# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**

# FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended June 30, 2020**

**or**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from ________ to ________ .**

**Commission File Number: 0-19582**

# OLD DOMINION FREIGHT LINE, INC.
**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **VIRGINIA** | **56-0751714** |
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification No.)** |
| **500 Old Dominion Way<br>Thomasville, North Carolina** | **27360** |
| **(Address of principal executive offices)** | **(Zip Code)** |

**(336) 889-5000**
**(Registrant's telephone number, including area code)**

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| **Common Stock ($0.10 par value)** | **ODFL** | **The Nasdaq Stock Market LLC (Nasdaq Global Select Market)** |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | ☒ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| | | Emerging growth company | ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of August 4, 2020 there were 117,331,447 shares of the registrant's Common Stock ($0.10 par value) outstanding.

## INDEX

**Part I – FINANCIAL INFORMATION**



**Part II – OTHER INFORMATION**

## PART I. FINANCIAL INFORMATION

### Item 1. Financial Statements

**OLD DOMINION FREIGHT LINE, INC.**
**CONDENSED BALANCE SHEETS**

| *(In thousands, except share and per share data)* | | June 30, 2020 (Unaudited) | | December 31, 2019 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | $ | 518,624 | $ | 403,571 |
| Customer receivables, less allowances of $9,033 and $8,866, respectively | | 387,260 | | 397,579 |
| Other receivables | | 8,525 | | 10,586 |
| Prepaid expenses and other current assets | | 54,161 | | 55,098 |
| Total current assets | | 968,570 | | 866,834 |
| | | | | |
| Property and equipment: | | | | |
| Revenue equipment | | 1,902,486 | | 1,898,999 |
| Land and structures | | 2,126,400 | | 2,039,937 |
| Other fixed assets | | 491,902 | | 482,425 |
| Leasehold improvements | | 12,103 | | 11,709 |
| Total property and equipment | | 4,532,891 | | 4,433,070 |
| Accumulated depreciation | | (1,577,808) | | (1,464,235) |
| Net property and equipment | | 2,955,083 | | 2,968,835 |
| | | | | |
| Goodwill | | 19,463 | | 19,463 |
| Other assets | | 136,912 | | 140,436 |
| Total assets | $ | 4,080,028 | $ | 3,995,568 |

Note: The Condensed Balance Sheet at December 31, 2019 has been derived from the audited financial statements at that date, but does not include all of the information and notes required by U.S. generally accepted accounting principles for complete financial statements.

*The accompanying notes are an integral part of these condensed financial statements.*

**OLD DOMINION FREIGHT LINE, INC.**
**CONDENSED BALANCE SHEETS**
**(CONTINUED)**

| *(In thousands, except share and per share data)* | June 30, 2020 (Unaudited) | December 31, 2019 |
|---|---|---|
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | **$ 51,257** | $ 70,254 |
| Compensation and benefits | **190,678** | 192,524 |
| Claims and insurance accruals | **52,469** | 54,330 |
| Other accrued liabilities | **51,464** | 46,130 |
| Income taxes payable | **103,306** | 2,847 |
| Current maturities of long-term debt | **45,000** | — |
| Total current liabilities | **494,174** | 366,085 |
| | | |
| Long-term liabilities: | | |
| Long-term debt | **99,923** | 45,000 |
| Other non-current liabilities | **254,899** | 241,802 |
| Deferred income taxes | **248,564** | 261,964 |
| Total long-term liabilities | **603,386** | 548,766 |
| Total liabilities | **1,097,560** | 914,851 |
| | | |
| Commitments and contingent liabilities | | |
| | | |
| Shareholders' equity: | | |
| Common stock - $0.10 par value, 280,000,000 shares authorized, 117,335,353 shares outstanding at June 30, 2020 and 140,000,000 shares authorized, 119,532,534 shares outstanding at December 31, 2019 | **11,734** | 11,953 |
| Capital in excess of par value | **181,895** | 218,462 |
| Retained earnings | **2,788,839** | 2,850,302 |
| Total shareholders' equity | **2,982,468** | 3,080,717 |
| Total liabilities and shareholders' equity | **$ 4,080,028** | $ 3,995,568 |

Note: The Condensed Balance Sheet at December 31, 2019 has been derived from the audited financial statements at that date, but does not include all of the information and notes required by U.S. generally accepted accounting principles for complete financial statements.

*The accompanying notes are an integral part of these condensed financial statements.*

**OLD DOMINION FREIGHT LINE, INC.**
**CONDENSED STATEMENTS OF OPERATIONS**
**(UNAUDITED)**

| *(In thousands, except share and per share data)* | Three Months Ended June 30, 2020 | Three Months Ended June 30, 2019 | Six Months Ended June 30, 2020 | Six Months Ended June 30, 2019 |
|---|---|---|---|---|
| Revenue from operations | **$ 896,210** | $ 1,060,666 | **$ 1,883,574** | $ 2,051,448 |
| Operating expenses: | | | | |
| Salaries, wages and benefits | **460,906** | 532,583 | **985,389** | 1,054,927 |
| Operating supplies and expenses | **75,412** | 122,410 | **183,105** | 243,767 |
| General supplies and expenses | **25,881** | 32,391 | **59,489** | 63,951 |
| Operating taxes and licenses | **27,043** | 29,384 | **56,357** | 58,455 |
| Insurance and claims | **10,910** | 11,587 | **20,760** | 22,759 |
| Communications and utilities | **7,262** | 6,134 | **15,453** | 13,973 |
| Depreciation and amortization | **65,735** | 62,571 | **131,170** | 125,644 |
| Purchased transportation | **18,983** | 24,468 | **39,783** | 45,155 |
| Miscellaneous expenses, net | **4,912** | 4,649 | **9,732** | 9,902 |
| Total operating expenses | **697,044** | 826,177 | **1,501,238** | 1,638,533 |
| Operating income | **199,166** | 234,489 | **382,336** | 412,915 |
| Non-operating expense (income): | | | | |
| Interest expense | **765** | 160 | **865** | 282 |
| Interest income | **(231)** | (1,769) | **(1,479)** | (3,252) |
| Other (income) expense, net | **(373)** | 524 | **3,244** | (76) |
| Total non-operating expense (income) | **161** | (1,085) | **2,630** | (3,046) |
| Income before income taxes | **199,005** | 235,574 | **379,706** | 415,961 |
| Provision for income taxes | **51,200** | 61,502 | **98,724** | 108,566 |
| Net income | **$ 147,805** | $ 174,072 | **$ 280,982** | $ 307,395 |
| Earnings per share: | | | | |
| Basic | **$ 1.26** | $ 1.44 | **$ 2.37** | $ 2.54 |
| Diluted | **$ 1.25** | $ 1.44 | **$ 2.36** | $ 2.53 |
| Weighted average shares outstanding: | | | | |
| Basic | **117,610,178** | 120,783,414 | **118,330,176** | 121,164,444 |
| Diluted | **118,359,884** | 120,968,046 | **119,082,728** | 121,339,625 |
| Dividends declared per share | **$ 0.15** | $ 0.11 | **$ 0.30** | $ 0.23 |

*The accompanying notes are an integral part of these condensed financial statements.*

**OLD DOMINION FREIGHT LINE, INC.**
**CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**
**(UNAUDITED)**

| *(In thousands)* | Three Months Ended June 30, 2020 | Three Months Ended June 30, 2019 | Six Months Ended June 30, 2020 | Six Months Ended June 30, 2019 |
|---|---|---|---|---|
| Common stock: | | | | |
| Beginning balance | **$ 11,813** | $ 12,161 | **$ 11,953** | $ 12,185 |
| Share repurchases | **(80)** | (140) | **(223)** | (173) |
| Share-based compensation and restricted share issuances | **1** | — | **7** | 10 |
| Taxes paid in exchange for shares withheld | **—** | (1) | **(2)** | (2) |
| Cash paid for fractional shares | **—** | — | **(1)** | — |
| Ending balance | **11,734** | 12,020 | **11,734** | 12,020 |
| | | | | |
| Capital in excess of par value: | | | | |
| Beginning balance | **217,187** | 139,154 | **218,462** | 138,210 |
| Share-based compensation and restricted share issuances | **2,208** | 2,283 | **4,275** | 4,206 |
| Taxes paid in exchange for shares withheld | **—** | (467) | **(2,731)** | (1,446) |
| Forward contract for accelerated share repurchases | **(37,500)** | — | **(37,500)** | — |
| Cash paid for fractional shares | **—** | — | **(611)** | — |
| Ending balance | **181,895** | 140,970 | **181,895** | 140,970 |
| | | | | |
| Retained earnings: | | | | |
| Beginning balance | **2,787,049** | 2,619,056 | **2,850,302** | 2,530,088 |
| Share repurchases | **(128,417)** | (133,996) | **(306,568)** | (164,559) |
| Cash dividends declared | **(17,598)** | (13,637) | **(35,877)** | (27,429) |
| Net income | **147,805** | 174,072 | **280,982** | 307,395 |
| Ending balance | **2,788,839** | 2,645,495 | **2,788,839** | 2,645,495 |
| | | | | |
| Total shareholders' equity | **$ 2,982,468** | $ 2,798,485 | **$ 2,982,468** | $ 2,798,485 |

*The accompanying notes are an integral part of these condensed financial statements.*

**OLD DOMINION FREIGHT LINE, INC.**
**CONDENSED STATEMENTS OF CASH FLOWS**
**(UNAUDITED)**

| *(In thousands)* | Six Months Ended June 30, 2020 | | Six Months Ended June 30, 2019 | |
|---|---|---|---|---|
| Cash flows from operating activities: | | | | |
| Net income | **$** | **280,982** | $ | 307,395 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | |
| Depreciation and amortization | | **131,170** | | 125,644 |
| Loss on disposal of property and equipment | | **140** | | 718 |
| Share-based compensation | | **4,282** | | 4,216 |
| Provision for deferred income taxes | | **(13,400)** | | — |
| Other operating activities, net | | **113,042** | | 23,910 |
| Net cash provided by operating activities | | **516,216** | | 461,883 |
| Cash flows from investing activities: | | | | |
| Purchase of property and equipment | | **(120,128)** | | (229,956) |
| Proceeds from sale of property and equipment | | **2,570** | | 366 |
| Net cash used in investing activities | | **(117,558)** | | (229,590) |
| Cash flows from financing activities: | | | | |
| Proceeds from issuance of long-term debt | | **99,923** | | — |
| Payments for share repurchases | | **(306,791)** | | (164,732) |
| Forward contract for accelerated share repurchases | | **(37,500)** | | — |
| Dividends paid | | **(35,892)** | | (27,435) |
| Other financing activities, net | | **(3,345)** | | (1,448) |
| Net cash used in financing activities | | **(283,605)** | | (193,615) |
| Increase in cash and cash equivalents | | **115,053** | | 38,678 |
| Cash and cash equivalents at beginning of period | | **403,571** | | 190,282 |
| Cash and cash equivalents at end of period | **$** | **518,624** | $ | 228,960 |

*The accompanying notes are an integral part of these condensed financial statements.*

**Note 1. Significant Accounting Policies**

***Business***

We are a leading, less-than-truckload (“LTL”), union-free motor carrier providing regional, inter-regional and national LTL services through a single integrated organization. Our service offerings, which include expedited transportation, are provided through an expansive network of service centers located throughout the continental United States. Through strategic alliances, we also provide LTL services throughout North America. In addition to our core LTL services, we offer a range of value-added services including container drayage, truckload brokerage and supply chain consulting. We have one operating segment and the composition of our revenue is summarized below:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| *(In thousands)* | **2020** | **2019** | **2020** | **2019** |
| LTL services | **$ 884,069** | $ 1,047,208 | **$ 1,858,500** | $ 2,023,771 |
| Other services | **12,141** | 13,458 | **25,074** | 27,677 |
| Total revenue from operations | **$ 896,210** | $ 1,060,666 | **$ 1,883,574** | $ 2,051,448 |

***Basis of Presentation***

The accompanying unaudited, interim condensed financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and, in management’s opinion, contain all adjustments (consisting of normal recurring items) necessary for a fair presentation, in all material respects, of the financial position and results of operations for the periods presented. Accordingly, they do not include all of the information and notes required by U.S. GAAP for complete financial statements.

The preparation of condensed financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions. Such estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the condensed financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Our operating results are subject to seasonal trends; therefore, the results of operations for the interim period ended June 30, 2020 are not necessarily indicative of the results that may be expected for the subsequent quarterly periods or the year ending December 31, 2020.

The condensed financial statements should be read in conjunction with the financial statements and related notes, which appear in our Annual Report on Form 10-K for the year ended December 31, 2019. There have been no significant changes in the accounting principles and policies, long-term contracts or estimates inherent in the preparation of the condensed financial statements of Old Dominion Freight Line, Inc. as previously described in our Annual Report on Form 10-K for the year ended December 31, 2019, other than those disclosed in this Form 10-Q.

Certain amounts in prior years have been reclassified to conform prior years’ financial statements to the current presentation.

Unless the context requires otherwise, references in these Notes to “Old Dominion,” the “Company,” “we,” “us” and “our” refer to Old Dominion Freight Line, Inc.

***Common Stock Split***

On February 21, 2020, we announced that our Board of Directors approved a three-for-two split of our common stock for shareholders of record as of the close of business on the record date of March 10, 2020. On March 24, 2020, those shareholders received one additional share of common stock for every two shares owned. In lieu of fractional shares, shareholders received a cash payment based on the average of the high and low sales prices of our common stock on the record date.

All references in this report to shares outstanding, weighted average shares outstanding, earnings per share, and dividends per share amounts have been restated retroactively to reflect this stock split. Split-adjusted quarterly per-share metrics may not recalculate precisely due to rounding.

***Fair Values of Financial Instruments***

The carrying values of financial instruments in current assets and current liabilities approximate their fair value due to the short maturities of these instruments. The carrying value of our total long-term debt, including current maturities, was $144.9 million and $45.0 million at June 30, 2020 and December 31, 2019, respectively. The estimated fair value of our total long-term debt, including current maturities, was $150.4 million and $46.1 million at June 30, 2020 and December 31, 2019, respectively. The fair value measurement of our senior notes was determined using a discounted cash flow analysis that factors in current market yields for comparable borrowing arrangements under our credit profile. Since this methodology is based upon market yields for comparable arrangements, the measurement is categorized as Level 2 under the three-level fair value hierarchy as established by the Financial Accounting Standards Board (the "FASB").

***Stock Repurchase Program***

On May 1, 2020, we announced that our Board of Directors had approved a new two-year stock repurchase program authorizing us to repurchase up to an aggregate of $700.0 million of our outstanding common stock (the "2020 Repurchase Program"). The 2020 Repurchase Program became effective upon the termination of our $350.0 million repurchase program on May 29, 2020, as of which date $21.5 million remained authorized under the prior program. Under the 2020 Repurchase Program, we may repurchase shares from time to time in open market purchases or through privately negotiated transactions. Shares of our common stock repurchased under our repurchase programs are canceled at the time of repurchase and are classified as authorized but unissued shares of our common stock.

On May 29, 2020, we entered into an accelerated share repurchase agreement (the "ASR Agreement") with a third-party financial institution as part of our repurchase program. Under the ASR Agreement, we paid the third-party financial institution $125.0 million and received an initial delivery of 511,427 shares of our common stock for $87.5 million, representing approximately 70% of the total value of shares to be received under the ASR Agreement. The remaining expected shares are scheduled to settle during the fourth quarter of 2020, but may settle earlier in certain circumstances. At final settlement, we may receive additional shares of our common stock, or, under certain circumstances, we may be required to provide the third-party financial institution additional shares or may elect to make a cash payment to the third-party financial institution. The total shares repurchased will be based on the daily volume-weighted average share price of our common stock during the term of the ASR Agreement, less a negotiated discount.

The ASR Agreement was accounted for as a settled treasury stock purchase and a forward stock purchase contract. The par value of the initial share delivery was recorded as a reduction to common stock, with the excess purchase price recorded as a reduction to retained earnings. The forward stock purchase contract is accounted for as a contract indexed to our own stock and is classified within capital in excess of par value on our Condensed Statements of Changes in Shareholders' Equity.

During the three and six months ended June 30, 2020, we repurchased 802,604 shares of our common stock for $128.5 million and 2,237,320 shares of our common stock for $306.8 million under our repurchase programs, including shares repurchased under the ASR Agreement. As of June 30, 2020, we had $612.5 million remaining authorized under the 2020 Repurchase Program.

***Recent Accounting Pronouncements***

In June 2016, the FASB issued Accounting Standards Update ("ASU") 2016-13, "Financial Instruments – Credit Losses – Measurement of Credit Losses on Financial Statements" (Topic 326). This ASU modified the loss methodology for establishing a provision against financial assets, including customer receivables, to include an expected future performance component. We adopted ASU 2016-13 on January 1, 2020. The adoption did not have a material impact to our financial position, results of operations, or cash flow.

We maintain an allowance for uncollectible accounts for estimated losses resulting from the inability of our customers to make required payments. We estimate this allowance by analyzing the aging of our customer receivables, our historical loss experience and other trends and factors affecting the credit risk of our customers, including anticipated changes to future performance. Write-offs occur when we determine an account to be uncollectible and could differ from our allowance estimate as a result of factors such as changes in the overall economic environment or risks surrounding our customers. Additional allowances may be required if the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments. We periodically review the underlying assumptions in our estimate of the allowance for uncollectible accounts to ensure that the allowance reflects the most recent trends and factors.

Our allowance for uncollectible accounts was $4.0 million at June 30, 2020. There were no material write-offs to our allowance for uncollectible accounts during the second quarter of 2020.

**Note 2. Earnings Per Share**

Basic earnings per share is computed by dividing net income by the daily weighted average number of shares of our common stock outstanding for the period, excluding unvested restricted stock. Unvested restricted stock is included in common shares outstanding on our Condensed Balance Sheets.

Diluted earnings per share is computed using the treasury stock method. The denominator used in calculating diluted earnings per share includes the impact of unvested restricted stock and other dilutive, non-participating securities under our equity award agreements. The denominator excludes contingently-issuable shares under performance-based award agreements when the performance target has not yet been deemed achieved.

The following table provides a reconciliation of the number of shares of common stock used in computing basic and diluted earnings per share:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| Weighted average shares outstanding - basic | **117,610,178** | 120,783,414 | **118,330,176** | 121,164,444 |
| Dilutive effect of share-based awards | **749,706** | 184,632 | **752,552** | 175,181 |
| Weighted average shares outstanding - diluted | **118,359,884** | 120,968,046 | **119,082,728** | 121,339,625 |

**Note 3. Long-Term Debt**

Long-term debt, net of unamortized debt issuance costs, consisted of the following:

| *(In thousands)* | **June 30, 2020** | **December 31, 2019** |
|---|---|---|
| Senior notes | **$ 144,923** | $ 45,000 |
| Revolving credit facility | **—** | — |
| Total long-term debt | **144,923** | 45,000 |
| Less: Current maturities | **(45,000)** | — |
| Total maturities due after one year | **$ 99,923** | $ 45,000 |

Senior Note Agreements

We had an unsecured senior note agreement with a principal amount outstanding of $45.0 million at each of June 30, 2020 and December 31, 2019 (the “Senior Note”). The agreement for the Senior Note calls for a scheduled principal payment of $45.0 million, with an interest rate of 4.79%, on January 3, 2021.

On May 4, 2020, we entered into a Note Purchase and Private Shelf Agreement with PGIM, Inc. (“Prudential”) and certain affiliates and managed accounts of Prudential (the “Note Agreement”). The Note Agreement, which is uncommitted and subject to Prudential’s sole discretion, provides for the issuance of senior promissory notes with an aggregate principal amount of up to $350.0 million through May 4, 2023. Pursuant to the Note Agreement, we issued $100.0 million aggregate principal amount of senior promissory notes (the “Series B Notes”), the proceeds of which are available for capital expenditures, share repurchases, dividends, acquisitions, or general corporate purposes. Borrowing availability under the Note Agreement is reduced by the outstanding amount of the existing Senior Note, the Series B Notes, and all other senior promissory notes issued pursuant to the Note Agreement.

The Series B Notes bear interest at 3.10% per annum and mature on May 4, 2027, unless prepaid. Principal payments are required annually beginning on May 4, 2023 in equal installments of $20.0 million through May 4, 2027. The Series B Notes are senior unsecured obligations and rank pari passu with our other senior unsecured indebtedness.

Credit Agreement

On November 21, 2019, we entered into a second amended and restated credit agreement with Wells Fargo Bank, National Association serving as administrative agent for the lenders (the “Credit Agreement”). The Credit Agreement provides for a five-year, $250.0 million senior unsecured revolving line of credit and a $150.0 million accordion feature, which if fully exercised and approved, would expand the total borrowing capacity up to an aggregate of $400.0 million. Of the $250.0 million line of credit commitments under the Credit Agreement, up to $100.0 million may be used for letters of credit.

At our option, borrowings under the Credit Agreement bear interest at either: (i) LIBOR (including applicable successor provisions) plus an applicable margin (based on our ratio of net debt-to-total capitalization) that ranges from 1.000% to 1.375%; or (ii) a Base Rate plus an applicable margin (based on our ratio of net debt-to-total capitalization) that ranges from 0.000% to 0.375%. Letter of credit fees equal to the applicable margin for LIBOR loans are charged quarterly in arrears on the daily average aggregate stated amount of all letters of credit outstanding during the quarter. Commitment fees ranging from 0.100% to 0.175% (based upon the ratio of net debt-to-total capitalization) are charged quarterly in arrears on the aggregate unutilized portion of the Credit Agreement.

For periods covered under the Credit Agreement, the applicable margin on LIBOR loans and letter of credit fees were 1.000% and commitment fees were 0.100%.

The Credit Agreement replaced our previous five-year, $300.0 million senior unsecured revolving credit agreement dated as of December 15, 2015, as amended on September 9, 2016 (the "Prior Credit Agreement"). For periods in 2019 and 2018 covered under the Prior Credit Agreement, the applicable margin on LIBOR loans and letter of credit fees were 1.000% and commitment fees were 0.125%.

There were $45.7 million and $48.9 million of outstanding letters of credit at June 30, 2020 and December 31, 2019, respectively.

General Debt Provisions

The Senior Note, Credit Agreement, and Note Agreement contain customary covenants, including financial covenants that require us to observe a maximum ratio of debt to total capital and a minimum fixed charge coverage ratio. The Credit Agreement and Note Agreement also include a provision limiting our ability to make restricted payments, including dividends and payments for share repurchases, unless, among other conditions, no defaults or events of default are ongoing (or would be caused by such restricted payment).

**Note 4. Commitments and Contingencies**

We are involved in or addressing various legal proceedings and claims, governmental inquiries, notices and investigations that have arisen in the ordinary course of our business and have not been fully adjudicated, some of which may be covered in whole or in part by insurance. Certain of these matters include collective and/or class-action allegations. We do not believe that the resolution of any of these matters will have a material adverse effect upon our financial position, results of operations or cash flows.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

**Overview**

We are a leading, less-than-truckload ("LTL"), union-free motor carrier providing regional, inter-regional and national LTL services through a single integrated organization. Our service offerings, which include expedited transportation, are provided through an expansive network of service centers located throughout the continental United States. Through strategic alliances, we also provide LTL services throughout North America. In addition to our core LTL services, we offer a range of value-added services including container drayage, truckload brokerage and supply chain consulting. More than 97% of our revenue has historically been derived from transporting LTL shipments for our customers, whose demand for our services is generally tied to industrial production and the overall health of the U.S. domestic economy.

In analyzing the components of our revenue, we monitor changes and trends in our LTL volumes and LTL revenue per hundredweight. While LTL revenue per hundredweight is a yield measurement, it is also a commonly-used indicator for general pricing trends in the LTL industry. This yield metric is not a true measure of price, however, as it can be influenced by many other factors, such as changes in fuel surcharges, weight per shipment and length of haul. As a result, changes in revenue per hundredweight do not necessarily indicate actual changes in underlying base rates. LTL revenue per hundredweight and the key factors that can impact this metric are described in more detail below:

- *LTL Revenue Per Hundredweight* - Our LTL transportation services are generally priced based on weight, commodity, and distance. This measurement reflects the application of our pricing policies to the services we provide, which are influenced by competitive market conditions and our growth objectives. Generally, freight is rated by a class system, which is established by the National Motor Freight Traffic Association, Inc. Light, bulky freight typically has a higher class and is priced at higher revenue per hundredweight than dense, heavy freight. Fuel surcharges, accessorial charges, revenue adjustments and revenue for undelivered freight are included in this measurement. Revenue for undelivered freight is deferred for financial statement purposes in accordance with our revenue recognition policy; however, we believe including it in our revenue per hundredweight metrics results in a more accurate representation of the underlying changes in our yields by matching total billed revenue with the corresponding weight of those shipments.

- *LTL Weight Per Shipment* - Fluctuations in weight per shipment can indicate changes in the mix of freight we receive from our customers, as well as changes in the number of units included in a shipment. Generally, increases in weight per shipment indicate higher demand for our customers' products and overall increased economic activity. Changes in weight per shipment can also be influenced by shifts between LTL and other modes of transportation, such as truckload and intermodal, in response to capacity, service and pricing issues. Fluctuations in weight per shipment generally have an inverse effect on our revenue per hundredweight, as a decrease in weight per shipment will typically cause an increase in revenue per hundredweight.

- *Average Length of Haul* - We consider lengths of haul less than 500 miles to be regional traffic, lengths of haul between 500 miles and 1,000 miles to be inter-regional traffic, and lengths of haul in excess of 1,000 miles to be national traffic. This metric is used to analyze our tonnage and pricing trends for shipments with similar characteristics, and also allows for comparison with other transportation providers serving specific markets. By analyzing this metric, we can determine the success and growth potential of our service products in these markets. Changes in length of haul generally have a direct effect on our revenue per hundredweight, as an increase in length of haul will typically cause an increase in revenue per hundredweight.

Our primary revenue focus is to increase density, which is shipment and tonnage growth within our existing infrastructure. Increases in density allow us to maximize our asset utilization and labor productivity, which we measure over many different functional areas of our operations including linehaul load factor, pickup and delivery ("P&D") stops per hour, P&D shipments per hour, platform pounds handled per hour and platform shipments per hour. In addition to our focus on density and operating efficiencies, it is critical for us to obtain an appropriate yield, which is measured as revenue per hundredweight, on the shipments we handle to offset our cost inflation and support our ongoing investments in capacity and technology. We regularly monitor the components of our pricing, including base freight rates, accessorial charges and fuel surcharges. The fuel surcharge is generally designed to offset fluctuations in the cost of our petroleum-based products and is indexed to diesel fuel prices published by the U.S. Department of Energy, which reset each week. We believe our yield management process focused on individual account profitability, and ongoing improvements in operating efficiencies, are both key components of our ability to produce profitable growth.

Our primary cost elements are direct wages and benefits associated with the movement of freight, operating supplies and expenses, which include diesel fuel, and depreciation of our equipment fleet and service center facilities. We gauge our overall success in managing costs by monitoring our operating ratio, a measure of profitability calculated by dividing total operating expenses by revenue, which also allows for industry-wide comparisons with our competition.

We regularly upgrade our technological capabilities to improve our customer service and lower our operating costs. Our technology provides our customers with visibility of their shipments throughout our network, increases the productivity of our workforce, and provides key metrics that we use to monitor and enhance our processes.

The following table sets forth, for the periods indicated, expenses and other items as a percentage of revenue from operations:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| Revenue from operations | **100.0%** | 100.0% | **100.0%** | 100.0% |
| Operating expenses: | | | | |
| Salaries, wages and benefits | **51.4** | 50.2 | **52.3** | 51.4 |
| Operating supplies and expenses | **8.4** | 11.5 | **9.7** | 11.9 |
| General supplies and expenses | **2.9** | 3.1 | **3.2** | 3.1 |
| Operating taxes and licenses | **3.0** | 2.8 | **3.0** | 2.9 |
| Insurance and claims | **1.2** | 1.1 | **1.1** | 1.1 |
| Communications and utilities | **0.8** | 0.6 | **0.8** | 0.7 |
| Depreciation and amortization | **7.4** | 5.9 | **7.0** | 6.1 |
| Purchased transportation | **2.1** | 2.3 | **2.1** | 2.2 |
| Miscellaneous expenses, net | **0.6** | 0.4 | **0.5** | 0.5 |
| Total operating expenses | **77.8** | 77.9 | **79.7** | 79.9 |
| Operating income | **22.2** | 22.1 | **20.3** | 20.1 |
| Interest expense (income), net | **0.1** | (0.2) | **(0.1)** | (0.2) |
| Other (income) expense, net | **(0.1)** | 0.1 | **0.2** | (0.0) |
| Income before income taxes | **22.2** | 22.2 | **20.2** | 20.3 |
| Provision for income taxes | **5.7** | 5.8 | **5.3** | 5.3 |
| Net income | **16.5%** | 16.4% | **14.9%** | 15.0% |

**Results of Operations**

Key financial and operating metrics for the three- and six-month periods ended June 30, 2020 and 2019 are presented below:

| | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|---|---|---|---|---|---|---|
| | **2020** | **2019** | **% Change** | **2020** | **2019** | **% Change** |
| Work days | **64** | 64 | — | **128** | 127 | 0.8% |
| Revenue *(in thousands)* | **$ 896,210** | $ 1,060,666 | (15.5)% | **$ 1,883,574** | $ 2,051,448 | (8.2)% |
| Operating ratio | **77.8%** | 77.9% | | **79.7%** | 79.9% | |
| Net income *(in thousands)* | **$ 147,805** | $ 174,072 | (15.1)% | **$ 280,982** | $ 307,395 | (8.6)% |
| Diluted earnings per share | **$ 1.25** | $ 1.44 | (13.2)% | **$ 2.36** | $ 2.53 | (6.7)% |
| LTL tons *(in thousands)* | **2,028** | 2,306 | (12.1)% | **4,181** | 4,512 | (7.3)% |
| LTL tonnage per day | **31,688** | 36,031 | (12.1)% | **32,664** | 35,528 | (8.1)% |
| LTL shipments *(in thousands)* | **2,478** | 2,970 | (16.6)% | **5,194** | 5,789 | (10.3)% |
| LTL shipments per day | **38,719** | 46,406 | (16.6)% | **40,578** | 45,583 | (11.0)% |
| LTL weight per shipment *(lbs.)* | **1,636** | 1,553 | 5.3% | **1,610** | 1,559 | 3.3% |
| LTL revenue per hundredweight | **$ 21.85** | $ 22.72 | (3.8)% | **$ 22.28** | $ 22.42 | (0.6)% |
| LTL revenue per shipment | **$ 357.65** | $ 352.88 | 1.4% | **$ 358.69** | $ 349.54 | 2.6% |
| Average length of haul *(miles)* | **919** | 917 | 0.2% | **919** | 918 | 0.1% |

All references in this report to shares outstanding, weighted average shares outstanding, earnings per share, and dividends per share amounts have been restated retroactively to reflect the three-for-two stock split effected in March 2020.

Our revenue decreased $164.5 million, or 15.5%, in the second quarter of 2020 as compared to the same period of 2019 due to the decline of the domestic economy associated with the COVID-19 pandemic. Our revenue declined significantly at the beginning of April 2020 as a result of the stay-at-home and similar orders that were issued throughout the country. Following that initial decline, our revenue per day stabilized and then remained relatively consistent throughout the remainder of April. Revenue per day subsequently improved on a sequential basis throughout the remaining months of the second quarter as well as July. While our revenue and volumes are still negative on a year-over-year basis, the sequential increases over the past few months have been an encouraging trend.

We initially responded to the pandemic in March 2020 by implementing measures to help ensure the health and safety of our OD Family of employees, following guidelines set forth by the U.S. Centers for Disease Control and Prevention and the World Health Organization. This included providing employees with the support needed to continue to deliver our best-in-class service to customers. We also adjusted our internal forecast for revenue and shipments for the second quarter and created a plan to manage our costs accordingly. This plan focused primarily on matching our variable and semi-variable expenses – mainly salaries, wages and benefits and operating supplies and expenses – with the change in our revenue while also evaluating discretionary spending to determine costs that could be reduced or eliminated for the short term. The loss of density created operational headwinds for our team, but we made the necessary adjustments to improve our efficiency without sacrificing our service standards that support our yield initiatives. The execution of this plan helped mitigate the deleveraging effect on our fixed costs associated with the reduction in revenue, which allowed us to improve our operating ratio to 77.8%. Due to the decline in revenue, however, our net income and earnings per share decreased 15.1% and 13.2%, respectively, as compared to the same periods of 2019.

**Revenue**

Revenue decreased $164.5 million, or 15.5%, and $167.9 million, or 8.2%, in the second quarter and first six months of 2020, respectively, as compared to the same periods of 2019. These revenue declines reflect a decrease in our LTL tonnage and reductions in fuel surcharges. The reductions in our LTL tons for the second quarter and first six months of 2020 as compared to the same periods of 2019 were due to lower shipment volumes resulting from the slowdown in the domestic economy associated with the COVID-19 pandemic. The declines in shipments were partially offset by increases in our LTL weight per shipment.

Our LTL revenue per hundredweight decreased 3.8% and 0.6% in the second quarter and first six months of 2020, respectively, as compared to the same periods of 2019, and reflects lower fuel surcharges resulting from significant declines in the average price of diesel fuel for the comparable periods. The decreases in LTL revenue per hundredweight also include the adverse impact of increases in our LTL weight per shipment on this metric for the periods compared. Excluding fuel surcharges, our LTL revenue per hundredweight decreased 0.5% in the second quarter of 2020, and increased 1.4% in the first six months of 2020, as compared to the same periods of 2019. Despite the economic environment and declines in our volumes, we have maintained our long-term commitment to maintaining our pricing discipline.

**July 2020 Update**

Revenue per day decreased 2.9% in July 2020 compared to the same month last year. LTL tons per day decreased 2.1%, due primarily to a 5.6% decrease in LTL shipments per day that was partially offset by a 3.6% increase in LTL weight per shipment. LTL revenue per hundredweight decreased 0.7% as compared to the same month last year. LTL revenue per hundredweight, excluding fuel surcharges, increased 2.5% as compared to the same month last year.

**Operating Costs and Other Expenses**

Salaries, wages and benefits for the second quarter of 2020 decreased $71.7 million, or 13.5%, as compared to the same period of 2019 due to a $52.1 million decrease in the costs attributable to salaries and wages and a $19.6 million decrease in benefit costs. Salaries, wages and benefits for the first six months of 2020 decreased $69.5 million, or 6.6%, as compared to the same period of 2019 due to a $42.4 million decrease in the costs attributable to salaries and wages and a $27.1 million decrease in benefit costs. The decreases in salaries and wages for both the second quarter and first six months of 2020 were due to decreases in the average number of active full-time employees as we managed our labor costs to align with the decline in shipment volume trends, as well as improvements in productivity. Our average number of active full-time employees decreased 2,824, or 13.6%, and 1,960, or 9.4%, in the second quarter and first six months of 2020, respectively, as compared to the same periods of 2019.

Our productive labor costs, which include wages for drivers, dock workers, and technicians, increased as a percentage of revenue to 27.5% for the second quarter of 2020 from 27.0% for the same period of 2019. For the first six months of 2020, our productive labor costs increased to 28.3% from 27.6% for the same period of 2019. For the first six months of 2020, our other salaries and wages increased to 11.0% from 10.6% for the same period of 2019. While our productive labor as a percentage of revenue was negatively impacted by lower fuel surcharges, we improved productivity in our P&D and platform operations during the second quarter and first six months of 2020 as compared to the same periods of 2019. Our other salaries and wages increased as a percentage of revenue to 10.9% for the second quarter of 2020 from 10.4% for the second quarter of 2019.

Employee benefit costs decreased $19.6 million, or 14.4%, in the second quarter of 2020, and $27.1 million, or 10.0% for the first six months of 2020, as compared to the same periods of 2019. These decreases were driven by lower health care costs resulting from a decline in claims per employee, in addition to a decrease in payroll taxes related to the reduction in salaries and wages. For the first six months of 2020, the decrease in our employee benefit costs also includes a reduction in expense related to our phantom stock plans, which were amended in the fourth quarter of 2019 to allow the awards to be settled in stock and limit our ongoing benefits expense in future periods.

Operating supplies and expenses decreased $47.0 million and $60.7 million in the second quarter and first six months of 2020, respectively, as compared to the same periods of 2019, due primarily to a decrease in our costs for diesel fuel used in our vehicles. Our diesel fuel costs, excluding fuel taxes, represents the largest component of operating supplies and expenses, and can vary based on both average price per gallon and consumption. Our average cost per gallon of diesel fuel decreased 48.4% and 30.8% in the second quarter and first six months of 2020, respectively, as compared to the same periods last year. In addition, our gallons consumed decreased 13.8% and 8.8% in the second quarter and first six months of 2020, respectively, as compared to the same periods last year due to a decrease in miles driven. We do not use diesel fuel hedging instruments; therefore, our costs are subject to market price fluctuations. Other operating supplies and expenses improved slightly as a percent of revenue between the periods compared as we managed our fleet utilization and variable costs.

Depreciation and amortization increased slightly by $3.2 million and $5.5 million in the second quarter and first six months of 2020, respectively, as compared to the same periods of 2019. While our 2020 capital expenditure plan is lower than 2019, particularly with respect to revenue equipment and real estate, we believe depreciation expense will continue to increase as we expand capacity to support our continued long-term growth and strategic initiatives.

Our effective tax rate for the second quarter and first six months of 2020 was 25.7% and 26.0%, as compared to 26.1% in both the second quarter and first six months of 2019. Our effective tax rate generally exceeds the federal statutory rate due to the impact of state taxes and, to a lesser extent, certain other non-deductible items.

**Liquidity and Capital Resources**

A summary of our cash flows is presented below:

| | Six Months Ended June 30, | |
|---|---|---|
| *(In thousands)* | **2020** | **2019** |
| Cash and cash equivalents at beginning of period | **$ 403,571** | $ 190,282 |
| Cash flows provided by (used in): | | |
| Operating activities | **516,216** | 461,883 |
| Investing activities | **(117,558)** | (229,590) |
| Financing activities | **(283,605)** | (193,615) |
| Increase in cash and cash equivalents | **115,053** | 38,678 |
| Cash and cash equivalents at end of period | **$ 518,624** | $ 228,960 |

The change in our cash flows provided by operating activities during the first six months of 2020 as compared to the first six months of 2019 was primarily due to the deferral of first quarter payments for federal income taxes and second quarter remittances of the employer portion of social security taxes permitted by executive orders and the Coronavirus Aid, Relief, and Economic Security ("CARES") Act.

The change in our cash flows used in investing activities during the first six months of 2020 as compared to the first six months of 2019 was primarily due to a reduction in planned capital expenditures for equipment as compared to 2019 as we focused on controlling our costs while still strategically investing for long-term growth. Changes in our capital expenditures are more fully described below in "Capital Expenditures."

The change in our cash flows used in financing activities during the first six months of 2020 as compared to the first six months of 2019 was primarily due to increased share repurchases as well as an increase in dividends paid. Our return of capital to shareholders is more fully described below under "Stock Repurchase Program" and "Dividends to Shareholders". Our financing arrangements are more fully described below under "Financing Arrangements."

We have four primary sources of available liquidity: cash and cash equivalents, cash flows from operations, available borrowings under our second amended and restated credit agreement with Wells Fargo Bank, National Association serving as administrative agent for the lenders (the "Credit Agreement"), and our Note Purchase and Private Shelf Agreement entered into on May 4, 2020 with PGIM, Inc. ("Prudential") and certain affiliates and managed accounts of Prudential (the "Note Agreement"). Our Credit Agreement and the Note Agreement are described below under "Financing Arrangements." We believe we also have sufficient access to debt and equity markets to provide other sources of liquidity, if needed. As the COVID-19 pandemic evolves, we will continue to assess the adequacy of our available liquidity.

*Capital Expenditures*

The table below sets forth our net capital expenditures for property and equipment for the six-month period ended June 30, 2020 and the years ended December 31, 2019, 2018 and 2017:

| | June 30, | December 31, | | |
|---|---|---|---|---|
| *(In thousands)* | **2020** | **2019** | **2018** | **2017** |
| Land and structures | **$ 88,840** | $ 250,387 | $ 247,291 | $ 179,150 |
| Tractors | **17,518** | 75,418 | 185,209 | 123,152 |
| Trailers | **2,151** | 88,115 | 98,835 | 37,424 |
| Technology | **4,916** | 30,424 | 20,309 | 19,329 |
| Other equipment and assets | **6,703** | 34,981 | 36,648 | 23,070 |
| Proceeds from sales | **(2,570)** | (5,686) | (6,983) | (12,240) |
| Total | **$ 117,558** | $ 473,639 | $ 581,309 | $ 369,885 |

Our capital expenditures vary based upon the projected increase in the number and size of our service center facilities necessary to support our plan for long-term growth, our planned tractor and trailer replacement cycle, and forecasted tonnage and shipment growth. Expenditures for land and structures can be dependent upon the availability of land in the geographic areas where we are looking to expand. We expect to continue to maintain a high level of capital expenditures in order to support our long-term plan for market share growth.

We reduced our planned expenditures for real estate during the first quarter by approximately $50 million, as certain projects were deferred to a future period due to the lower shipment volume trend. We estimate capital expenditures will be approximately $265 million for the year ending December 31, 2020. Approximately $195 million is allocated for the purchase of service center facilities, construction of new service center facilities or expansion of existing service center facilities, subject to the availability of suitable real estate and the timing of construction projects; approximately $50 million is allocated for investments in technology and other assets; and approximately $20 million is allocated for the purchase of tractors and trailers. We expect to fund these capital expenditures primarily through cash flows from operations, our existing cash and cash equivalents, and, if needed, borrowings available under our Credit Agreement. We believe our current sources of liquidity will be sufficient to satisfy our expected capital expenditures.

*Stock Repurchase Program*

On May 1, 2020, we announced that our Board of Directors had approved a new two-year stock repurchase program authorizing us to repurchase up to an aggregate of $700.0 million of our outstanding common stock (the “2020 Repurchase Program”). The 2020 Repurchase Program became effective upon the termination of our $350.0 million repurchase program on May 29, 2020, as of which date $21.5 million remained authorized under the prior program. Under the 2020 Repurchase Program, we may repurchase shares from time to time in open market purchases or through privately negotiated transactions. Shares of our common stock repurchased under our repurchase program are canceled at the time of repurchase and are classified as authorized but unissued shares of our common stock.

*Dividends to Shareholders*

On February 21, 2020, we announced that our Board of Directors approved a three-for-two split of our common stock for shareholders of record as of the close of business on the record date of March 10, 2020. On March 24, 2020, those shareholders received one additional share of common stock for every two shares owned. In lieu of fractional shares, shareholders received a cash payment based on the average of the high and low sales prices of our common stock on the record date.

All references in this report to dividend amounts have been restated retroactively to reflect this stock split. Split-adjusted quarterly per-share metrics may not recalculate precisely due to rounding.

Our Board of Directors also declared a cash dividend of $0.15 per share for both the first and second quarters of 2020, and declared a cash dividend of $0.11 per share for each quarter of 2019.

Although we intend to pay a quarterly cash dividend on our common stock for the foreseeable future, the declaration and amount of any future dividend is subject to approval by our Board of Directors, and is restricted by applicable state law limitations on distributions to shareholders as well as certain covenants under our Credit Agreement and Note Agreement. We anticipate that any future quarterly cash dividends will be funded through cash flows from operations, our existing cash and cash equivalents, and, if needed, borrowings available under our Credit Agreement.

*Financing Arrangements*

Senior Note Agreements

We had an unsecured senior note agreement with a principal amount outstanding of $45.0 million at June 30, 2020 and December 31, 2019 (the "Senior Note"). The agreement for the Senior Note calls for a scheduled principal payment of $45.0 million, with an interest rate of 4.79%, on January 3, 2021.

On May 4, 2020, we entered into the Note Agreement. The Note Agreement, which is uncommitted and subject to Prudential's sole discretion, provides for the issuance of senior promissory notes with an aggregate principal amount of up to $350.0 million through May 4, 2023. Pursuant to the Note Agreement, we issued $100.0 million aggregate principal amount of senior promissory notes (the "Series B Notes"), the proceeds of which are available for capital expenditures, share repurchases, dividends, acquisitions, or general corporate purposes. Borrowing availability under the Note Agreement is reduced by the outstanding amount of the existing Senior Note, the Series B Notes, and all other senior promissory notes issued pursuant to the Note Agreement.

The Series B Notes bear interest at 3.10% per annum and mature on May 4, 2027, unless prepaid. Principal payments are required annually beginning on May 4, 2023 in equal installments of $20.0 million through May 4, 2027. The Series B Notes are senior unsecured obligations and rank pari passu with our other senior unsecured indebtedness.

Credit Agreement

On November 21, 2019, we entered into our Credit Agreement. The Credit Agreement provides for a five-year, $250.0 million senior unsecured revolving line of credit and a $150.0 million accordion feature, which if fully exercised and approved, would expand the total borrowing capacity up to an aggregate of $400.0 million. Of the $250.0 million line of credit commitments under the Credit Agreement, up to $100.0 million may be used for letters of credit.

At our option, borrowings under the Credit Agreement bear interest at either: (i) LIBOR (including applicable successor provisions) plus an applicable margin (based on our ratio of net debt-to-total capitalization) that ranges from 1.000% to 1.375%; or (ii) a Base Rate plus an applicable margin (based on our ratio of net debt-to-total capitalization) that ranges from 0.000% to 0.375%. Letter of credit fees equal to the applicable margin for LIBOR loans are charged quarterly in arrears on the daily average aggregate stated amount of all letters of credit outstanding during the quarter. Commitment fees ranging from 0.100% to 0.175% (based upon the ratio of net debt-to-total capitalization) are charged quarterly in arrears on the aggregate unutilized portion of the Credit Agreement.

For periods covered under the Credit Agreement, the applicable margin on LIBOR loans and letter of credit fees were 1.000% and commitment fees were 0.100%.

The Credit Agreement replaced our previous five-year, $300.0 million senior unsecured revolving credit agreement dated as of December 15, 2015, as amended on September 9, 2016 (the "Prior Credit Agreement"). For periods in 2019 and 2018 covered under the Prior Credit Agreement, the applicable margin on LIBOR loans and letter of credit fees were 1.000% and commitment fees were 0.125%.

The amounts outstanding and available borrowing capacity under the Credit Agreement are presented below:

| *(In thousands)* | **June 30, 2020** | December 31, 2019 |
|---|---|---|
| Facility limit | **$ 250,000** | $ 250,000 |
| Line of credit borrowings | **—** | — |
| Outstanding letters of credit | **(45,745)** | (48,915) |
| Available borrowing capacity | **$ 204,255** | **$ 201,085** |

General Debt Provisions

The Senior Note, Credit Agreement, and Note Agreement contain customary covenants, including financial covenants that require us to observe a maximum ratio of debt to total capital and a minimum fixed charge coverage ratio. The Credit Agreement and Note Agreement also include a provision limiting our ability to make restricted payments, including dividends and payments for share repurchases, unless, among other conditions, no defaults or events of default are ongoing (or would be caused by such restricted payment). We were in compliance with all covenants in our outstanding debt instruments for the period ended June 30, 2020.

The interest rate is fixed on the Senior Note and Note Agreement. Therefore, short-term exposure to fluctuations in interest rates is limited to our line of credit facility. We do not currently use interest rate derivative instruments to manage exposure to interest rate changes.

We do not anticipate financial performance that would cause us to violate any such covenants in the future, and we believe the combination of our existing Credit Agreement and Note Agreement along with our additional borrowing capacity will be sufficient to meet foreseeable seasonal and long-term capital needs.

**Critical Accounting Policies**

In preparing our condensed financial statements, we applied the same critical accounting policies as described in our Annual Report on Form 10-K for the year ended December 31, 2019 that affect judgments and estimates of amounts recorded for certain assets, liabilities, revenue and expenses.

**Seasonality**

Our tonnage levels and revenue mix are subject to seasonal trends common in our industry, although other factors, such as macroeconomic changes, could cause variation in these trends. Our revenue and operating margins in the first and fourth quarters are typically lower than those during the second and third quarters due to reduced shipments during the winter months; however, the effects of the COVID-19 pandemic on the domestic economy has impacted, and may continue to impact, our normal seasonal trends. Harsh winter weather, hurricanes, tornadoes, and floods can also adversely impact our performance by reducing demand and increasing operating expenses. We believe seasonal trends will continue to impact our business.

**Environmental Regulation**

We are subject to various federal, state and local environmental laws and regulations that focus on, among other things: the disposal, emission and discharge of hazardous waste, hazardous materials, or other materials into the environment or their presence at our properties or in our vehicles; fuel storage tanks; transportation of certain materials; and the discharge or retention of storm water. Under specific environmental laws, we could also be held responsible for any costs relating to contamination at our past or present facilities and at third-party waste disposal sites, as well as costs associated with clean-up of accidents involving our vehicles. We do not believe that the cost of future compliance with current environmental laws or regulations will have a material adverse effect on our operations, financial condition, competitive position or capital expenditures for the remainder of 2020 or fiscal year 2021. However, future changes to laws or regulations may adversely affect our operations and could result in unforeseen costs to our business.

**Forward-Looking Information**

Forward-looking statements appear in this report, including, but not limited to, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and in other written and oral statements made by or on behalf of us. These forward-looking statements include, but are not limited to, statements relating to our goals, strategies, expectations, competitive environment, regulation, availability of resources, future events and future financial performance. Such forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements typically can be identified by such words as “anticipate,” “estimate,” “forecast,” “project,” “intend,” “expect,” “believe,” “should,” “could,” “may” or other similar words or expressions. We caution readers that such forward-looking statements involve risks and uncertainties, including, but not limited to, the risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2019 and in other reports and statements that we file with the Securities and Exchange Commission (“SEC”). Such forward-looking statements involve risks and uncertainties that could cause actual events or results to differ materially from those expressed or implied herein, including, but not limited to, the following, many of which will continue to be amplified by the current COVID-19 pandemic:

- the competitive environment with respect to industry capacity and pricing, including the use of fuel surcharges, which could negatively impact our total overall pricing strategy and our ability to cover our operating expenses;

- our ability to collect fuel surcharges and the effectiveness of those fuel surcharges in mitigating the impact of fluctuating prices for diesel fuel and other petroleum-based products;
- the negative impact of any unionization, or the passage of legislation or regulations that could facilitate unionization, of our employees;
- the challenges associated with executing our growth strategy, including our ability to successfully consummate and integrate any acquisitions;
- changes in our goals and strategies, which are subject to revision at any time at our discretion;
- various economic factors such as recessions, downturns in the economy, global uncertainty and instability, changes in international trade policies, changes in U.S. social, political, and regulatory conditions or a disruption of financial markets, which may decrease demand for our services or increase our costs;
- public health issues, such as the current COVID-19 pandemic, that may negatively affect the economy;
- changes in relationships with our significant customers;
- the impact of changes in tax laws, rates, guidance and interpretations, including those related to certain provisions of the Tax Cuts and Jobs Act;
- increases in driver and maintenance technician compensation or difficulties attracting and retaining qualified drivers and maintenance technicians to meet freight demand;
- our exposure to claims related to cargo loss and damage, property damage, personal injury, workers' compensation, group health and group dental, including increased premiums, adverse loss development, increased self-insured retention or deductible levels and claims in excess of insured coverage levels;
- cost increases associated with employee benefits, including costs associated with employee healthcare plans;
- the availability and cost of capital for our significant ongoing cash requirements;
- the availability and cost of new equipment and replacement parts, including regulatory changes and supply constraints that could impact the cost of these assets;
- decreases in demand for, and the value of, used equipment;
- the availability and cost of diesel fuel;
- the costs and potential liabilities related to compliance with, or violations of, existing or future governmental laws and regulations, including environmental laws, engine emissions standards, hours-of-service for our drivers, driver fitness requirements and new safety standards for drivers and equipment;
- the costs and potential liabilities related to various legal proceedings and claims that have arisen in the ordinary course of our business, some of which include collective and/or class action allegations;
- the costs and potential liabilities related to governmental proceedings, inquiries, notices or investigations;
- the costs and potential liabilities related to our international business relationships;
- the costs and potential adverse impact of compliance with, or violations of, current and future rules issued by the Department of Transportation, the Federal Motor Carrier Safety Administration (the "FMCSA") and other regulatory agencies;
- the costs and potential adverse impact of compliance associated with FMCSA's electronic logging device ("ELD") regulations and guidance, including the operation of our fleet and safety management systems on the ELD hardware and software platform;

- seasonal trends in the LTL industry, including harsh weather conditions and disasters;
- our ability to retain our key employees and continue to effectively execute our succession plan;
- the concentration of our stock ownership with the Congdon family;
- the costs and potential adverse impact associated with future changes in accounting standards or practices;
- potential costs and liabilities associated with cyber incidents and other risks with respect to our systems and networks or those of our third-party service providers, including system failure, security breach, disruption by malware or ransomware or other damage;
- failure to comply with data privacy, security or other laws and regulations;
- failure to keep pace with developments in technology, any disruption to our technology infrastructure, or failures of essential services upon which our technology platforms rely, which could cause us to incur costs or result in a loss of business;
- the costs and potential adverse impact associated with transitional challenges in upgrading or enhancing our technology systems;
- legal, regulatory or market responses to climate change concerns;
- damage to our reputation through unfavorable perceptions or publicity, including those related to environmental, social and governance issues, cybersecurity and data privacy concerns;
- failure to adapt to new technologies implemented by our competitors in the LTL and transportation industry;
- the costs and potential adverse impact of compliance with anti-terrorism measures on our business;
- dilution to existing shareholders caused by any issuance of additional equity;
- the impact of a quarterly cash dividend or the failure to declare future cash dividends;
- fluctuations in the amount and frequency of our stock repurchases;
- recent and future volatility in the market value of our common stock;
- the impact of certain provisions in our articles of incorporation, bylaws, and Virginia law that could discourage, delay or prevent a change in control of us or a change in our management; and
- other risks and uncertainties described in our most recent Annual Report on Form 10-K and other filings with the SEC.

Our forward-looking statements are based upon our beliefs and assumptions using information available at the time the statements are made. We caution the reader not to place undue reliance on our forward-looking statements as (i) these statements are neither a prediction nor a guarantee of future events or circumstances and (ii) the assumptions, beliefs, expectations and projections about future events may differ materially from actual results. We undertake no obligation to publicly update any forward-looking statement to reflect developments occurring after the statement is made, except as otherwise required by law.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk**

There have been no material changes to our market risk exposures since our most recent fiscal year end. For a discussion of our exposure to market risk, refer to Item 7A, “Quantitative and Qualitative Disclosures About Market Risk,” contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

**Item 4. Controls and Procedures**

a) Evaluation of disclosure controls and procedures

As of the end of the period covered by this quarterly report, our management, with the participation of our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), conducted an evaluation of the effectiveness of our disclosure controls and procedures in accordance with Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based on the evaluation of our disclosure controls and procedures as of the end of the period covered by this quarterly report, our CEO and CFO concluded that, as of such date, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is (a) accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure, and (b) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

b) Changes in internal control over financial reporting

There were no changes in our internal control over financial reporting that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. As a part of this assessment, we considered the impact of the COVID-19 pandemic on our internal control over financial reporting. We will continue to monitor and assess the COVID-19 pandemic to determine any potential impact on the design and operating effectiveness of our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

We are involved in or addressing various legal proceedings and claims, governmental inquiries, notices and investigations that have arisen in the ordinary course of our business and have not been fully adjudicated, some of which may be covered in whole or in part by insurance. Certain of these matters include collective and/or class-action allegations. We do not believe that the resolution of any of these matters will have a material adverse effect upon our financial position, results of operations or cash flows.

Item 103 of SEC Regulation S-K requires disclosure of environmental legal proceedings with a governmental authority if management reasonably believes that the proceedings may involve potential monetary sanctions of $100,000 or more. The following matter is disclosed in accordance with that requirement. We do not believe that any possible loss that may be incurred in connection with the matter will be material to our financial position, results of operations or cash flows.

On May 12, 2017, we received a letter from the Orange County California District Attorney’s Office concerning suspected violations of California laws with respect to waste handling practices. As part of the civil investigation conducted in coordination with other California counties, we have shared information about our waste handling practices at our facilities throughout the state. We are in discussions concerning resolution of this matter.

### Item 1A. Risk Factors

In addition to the other information set forth in this report and in our other reports and statements that we file with the SEC, including our quarterly reports on Form 10-Q, careful consideration should be given to the factors discussed in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2019, which could materially affect our business, financial condition and future results. The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and operating results.

Other than the risk identified below, there have been no material changes to the risk factors identified in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2019.

***We face various risks related to health epidemics, pandemics and similar outbreaks that have had, and may continue to have, material adverse effects on our business, results of operations and financial condition.***

The novel coronavirus (COVID-19) pandemic and the related changes in the economic and political conditions in markets in which we operate have had adverse impacts on our business, results of operations and financial condition, and on those of our customers and suppliers, and we expect these adverse impacts to continue. These impacts and potential impacts include, among other things, significant reductions or volatility in demand for our services, inability of our customers to pay for our services, and failure of our suppliers or third-party service providers to meet their obligations to us. We may also experience capacity constraints in one or more geographic areas if a significant number of our employees in any such region are affected by COVID-19. Furthermore, COVID-19 has impacted and may further impact the global economy, including negatively impacting the proper functioning of financial and capital markets and interest rates, which has impacted the cost of capital and has limited access to capital. As the COVID-19 pandemic continues to adversely affect our business, results of operations and financial condition, it has heightened, and will likely continue to heighten, other risks to which we are subject, including those related to economic downturns, customer/supplier/vendor operations, changes in political and regulatory conditions, liquidity, and industry pricing environment stability, as described in more detail in Item 1A., “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2019. Despite our efforts to manage our exposure to these risks, the ultimate impact of COVID-19 and similar outbreaks depends on factors beyond our knowledge or control, including the duration and severity of any outbreak and governmental/social actions taken to contain its spread and mitigate its public health impact.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

The following table provides information regarding our repurchases of our common stock during the second quarter of 2020:

| | ISSUER PURCHASES OF EQUITY SECURITIES | | | |
|---|---|---|---|---|
| | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Programs | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Programs |
| April 1 - 30, 2020 | 175,028 | $ 132.83 | 175,028 | $ 39,226,938 |
| May 1 - 31, 2020 | 111,645 | $ 152.25 | 111,645 | $ 22,228,647 |
| June 1 - 30, 2020 (1) | 515,931 | $ 171.05 | 515,931 | $ 612,499,955 |
| Total | 802,604 | $ 160.10 | 802,604 | |

(1) The total number of shares purchased includes the initial delivery of 511,427 shares of our common stock under an accelerated share repurchase agreement (the "ASR Agreement"), representing approximately 70% of the total value of shares to be received under the ASR Agreement. The remaining shares are scheduled to settle during the fourth quarter of 2020. The total number of shares repurchased and the related cost per share will be based on the daily volume-weighted average share price of our common stock during the term of the ASR Agreement, less a negotiated discount.

On May 1, 2020, we announced that our Board of Directors had approved a new two-year stock repurchase program authorizing us to repurchase up to an aggregate of $700.0 million of our outstanding common stock (the "2020 Repurchase Program"). The 2020 Repurchase Program became effective upon the termination of our $350.0 million repurchase program on May 29, 2020, as of which date $21.5 million remained authorized under the prior program. Under the 2020 Repurchase Program, we may repurchase shares from time to time in open market purchases or through privately negotiated transactions. Shares of our common stock repurchased under our repurchase programs are canceled at the time of repurchase and are classified as authorized but unissued shares of our common stock.

**Item 6. Exhibits**

The exhibits listed in the accompanying Exhibit Index are filed as a part of this report.

**EXHIBIT INDEX**
**TO QUARTERLY REPORT ON FORM 10-Q**

| Exhibit No. | Description |
|---|---|
| 3.1.3 | Articles of Amendment of Old Dominion Freight Line, Inc. |
| 4.16 | Note Purchase and Private Shelf Agreement among Old Dominion Freight Line, Inc., PGIM, Inc. and certain affiliates and managed accounts of PGIM, Inc., as purchasers, dated as of May 4, 2020 (Incorporated by reference to the exhibit of the same number contained in the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, filed on May 5, 2020) |
| 31.1 | Certification Pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2 | Certification Pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1 | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2 | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101 | The following financial information from our Quarterly Report on Form 10-Q for the quarter ended June 30, 2020, filed on August 6, 2020, formatted in iXBRL (Inline eXtensible Business Reporting Language) includes: (i) the Condensed Balance Sheets at June 30, 2020 and December 31, 2019, (ii) the Condensed Statements of Operations for the three and six months ended June 30, 2020 and 2019, (iii) the Condensed Statements of Changes in Shareholders' Equity for the three and six months ended June 30, 2020 and 2019, (iv) the Condensed Statements of Cash Flows for the six months ended June 30, 2020 and 2019, and (v) the Notes to the Condensed Financial Statements |
| 104 | The cover page from our Quarterly Report on Form 10-Q for the quarter ended June 30, 2020, formatted in iXBRL |

Our SEC file number reference for documents filed with the SEC pursuant to the Securities Exchange Act of 1934, as amended, is 0-19582.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

| | | |
|---|---|---|
| | | OLD DOMINION FREIGHT LINE, INC. |
| DATE: | August 6, 2020 | /s/ ADAM N. SATTERFIELD<br>Adam N. Satterfield<br>Senior Vice President - Finance and Chief Financial Officer<br>(Principal Financial Officer) |
| DATE: | August 6, 2020 | /s/ KIMBERLY S. MAREADY<br>Kimberly S. Maready<br>Vice President - Accounting and Finance<br>(Principal Accounting Officer) |