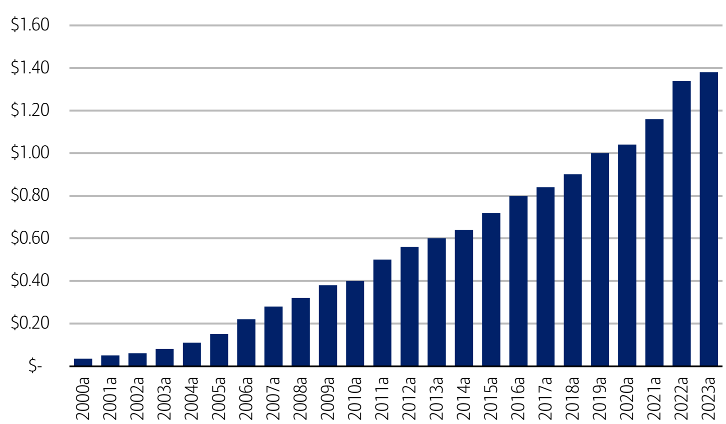
Corporate Overview

Expeditors International has a market capitalization of $17.5 billion. The company was founded in 1979 in Seattle, Washington and went public in 1984 on the NYSE. It has 145.9 million shares outstanding with 99.3% of shares floating. Expeditors operates in 440 locations nationwide with 18,452 employees. Approximately 90-100% of its floating shares are held by institutional investors. In 2020, Expeditors acquired Deustche Lufthansa's forwarding business Fleet Logistics in an all-cash transaction. It has a strong focus on shareholder returns and historically has not engaged in frequent M&A transactions.

Exhibit 24: Expeditors Dividend per Share
Expeditors has grown dividends per share at a 17% CAGR 2000-2023.



Source: BofA Global Research and company reports.

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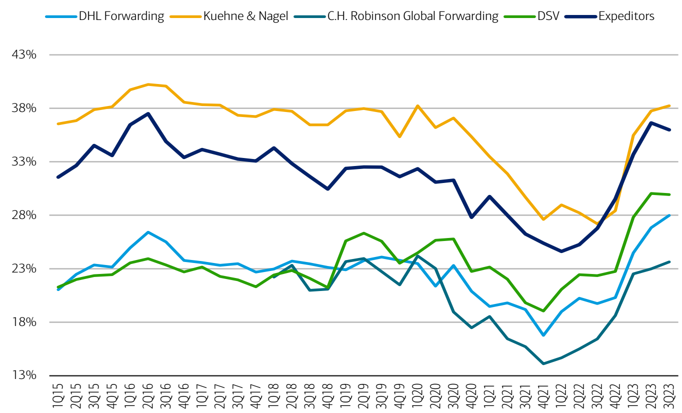
Consistently generates above peer average returns

Expeditors averaged a net revenue margin of 32% from 2015-2023, above peer average levels of 27%. Given its strong technology stack and broad suite of Forwarding services, the company provides more shipper-specific tailored solutions, which leads to higher returns compared to its peers. Expeditors' Customs Brokerage segment also operates at significantly higher Net Revenue Margins (40%-50%) compared to traditional forwarding businesses, given the more specialized nature of import services, warehousing & distribution, and commercial documentations.

Exhibit 25: Global Forwarder Net Revenue Margins

Expeditors consistently operates at above Forwarding peer avg returns.



Source: Company Reports.

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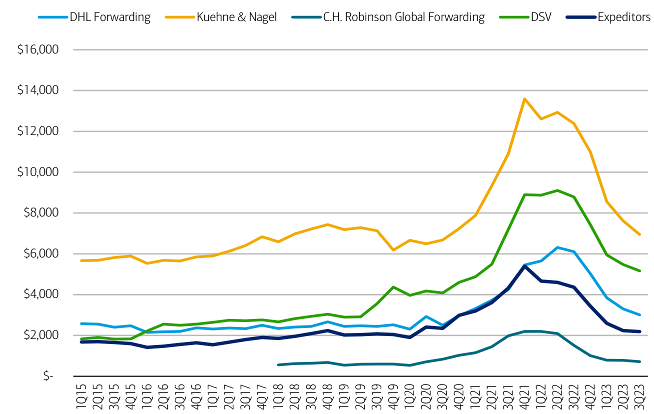
Exhibit 26: Global Forwarder Gross Revenues ($USD)

Expeditors is a leading operator in the fragmented Forwarding industry.



Source: Company Reports

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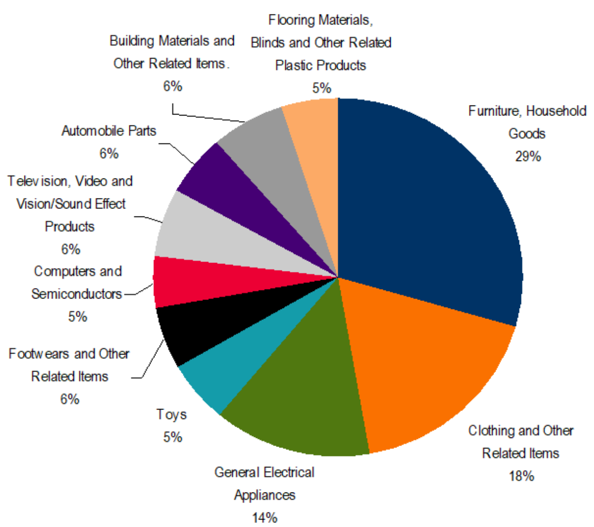
Expeditors noted it seeks a balance among its customer size (aims for 1/3 from each large, medium, and small sized customers), geographies, and product and service mix (electronics, high technology, health care, aerospace and aviation, manufacturing, oil and energy, automotive, retail consumer goods and fashion).

Ocean margins face liner capacity headwinds

Within its Ocean Forwarding segment, Expeditors serves as a Non-Vessel Operating Common Carrier (NVOCC). It contracts with container liners to move a fixed number of containers at an agreed rate and resells the capacity to companies looking to move Less-than-Container Loads (LCL) at a higher aggregate rate. Moving freight by Ocean is typically more cost-effective from a shipper's perspective compared to moving it by air. Airfreight cost/weight is 10x-20x that of Ocean on average. Container liner freight is generally consumer-focused, with durables such as home furnishing representing nearly 30% of its global mix.

Exhibit 27: Global Container Liner Cargo Mix

Furniture, Household & Goods represents almost 30% of global liner cargo



Source: OOCL

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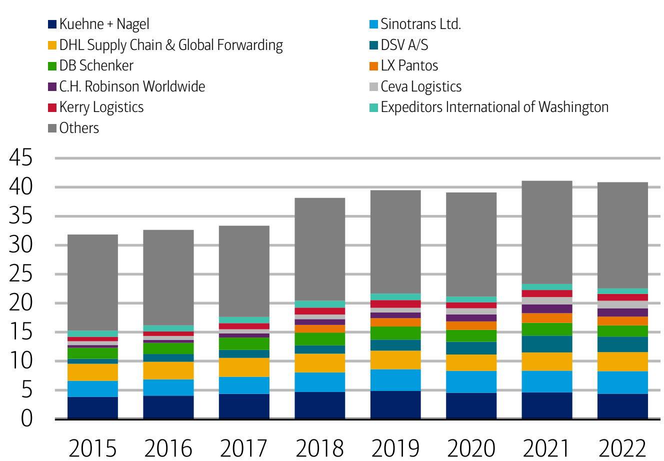
Global container liner forwarding volumes by twentyfoot containers (TEUs) have grown at 3-4% annually from 2015-2022, in-line with world GDP trade growth. Expeditors have maintained roughly a 2-3% volume share of total containers moved and remains a top 15 global Ocean Forwarder by volumes over the past decade.

Exhibit 28: Global Ocean Forwarding Volumes (mil TEUs)

Global Ocean Forwarding volumes have grown at 3-4% annually 2015-2022.



Source: BofA Global Research estimates, Transport Topics, and Armstrong & Associates

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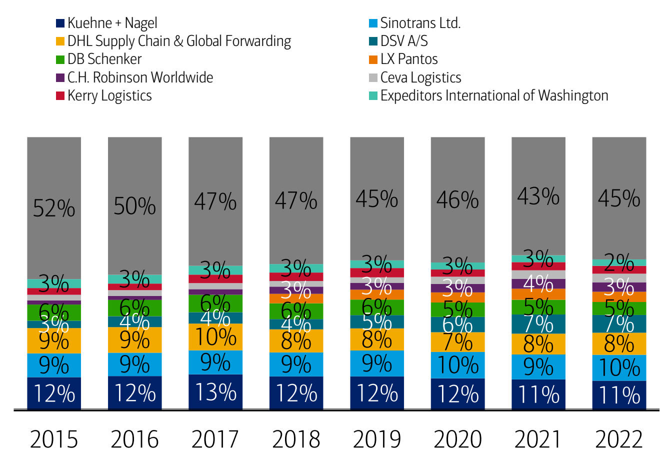
Exhibit 29: Global Ocean Forwarding Volume Share

Expeditors is the 12th largest ocean freight forwarder by volumes in 2022.



Source: BofA Global Research estimates, Transport Topics, and Armstrong & Associates

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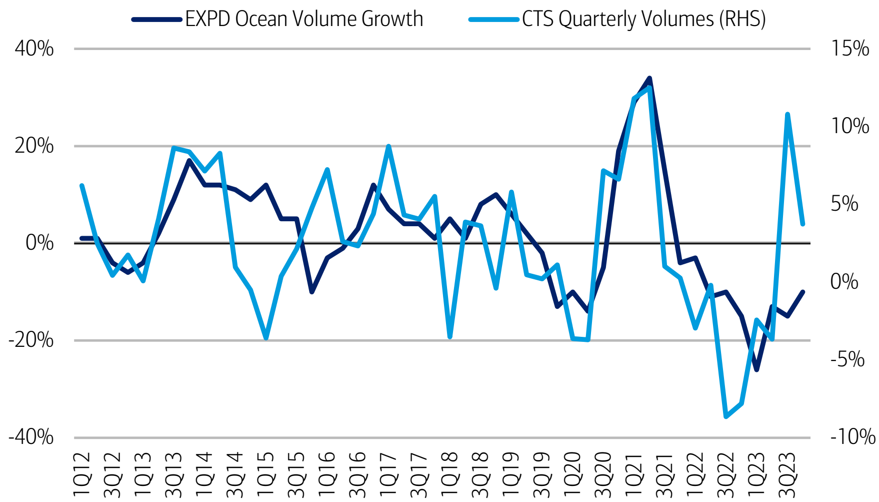
Given Expeditors relatively stable market share, its quarterly Ocean volume growth maintains approximately a 70% correlation to global container volumes (according to Container Trade Statistics, or CTS) on a one-quarter lag basis. The latency is due to Expeditor's revenue recognition methodology, which occurs at completion of its transfer, which lags when container imports are booked at global ports. Idiosyncratic drivers such as customer share win could lead to outperformance over market growth.

Exhibit 30: EXPD Ocean Volume Growth vs CTS Global Container Volume Growth

Global container growth has ~70% correlation to Ocean volume growth on a 1-quarter leading basis.



Source: BofA Global Research, World Liner Data, Company Reports, and Bloomberg.

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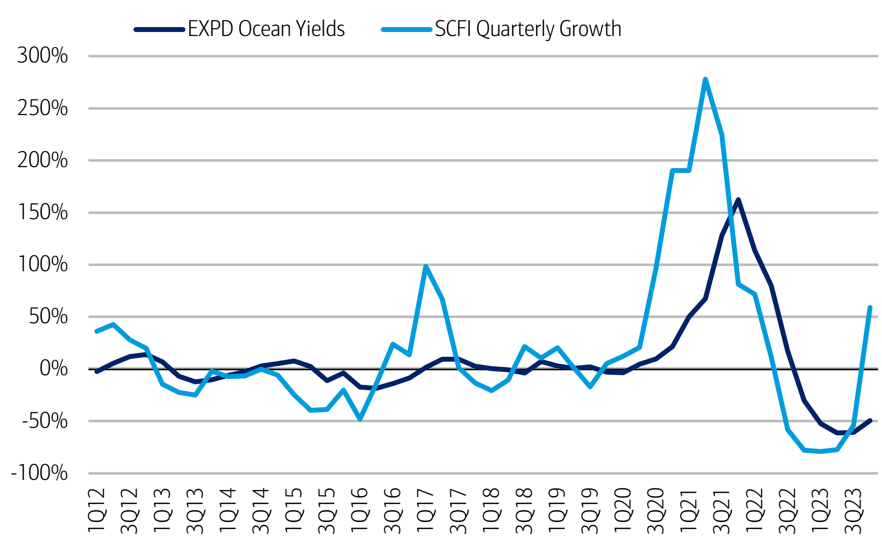
Expeditor's Ocean Gross Yields (or Gross Revenue/TEU), which may be viewed as a proxy for its Ocean sell rates, has a 90% correlation to the Shanghai Containerized Freight Index (SCFI, a spot liner rate indicator) on a one-quarter lag basis as well. Given the price competitive nature of the Ocean Forwarding industry, we expect Forwarders to offer pricing close to available spot liner capacity in the market.

Exhibit 31: EXPD Ocean Yield Growth vs SCFI Spot Container Rates Growth

SCFI rates have a 90% correlation to EXPD Ocean Yield Growth on a 1-quarter leading basis.



Source: BofA Global Research, Shanghai Containerized Freight Index, Company Reports, and Bloomberg.

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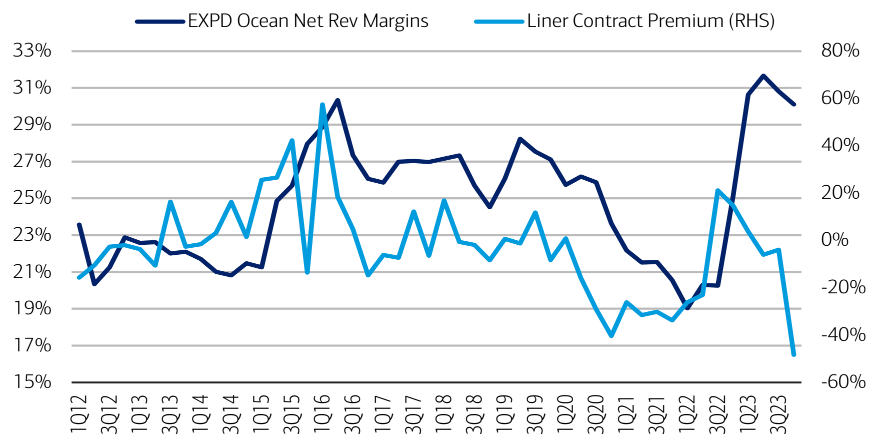
Expeditor's Ocean Net Revenue Margins are related to the spread between spot and contract liner rates (50% correlation on a one-quarter lag), which may be derived from the percent premium of China Containerized Freight Index (CCFI, a liner contract rate indicator) over SCFI. Forwarders typically maintain higher contract mix on the sell rates and higher spot mix on buy rates. The mix of capacity and freight may fluctuate, but directionally sudden increases in spot rates without a corresponding contract rate increase may lead to margin pressure. Given an elevated liner newbuild orderbook (25% of the active fleet), liner contract rates are expected remain pressured in the near-term. Thus, the net revenue margin backdrop is expected to be relatively muted.

Exhibit 32: EXPD Ocean Net Revenue Margin vs Container Liner Contract-Spot Premium
Ocean net revenue margins are somewhat correlated to the spread between spot-contract liner rates.



Source: BofA Global Research, Shanghai Containerized Freight Index, Company Reports, and Bloomberg.
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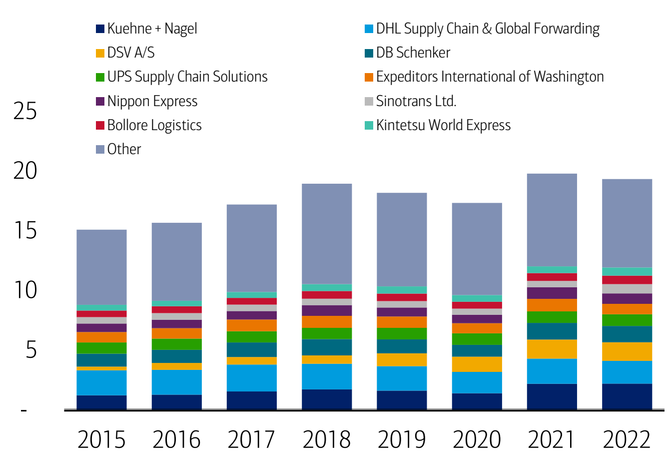
Airfreight supply growth in excess of demand growth

Within Airfreight, Expeditors maintains a 4-5% volume share of the Global Airfreight Forwarding market, which is growing at 4% CAGR 2015-2022. Expeditor's average air cargo shipment weighs approximately 3,900 pounds and contains merchandise from several shippers. Air cargo is typically high-value (healthcare, technology, e-commerce) and time-sensitive, usually arriving at its destination within 48 hours of booking.

Exhibit 33: Global Airfreight Forwarding Volumes (mil metric tons)
Expeditors moved 869k metric tons of airfreight cargo in 2022



Source: BofA Global Research estimates, Transport Topics, and Armstrong & Associates
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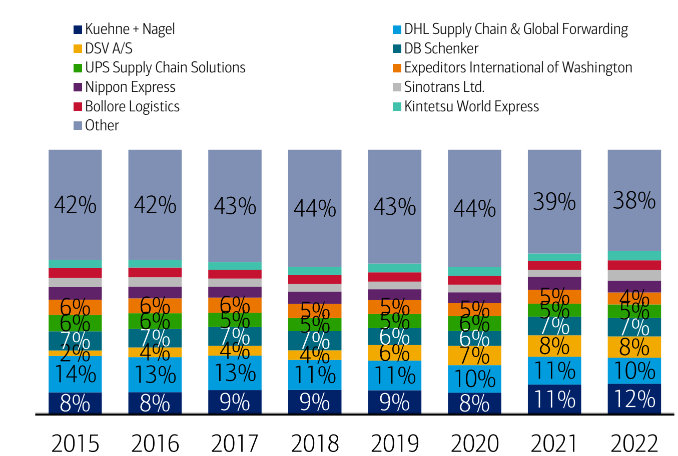
Exhibit 34: Global Airfreight Forwarding Volume Share
EXPD has mid-to-high-single-digit % of airfreight volume share 2015-2022.



Source: BofA Global Research estimates, Transport Topics, and Armstrong & Associates
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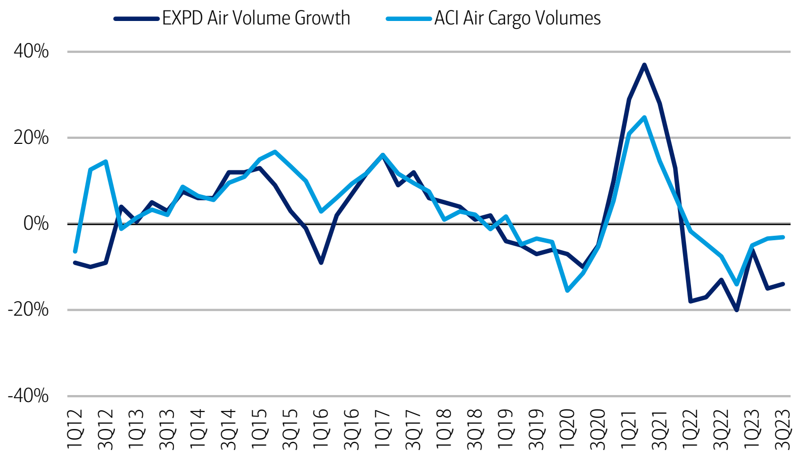
Airfreight volumes and rates can fluctuate significantly, as air represents only 1% of global trade volumes. This suggests disruption potential if even a minor portion of Ocean freight were to shift to Air. Supply chain disruptions such as COVID proved to be a major driver in Air volumes. Similar to its Ocean segment, Expeditor's share of global Air Forwarding volumes have been consistent at a mid-single digit percent range. Due to the time-definite delivery speed of airfreight, Air Forwarding volumes tend to correlate more concurrently with global Airfreight volumes. Expeditors' Air volume growth has an 80% correlation to global air cargo tonnage growth.

Exhibit 35: EXPD Airfreight Volume Growth vs Global Air Cargo Tonnage Growth
Expeditor's Airfreight volume growth has an 80% correlation to Global air Cargo tonnage growth.



Source: BofA Global Research, Airports Council International, Company Reports, and Bloomberg

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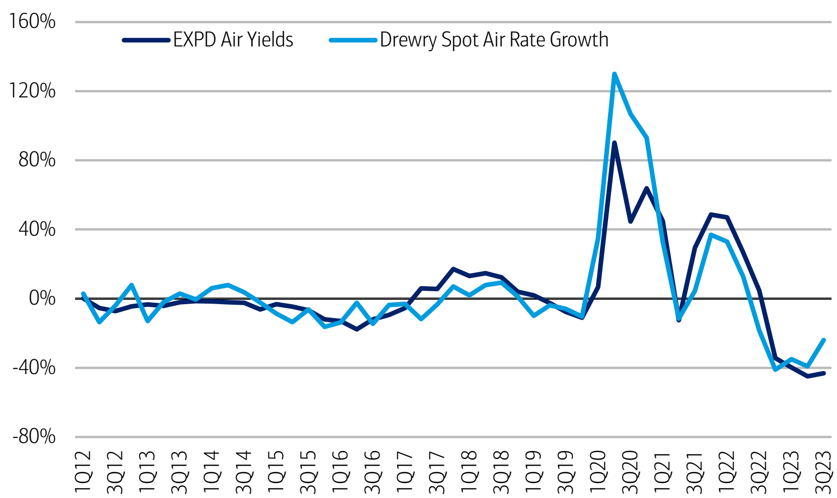
Airfreight yields, or gross revenue/tonnage, are historically related to industry spot pricing which continues to face pressures as capacity growth outpaces demand for 28 consecutive months. This is due to the return of passenger belly capacity impacting the supply-demand balance. Given the competitive pricing in the Air Forwarding market, Expeditors Airfreight yields have a 90% correlation to Drewry East-West Average Spot Airfreight Rate, a blended rate indicator across 28 major airfreight lanes.

Exhibit 36: EXPD Airfreight Yield Growth vs Drewry Spot Air Freight Average Rate Growth
Expeditor's airfreight yield growth has a 90% correlation to Drewry's average spot air rates.



Source: BofA Global Research, Drewry Shipping Consultants, Company Reports, and Bloomberg.

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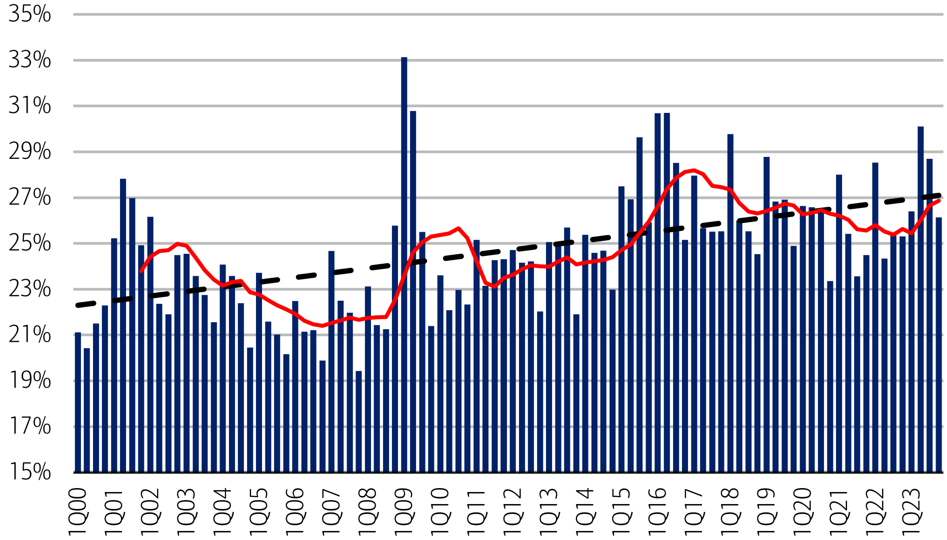
Over the last 23 years, Expeditors has been able to structurally grow its Airfreight Net Revenue Margins as it scaled, expanding its Air Forwarding spread from 20% in 2000 to 28% in 2023. Although margins are subject to the volatility of the freight cycle, scale allows Expeditors to purchase air capacity in greater size, thus delivering increased discounts. This allows the company to consistently improve its returns as it grows organically.

Exhibit 37: Expeditors Airfreight Net Revenue Margins and 2-Year Moving Average (Red)
Expeditors expanded Airfreight Net Revenue Margins from 20% in 2000 to 28% in 2023.



Source: BofA Global Research and Company Reports.

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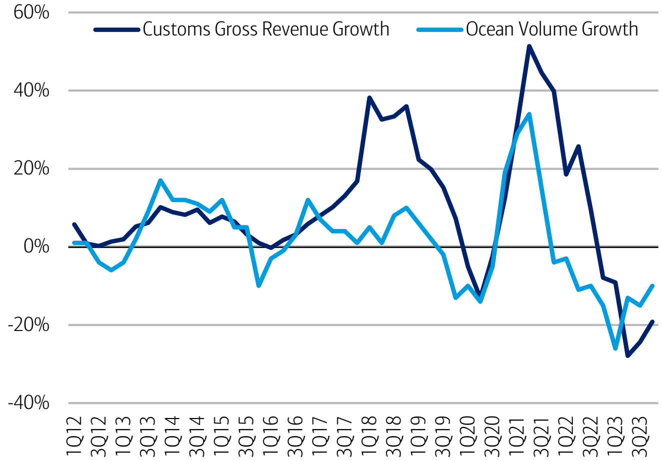
Customs Brokerage driven by Air and Ocean volumes

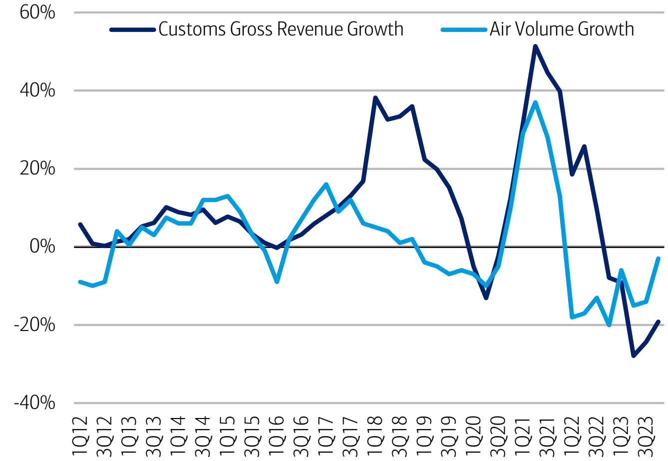
In Customs Brokerage, Expeditors provides ancillary services to its traditional forwarding operations, such as cross-border documentation and transcontinental multimodal transport brokerage services. Due to the premium pricing for these customized tailored solutions, Customs Brokerage has higher margins than Air and Ocean, representing the biggest portion of Expeditor's Net Revenues. Customs gross revenue growth is directly related to the Air and Ocean volumes that Expeditors moves. Historically, Customs gross revenues are positively correlated with Air and Ocean volume growth.

Exhibit 38: Expeditors Customs Brokerage Growth vs Ocean Volumes
Expeditors Customs Gross Revenues are correlated with Ocean volumes.



Source: BofA Global Research and Company Reports.
BofA GLOBAL RESEARCH

Exhibit 39: Expeditors Customs Brokerage Growth vs Air Volumes
Expeditors Customs Gross Revenues are correlated with Air volumes.



Source: BofA Global Research and Company Reports.
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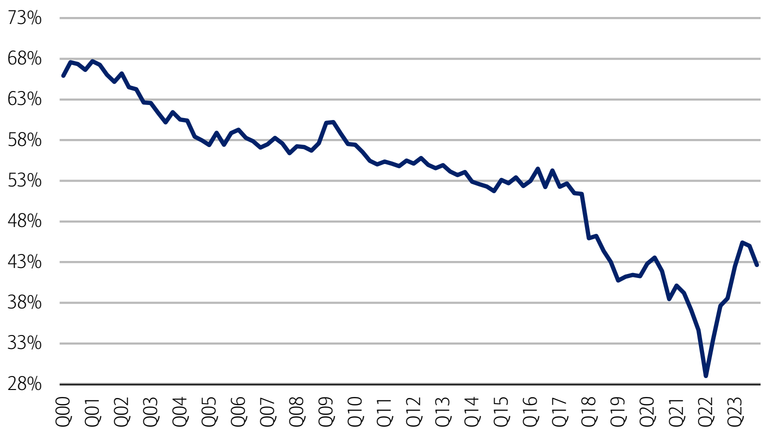
Due to the gradual inclusion of profitable yet margin dilutive operations, such as Warehousing & Distribution and Transcon truck services (the 'Other' in Customs Brokerage & Other category), Customs Brokerage Net Revenue Margins have declined from the 60%-70% range in 2000 to the 40%-50% range in 2023. The segment was negatively impacted by a cyberattack in 1Q22, which led to significantly higher expenses due to system downtime, resulting in demurrage and detention costs. As it moved past that event, net revenue margins have returned to its recent historical band of 40%-50%.

Exhibit 40: Expeditors Customs Brokerage Net Revenue Margins
Expeditors Customs Brokerage Net Revenue Margin should stabilize at 40%-50%.



Source: BofA Global Research and Company Reports.
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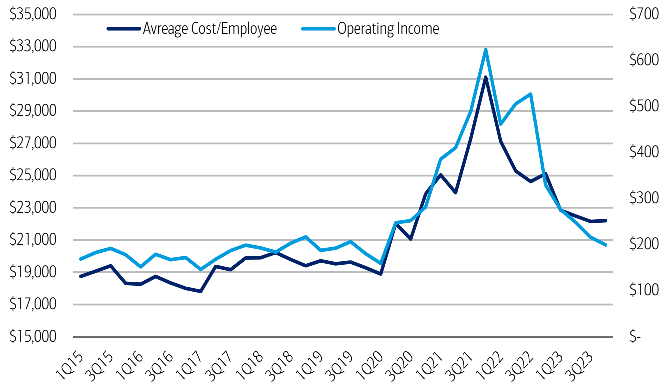
Variable compensation structure indicate low op leverage

Given Expeditor's asset-light operating model, employees represents its most important asset, as well as its largest cost (74% of OpEx). The company operates on a unique variable compensation structure in which employees are paid a modest base salary with incentive compensation tied to cumulative operating income and loss (a forwarder must recoup prior losses before earning incentive pay). This leads to a lower operating leverage with Average Cost/Employee historically at a 90% correlation to the company's EBIT. However, unlike other asset light operators, Expeditors does not do layoffs during downturns, having laid off no employees during the Financial Crisis and COVID. It historically relies on attrition to reduce its workforce, which may constrain its agility to pull costs in response to a rapid and sudden Freight Recession.

Exhibit 41: Expeditors Average Cost per Employee vs Operating Income
Average Cost/Employee has a 90% correlation to EXPD's Operating Income.



Source: BofA Global Research and Company Reports.

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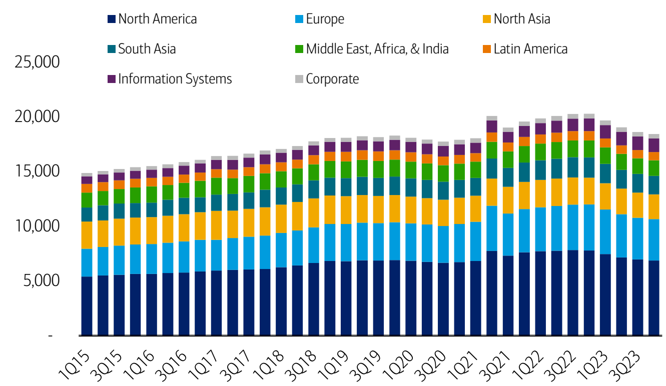
Exhibit 42: Expeditors Employee Mix
Expeditors only leverages attrition to lower its workforce.



Source: BofA Global Research and Company Reports.

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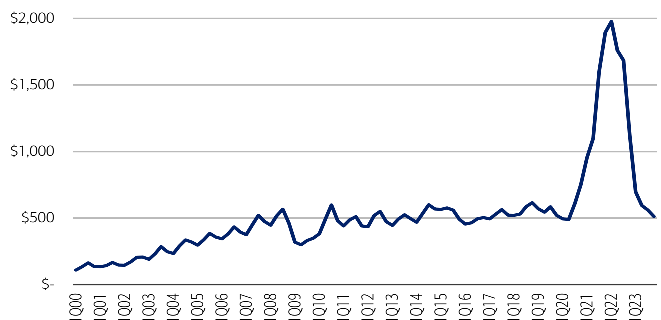
Operating and Financial Charts

Exhibit 43: Expeditors Ocean Gross Revenues
Ocean gross revenues were $2.4 billion in 2023, down 64% year-over-year.



Source: BofA Global Research and Company Reports.

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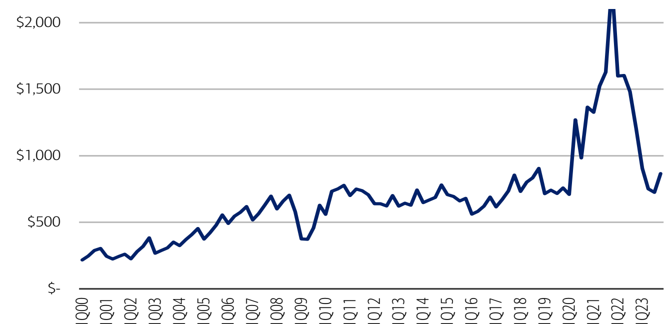
Exhibit 44: Expeditors Air Gross Revenues
Air gross revenues were $3.2 billion in 2023, down 45% year-over-year.



Source: BofA Global Research and Company Reports.

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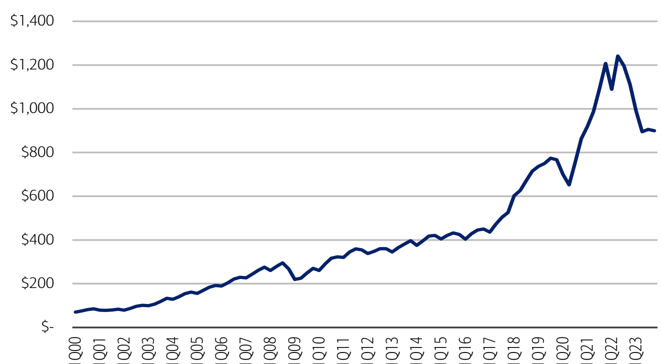
Exhibit 45: Expeditors Customs Brokerage Gross Revenues
Customs gross revenues were $3.7 billion, down 20% year-over-year.



Source: BofA Global Research and Company Reports.

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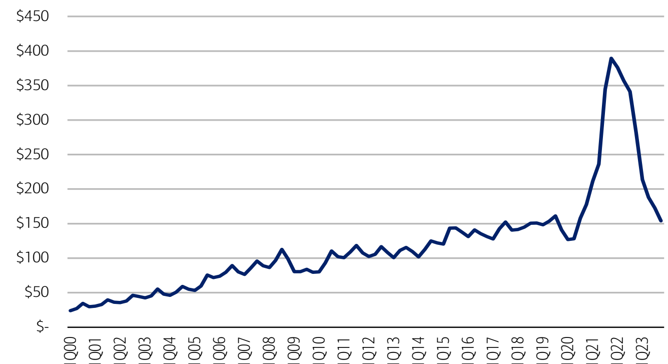
Exhibit 46: Expeditors Ocean Net Revenues
Ocean Net Revenues were $728 million in 2023, down 46% year-over-year.



Source: BofA Global Research and Company Reports.

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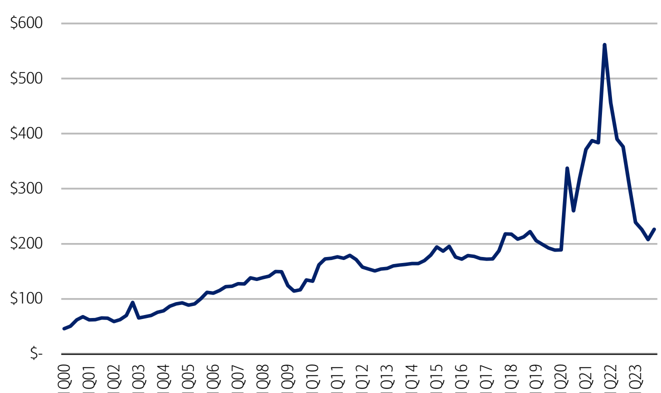
Exhibit 47: Expeditors Air Net Revenues
Air Net Revenues were $899 million in 2023, down 41% year-over-year.



Source: BofA Global Research and Company Reports.

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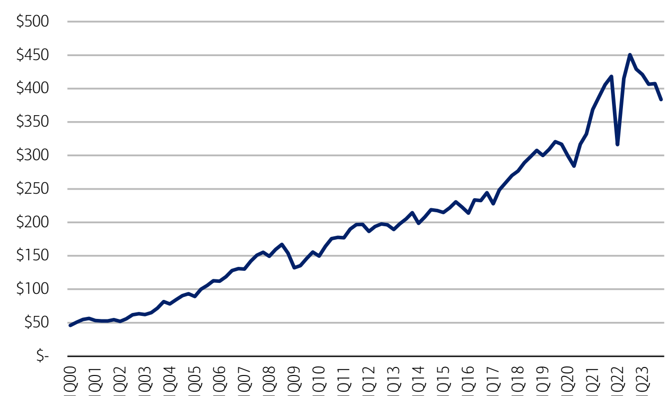
Exhibit 48: Expeditors Customs Brokerage Net Revenues
Customs Net Revenues were $1.6 billion in 2023, flat year-over-year.



Source: BofA Global Research and Company Reports.

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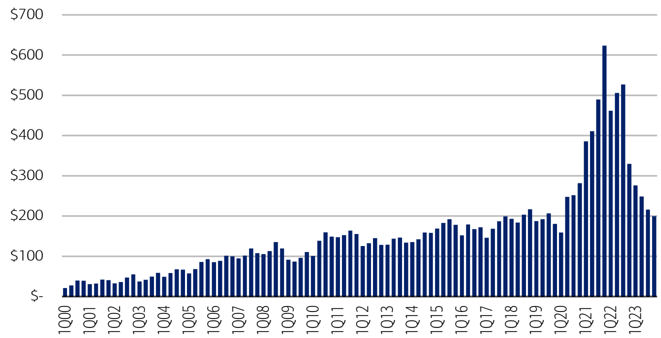
Exhibit 49: Expeditors Operating Income

Expeditors Operating Income was $940 million in 2023, down 48% y-y.

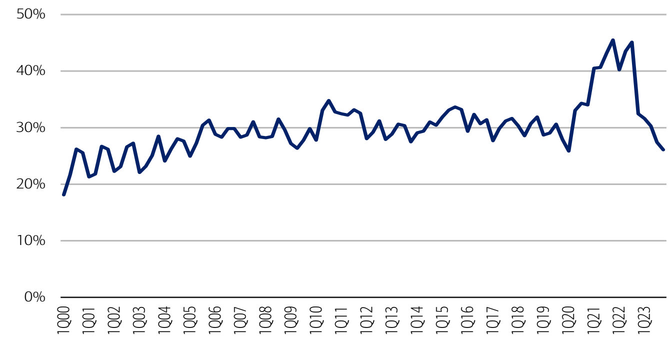


Source: BofA Global Research and Company Reports.

BofA GLOBAL RESEARCH

Exhibit 50: Expeditors Net Operating Margins

Expeditors Net Operating Margin was 29% in 2023, down 1,160 bps y-y.

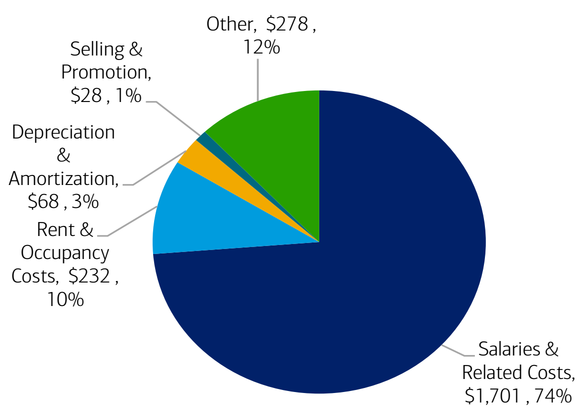


Source: BofA Global Research and Company Reports.

BofA GLOBAL RESEARCH

Exhibit 51: 2023 Expeditors Operating Expense Mix ($ mil)

Labor accounts for 74% of Expeditor's 2023 Operating Expense.

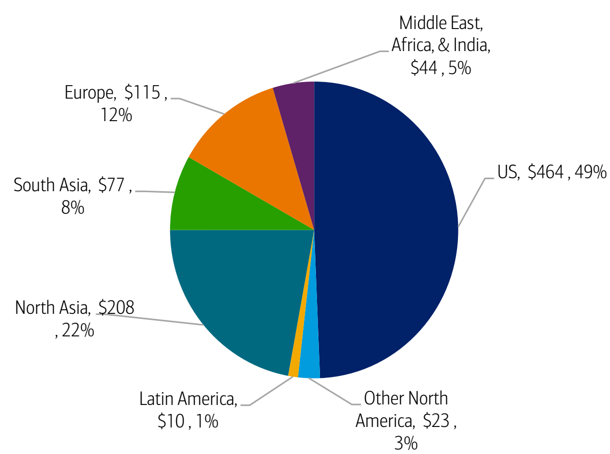


Source: BofA Global Research and Company Reports.

BofA GLOBAL RESEARCH

Exhibit 52: 2023 Expeditors Operating Income Mix ($ mil)

US accounts for approximately half of Expeditors 2023 Operating Income.



Source: BofA Global Research and Company Reports.

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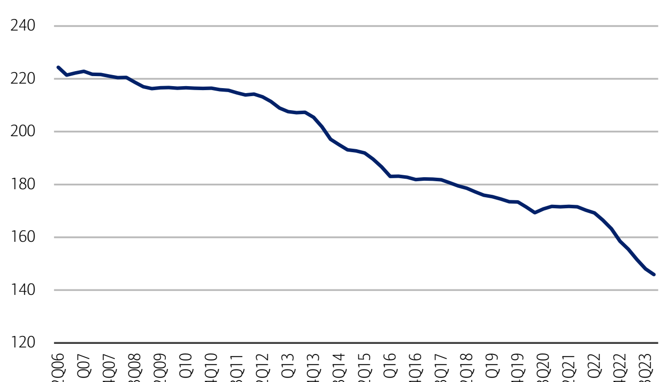
Exhibit 53: Expeditors Diluted Shares Outstanding

Shares outstanding has fallen to 145 million from 220 million in 2006.



Source: BofA Global Research and Company Reports.

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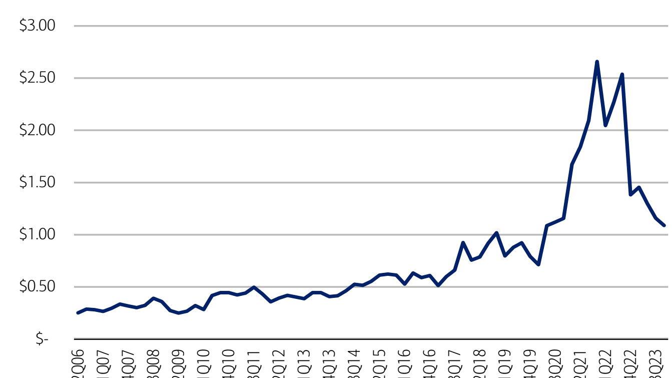
Exhibit 54: Expeditors Earnings per Share

EPS has grown at a 9% CAGR from 2000-2023.



Source: BofA Global Research and Company Reports.

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Executive & Board

Tenured leadership team and operating focus

Expeditors was registered as a single office ocean forwarder 1979 by former Harper Group executive John Kaiser. The company's founders Peter Rose, Glen Alger, James Wang, Kevin Walsh, Hank Wong, George Ho, and Robert Chiarito joined in 1981 with a focus on establishing a one-stop shop for forwarding and custom brokerage services.

Since its listing in 1984, executive turnover has been minimal. Expeditor CEO Jeffrey Musser, who started at the firm in 1983, is only the second CEO in the company's 44 year history after founder Peter Rose, who became CEO in 1988. CFO Brad Powell, also a 15-year company veteran, took over that role in 2008. Expeditor's executive officer team of 8 members have spent more than 200 years collectively at the firm. On average, each member of that team has spent more than 25 years at the company.

We met this week with CEO Jeff Musser and CFO Brad Powell and remain impressed with the culture it focuses on, aided by its incentive comp structure and work to keep employees in shifting economic cycles), its desire to continue to outgrow the market, and its focus on improving returns (on invested capital and dividends).

Exhibit 55: Expeditors Executive Team

Average named executive officer has spent more than 25 years at the firm.

Name	Position	Years
Jeffrey Musser	CEO	41
Daniel Wall	President Global Geographies and Operations	37
Blake Bell	President Global Services	29
Kelly Blacker	President Global Products	30
Bradley Powell	Senior Vice President, CFO	15
Christopher McClincy	Senior Vice President, Chief Information Officer	26
Benjamin Clark	Senior Vice President, Chief Strategy Officer	9
Jeffrey Dickerman	Senior Vice President, General Counsel, Corporate Secretary	19

Source: BofA Global Research and company reports

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The company's Board of Directors consists of 9 members. Members have a current average tenure of 7 years on the board. The Board Nominating & Governance Committee is comprised of Ms. Pelletier, Dr. Emmert, and Ms. Gulyas. Expeditor's bylaws require the board to be composed between 6 and 11 members.

Exhibit 56: Expeditors Board of Directors

Board members on average have a tenure of 7 years.

Name	Position	Years
Robert Carlile	Chairman of the Board, Prior KPMG Partner	2
Glen Alger	Director, Founder of EXPD	7
James DuBois	Director, Prior CIO of Microsoft	8
Mark Emmert	Director, President of NCAA	16
Diane Gulyas	Director, Prior President of DuPont	8
Jeffrey Musser	Director, CEO of EXPD	10
Brandon Pedersen	Director, Prior CFO of Alaska Air	2
Liane Pelletier	Director, Prior CEO of Alaska Communications	11
Olivia Polius	Director, CFO of Bill & Melinda Gates Foundation	2

Source: BofA Global Research and company reports

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Unique corporate incentive structure for executives

Expeditors has a highly unique compensation structure compared to other freight logistics operators. All executives are paid a base salary of $100,000 with the majority of income related to non-equity incentive plan compensation, which is based on operating profits. All senior managers must meet a 5% earnings growth threshold to earn an unreduced payout. Each executive or district branch manager is paid based on the operating income of the group or manager's respective branch. Management performance is evaluated on cumulative earnings, contrary to annual performance at peer operators. Any profits must first replenish historical losses before being accounted in incentive comp targets. Additionally, Expeditors pays no incentive compensation in any quarter with zero or negative operating income. It also doesn't pay retirement bonuses or any guaranteed bonuses to executives.

Risk Factors

Upside Risks

(1) Rapid tightening of Ocean and Air freight capacity

(2) Accelerating macro demand growth leading to volume upside

(3) Improved cost levels driven by faster than expected attrition

Rapid tightening of Ocean and Air freight capacity
Faster than expected tightening in Ocean and Air freight capacity could lead to improved Forwarding spreads, leading to a faster-than-expected recovery in Expeditors earnings. This could potentially be driven by supply chain disruptions, cancellation of liner newbuild orders, and material global trade lane dislocations.

Accelerating macro demand growth leading to volume upside
Higher than expected macro demand can lead to increased freight demand, which could lead freight volumes, driving higher-than-anticipated earnings. Greater-than-expected Air and Ocean volumes could drive Customs revenue growth, which may be margin accretive given positive mix.

Improved cost levels driven by faster-than-expected attrition
Expeditors "no-layoff" policy may lead to elevated costs relative to demand during downturns. Faster-than-expected workforce attrition could lead to margin improvement, which could result in higher-than-expected earnings and returns.

Downside Risks

(1) Softening macro demand may drag on rates and growth

(2) Intensifying competition from peers may impact pricing

(3) Tech disruption may negatively affect operations

Softer macro demand may drag on rates and growth
Global economic decline as a result of softer demand may negatively impact trade and thus result in lower demand for Expeditor's services. Unfavorable economic conditions, rising interest rates, and elevated inflation could result in lower freight volumes and reduced sell rates as demand for goods fall.

Intensifying competition from peers may impact pricing
Given the intensely competitive nature of the global logistics industry (only 25% share is among the larger carriers, such as DHL, K+N, and DSV, with 75% controlled by small to medium sized competitors), Expeditors may face increased pricing pressures as peer forwarders vie for market share. Asset-based carriers looking to expand into the forwarding industry may also lead to rate-related challenges.

Tech disruption may negatively affect operations
Disruptions with Expeditors' technology platform may negatively impact its business. In Feb 2022, Expeditors was subject to a cyber-attack which limited operations for three weeks, leading to loss of revenues and significant remediation costs. While technology remains a significant portion of the company's investment spend, it also hired a chief information security officer following the cyber-attack to boost its systems defense.

Near-shoring – both a risk and asset
Shippers are increasingly discussing near shoring production, which can be a detriment, if the production is sole sourced and moved from Asia (China) to US/Mexico, or an asset/benefit if it becomes a China plus one strategy, where a company diversifies its sourcing and adds to production locations. If assembly is shifted to Mexico, raw materials may still be produced in Asia, or components still have to transit to Mexico, clearing customs multiple times in its path to final product and distribution.

Model Review

Exhibit 57: BofA Expeditors Model Review
We target 2024 and 2025 EPS estimates of $4.75 and $5.15, respectively.

	1Q23a	2Q23a	3Q23a	4Q23a	2023a	1Q24e	2Q24e	3Q24e	4Q24e	2024e
GROSS REVENUES										
Airfreight Services	904.9	751.2	724.3	866.1	3,246.5	810.9	812.4	828.6	945.8	3,397.7
Ocean Freight & Ocean Services	697.3	593.8	560.3	511.9	2,363.2	524.3	530.0	535.3	553.6	2,143.2
Customs Brokerage & Other Services	990.4	894.8	905.4	899.8	3,690.3	921.1	930.6	941.6	940.3	3,733.5
Total Gross Revenues	2,592.6	2,239.8	2,190.0	2,277.8	9,300.1	2,256.2	2,272.9	2,305.6	2,439.7	9,274.4
COST OF TRANSPORTATION										
Airfreight Services	666.0	525.0	516.5	639.7	2,347.3	600.1	584.9	596.6	695.2	2,476.8
Ocean Freight & Ocean Services	483.7	405.8	387.7	357.8	1,634.9	372.3	376.3	380.1	387.5	1,516.1
Customs Brokerage & Other Services	569.4	488.3	497.9	516.1	2,071.8	525.0	521.1	527.3	536.0	2,109.4
Total Cost of Transportation	1,719.1	1,419.2	1,402.1	1,513.6	6,054.0	1,497.3	1,482.3	1,504.0	1,618.6	6,102.3
NET REVENUES										
Airfreight Services	238.9	226.1	207.8	226.4	899.2	210.8	227.5	232.0	250.6	921.0
Ocean Freight & Ocean Services	213.6	188.0	172.6	154.1	728.3	152.0	153.7	155.3	166.1	627.1
Customs Brokerage & Other Services	421.0	406.4	407.5	383.7	1,618.6	396.1	409.5	414.3	404.3	1,624.1
Total Net Revenues	873.5	820.6	787.9	764.2	3,246.1	758.9	790.6	801.6	821.0	3,172.1
EXPENSES										
Airfreight Services	666.0	525.0	516.5	639.7	2,347.3	600.1	584.9	596.6	695.2	2,476.8
Ocean Freight & Ocean Services	483.7	405.8	387.7	357.8	1,634.9	372.3	376.3	380.1	387.5	1,516.1
Salaries & Related Costs	449.8	428.6	412.5	409.6	1,700.5	410.2	415.8	424.9	434.5	1,685.4
Rent & Occupancy Costs	57.6	58.2	58.4	58.1	232.4	53.1	58.5	57.7	57.5	226.8
Depreciation & Amortization	15.3	15.5	15.6	21.4	67.8	15.2	15.8	16.0	16.4	63.4
Selling & Promotion	6.4	6.3	6.1	9.1	27.9	6.1	6.3	6.4	9.0	27.8
Other	68.4	63.5	79.2	66.6	277.6	75.9	79.1	76.1	73.9	305.0
Total Operating Expenses	2,316.6	1,991.3	1,973.9	2,078.4	8,360.2	2,057.8	2,057.8	2,085.3	2,210.0	8,410.8
Total Operating Exp (ex Air, Ocean, Customs)	597.5	572.1	571.8	564.8	2,306.2	560.4	575.5	581.2	591.3	2,308.5
Operating Income (EBIT)	276.0	248.5	216.1	199.4	939.9	198.5	215.1	220.3	229.7	863.7
Net Operating Margin	*31.6%*	*30.3%*	*27.4%*	*26.1%*	*29.0%*	*26.2%*	*27.2%*	*27.5%*	*28.0%*	*27.2%*
Operating Income Growth Y-Y	*-40.2%*	*-50.9%*	*-59.0%*	*-39.5%*	*-48.5%*	*-28.1%*	*-13.4%*	*2.0%*	*15.2%*	*-8.1%*
Interest Income	18.8	17.8	17.2	16.7	70.5	15.1	16.0	14.7	14.6	60.4
Interest Expense	(2.6)	(0.4)	(1.6)	(0.2)	(4.8)	(1.0)	(1.0)	(1.0)	(1.0)	(3.8)
Other Income - net (expense)	8.5	0.3	0.3	0.4	9.4	0.1	0.1	0.1	0.1	0.4
Total Other Income (expense)	24.6	17.7	15.8	17.0	75.1	14.3	15.1	13.8	13.7	57.0
Pretax Income	300.6	266.2	231.9	216.4	1,015.0	212.8	230.2	234.2	243.4	920.6
Income Taxes	74.6	70.4	61.0	57.2	263.2	56.4	61.0	62.1	64.5	244.0
Tax Rate	24.8%	26.4%	26.3%	26.4%	25.9%	26.5%	26.5%	26.5%	26.5%	26.5%
Net Earnings	226.0	195.8	170.8	159.1	751.8	156.4	169.2	172.1	178.9	676.7
Less Net Earnings Attrib to Noncontrolling Int.	(0.0)	(1.0)	(0.5)	0.4	(1.1)	-	-	-	-	-
Normalized Net Income	226.0	196.8	171.4	158.7	752.9	156.4	169.2	172.1	178.9	676.7
Extraordinary Charge (gain)	-									
Reported Net Income	226.0	196.8	171.4	158.7	752.9	156.4	169.2	172.1	178.9	676.7
Normalized EPS (Diluted Shrs)	1.45	1.30	1.16	1.09	5.01	1.08	1.18	1.21	1.27	4.75
Reported EPS (Diluted Shrs)	1.45	1.30	1.16	1.09	5.01	1.08	1.18	1.21	1.27	4.75
Fully Diluted Shares Outstand.	155.5	151.6	148.0	145.9	150.2	144.4	143.0	141.7	140.4	142.4
Basic Shares Outstanding	154.2	150.4	147.1	145.0	149.2	143.5	142.1	140.8	139.5	141.5
Dividends Per Share	-	0.69	-	0.69	1.38	-	0.71	-	0.71	1.42
Dividend Payout Ratio	0.0%	25.1%	0.0%	30.7%	27.5%	0.0%	31.3%	0.0%	28.5%	29.9%

Source: BofA Global Research estimates, Company reports.

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Price objective basis & risk

Expeditors International (EXPD)

Our $126 PO is based on 26.5x our 2024 EPS estimate, above the midpoint of its all-time 15x-28x range (and above the top end of its 5-year 18x-24x range) as the operator moves past the trough of the Forwarding cycle (typically a late-cycle group in the Freight industry) in 2023. We are positive on Expeditors' strong core operating focus as well as its balance sheet strength yet view its share multiple as fair (premium to Forwarding peer average of 22x). We also remain cautious on continued excess capacity in Air and Ocean pressuring pricing. The challenging supply-demand backdrop highlight our uncertain view on near-term returns.

Downside risks include a softer than expected macro demand which could drag on volume growth and rates, intensifying competition (on pricing) from its Forwarding peers, and disruption in freight technology leading to share win for smaller, newer operators.

Upside risks include a faster than expected tightening in Air and Ocean capacity, better than expected macro demand leading to improved volume and rate increases, and accelerating attrition in Expeditors' workforce, which could lead to better-than-anticipated margins.

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
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
	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
	Expeditors International	EXPD	EXPD US	Ken Hoexter
	Old Dominion Freight Line	ODFL	ODFL 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
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

US - Transportation Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
RSTR				
	Norfolk Southern	NSC	NSC US	Ken Hoexter

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Business Performance	Numerator	Denominator
Return On Capital Employed	NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5 Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings	**Numerator**	**Denominator**
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt – Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit	**Numerator**	**Denominator**
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap = Current Share Price × Current Basic Shares
Enterprise Value / Sales	EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

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Disclosures

Important Disclosures

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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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster[R2]
Buy	≥ 10%	≤ 70%
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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