

# INDUSTRIALS FINAL PITCH

## Old Dominion Freight Line

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THE  
GREYSTONE  
EQUITY FUND



# Company Overview

**Company:** Old Dominion Freight Line

**Ticker:** ODFL

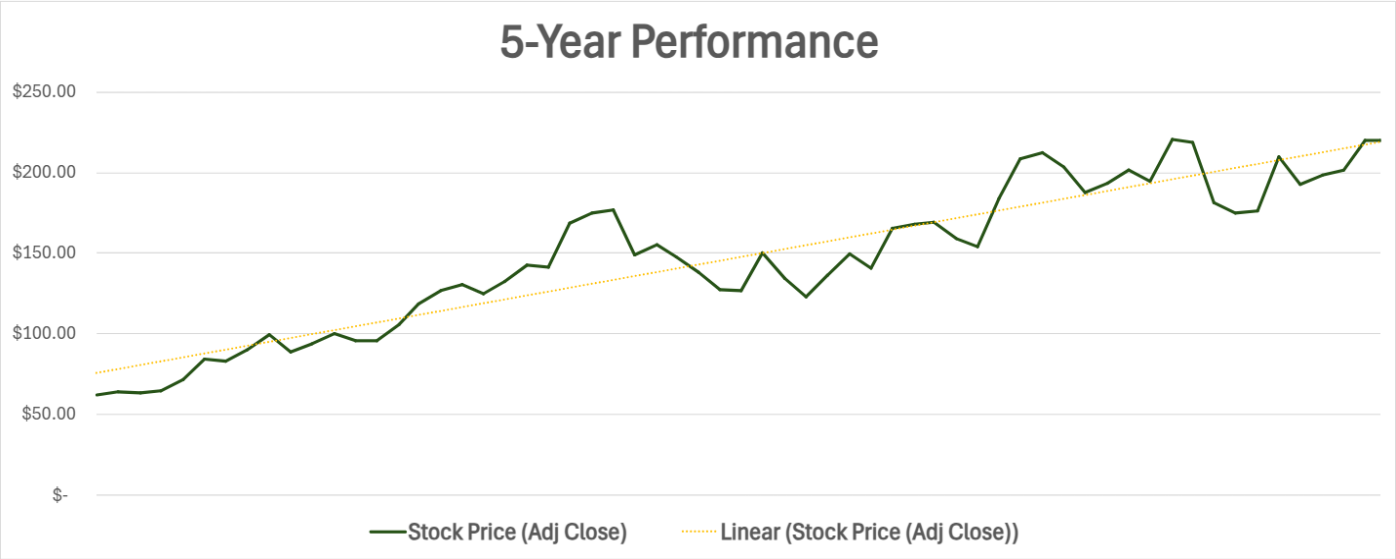
**Sub-Industry:** Transportation & Logistics

**Market Cap:** \$43.66B

**Current Share Price (As of 11/22/24):** \$220.29

**52 Week High:** \$233.26

**52 Week Low:** \$165.49



**BUY**



# Operations



**Description:** Old Dominion Freight Line is a major inter-regional and multi-regional motor carrier.

**Primary Services:** Specializes in less-than-truckload (LTL) shipments of general commodities, including:

- Consumer goods
- Textiles
- Capital goods

**Markets:** Serves regional markets throughout the United States.

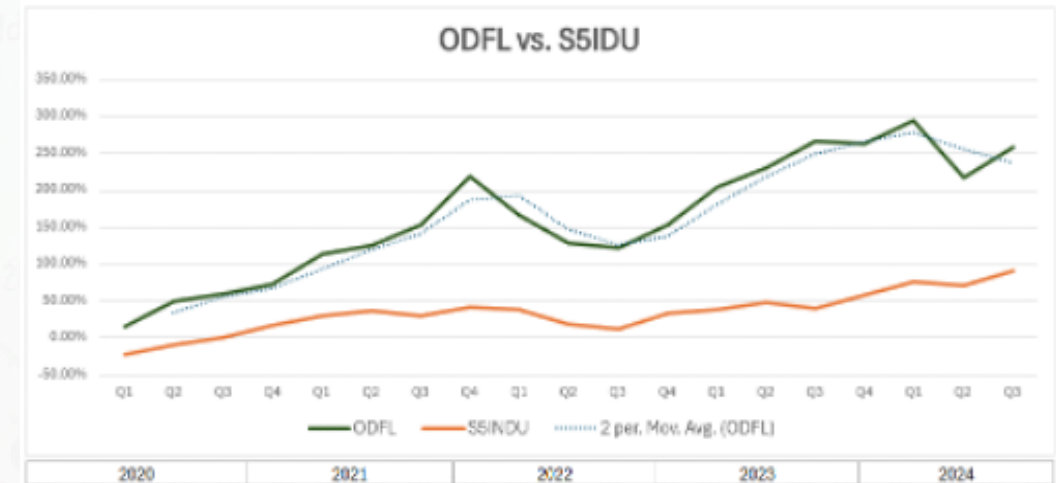
- **Network:** Extensive service centers across the continental U.S., supporting LTL services throughout North America through strategic alliances.
- **Fleet:** Operates a large fleet, including:
  - 9,350+ tractors
  - 33,235+ linehaul trailers
  - 15,180+ P&D trailers
- **Founded:** The company was established in 1934.



# Relative Performance

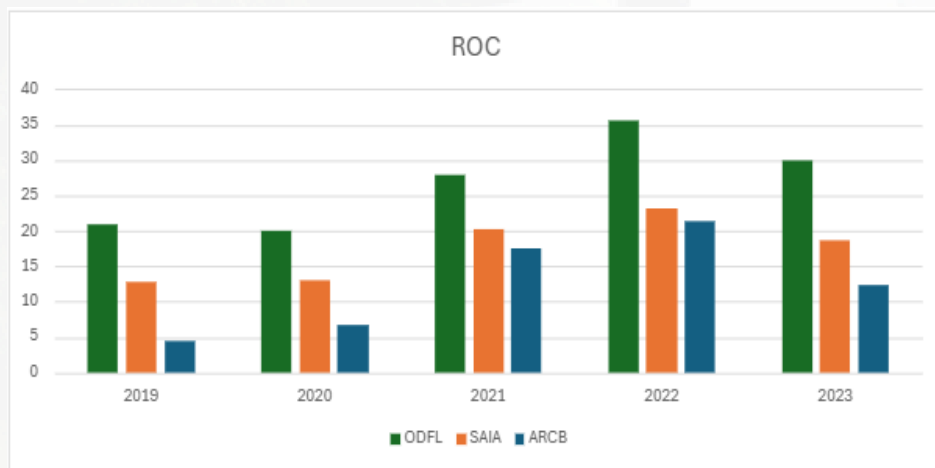
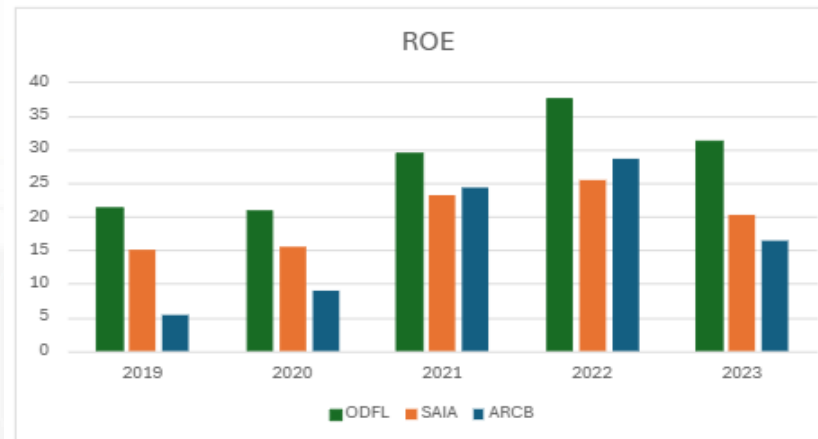
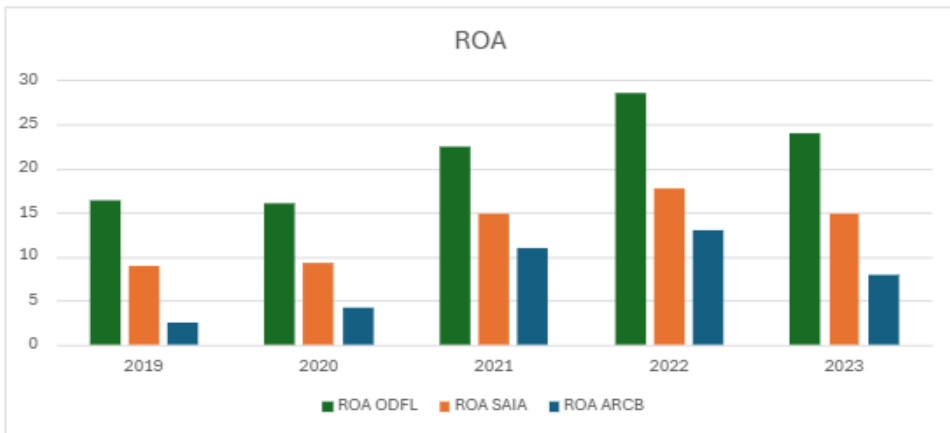


- **ODFL Stock:** increased by (257.53%), outperforming the S5INDU (74.32%) significantly
- **Peers:** showed substantial positive returns, highlighting sector-wide growth



- **ODFL Stock:** Growth over the past 5 years, with slight receding in 2023. However, 2024 earnings have seen recovery.
- **Peers:** Far underperforming ODFL. Also saw declines in 2023, indicating a sector-wide setback, rather than an individual issue at ODFL.

# Ratios



- **ROE:** showing strong profitability supported by disciplined equity management
- **ROA:** reflecting consistent efficiency in using assets to drive returns
- **ROC & ROIC:** illustrating Old Dominion's effective capital use while balancing growth

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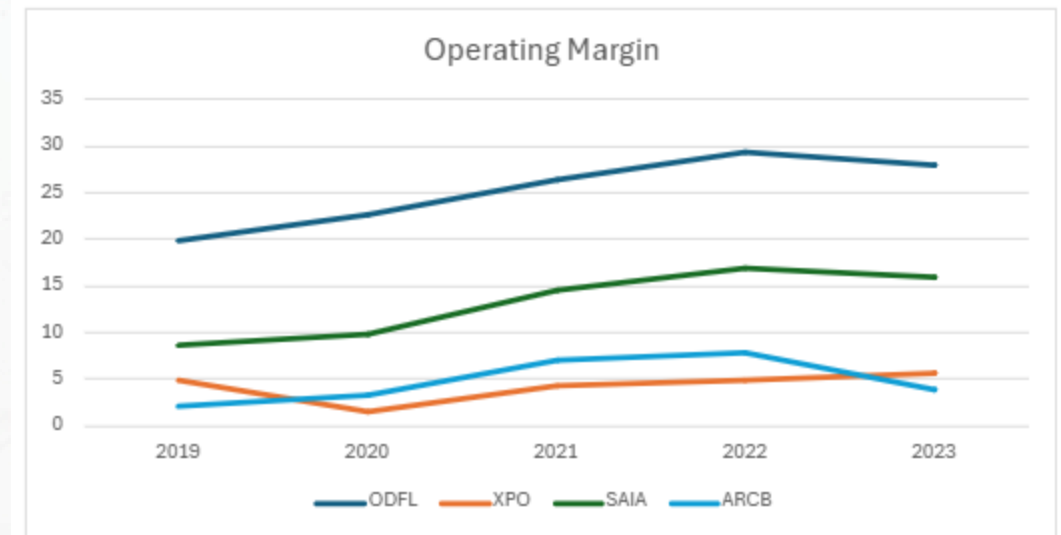
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# Margins

- **Gross Margin:** maintained stable, reflecting efficient cost management despite fluctuating demand
- **EBITDA & Operating Margins:** increased through 2022, despite a slight moderation in 2023, the margins indicate strong profitability
- **Pretax & Net Income Margins:** notable improvements, supported by lower operational costs and strategic cost-saving initiatives in their less-than-truckload (LTL) operations

Profitability Margins	2021	2022	2023
Gross Margin	33.77	36.04	35.32
EBITDA Margin	31.78	34.13	33.92
Operating Margin	26.47	29.40	27.97
Pretax Margin	26.41	29.41	28.09
Net Income Margin	19.68	22.00	21.13



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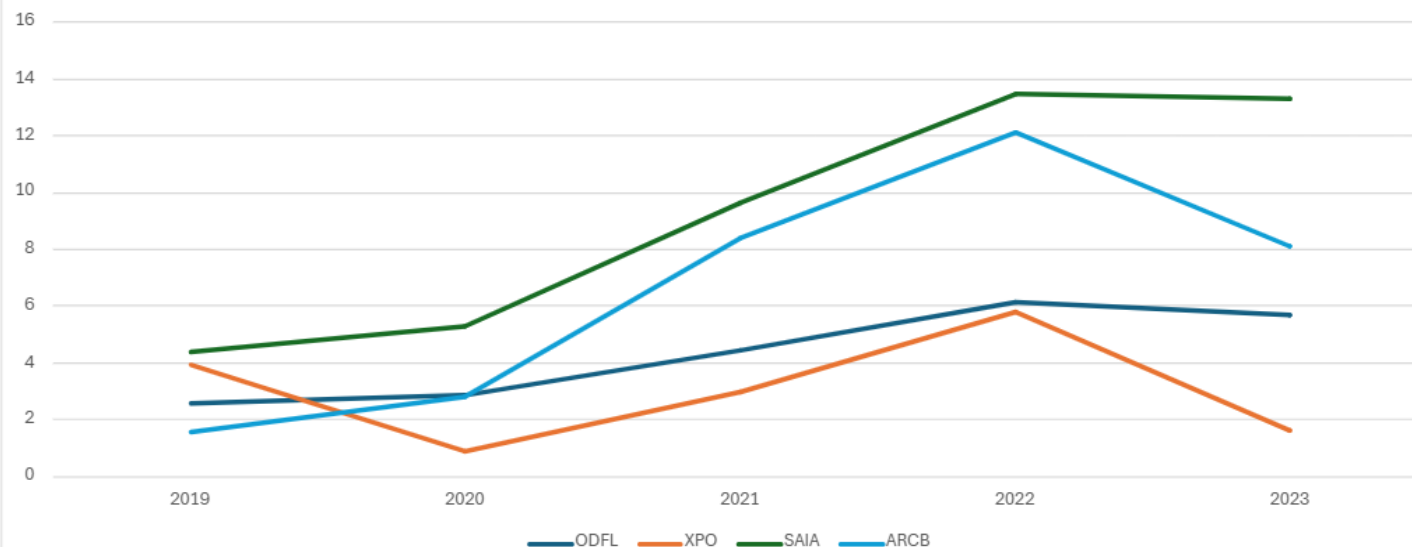
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# Earnings



Basic Earnings Per Share



Earnings and Valuation	2021	2022	2023
EPS	4.44	6.08	5.55
P/E	40.33	23.34	36.52

- **EPS:** rose due to higher net income which was driven by strong demand for its less-than-truckload (LTL) services
- **P/E:** suggesting market confidence sustainable profitability even with economic uncertainties

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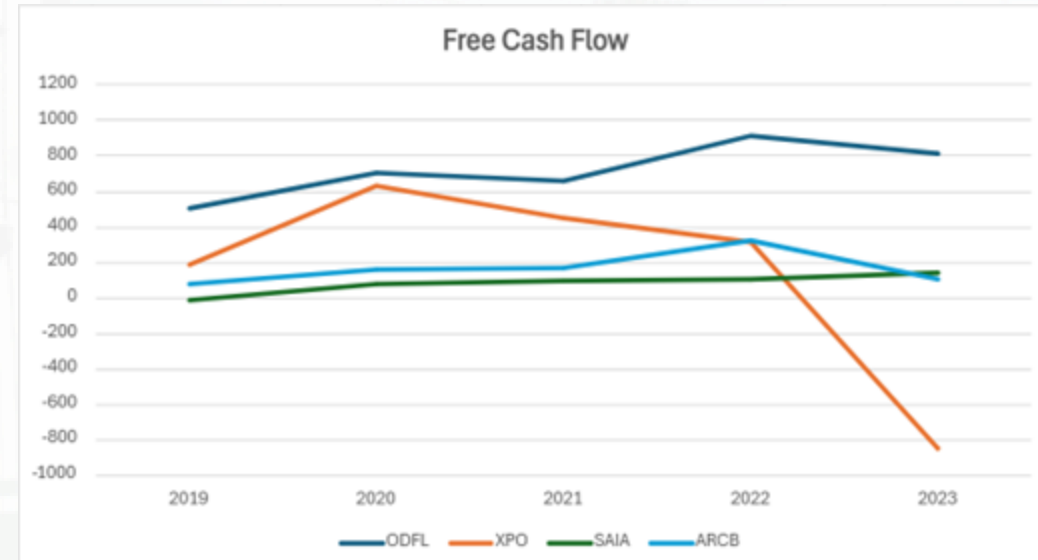
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# Growth and Cash Flow

- **Sustainable Growth Rate:** challenges in maintaining growth rates amid economic headwinds
- **FCF:** falling to -11.40% in 2023, linked to shifting capital expenditures
- **Revenue:** slowed from 30.90% in 2021 to -6.30% in 2023, due to economic conditions impacting freight volumes and pricing power



Growth YOY	2021	2022	2023
Sustainable Growth Rate	43.07	26.03	-20.58
FCF	-6.40	38.30	-11.40
Revenue	30.90	19.10	-6.30

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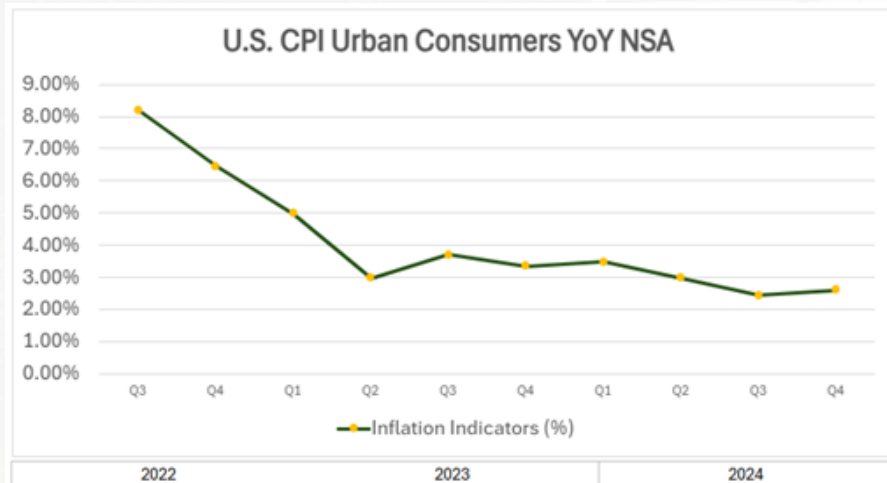
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# Economic Impacts

- **Industrial Production:** revenue is tied to U.S. industrial output, with slowdowns directly impacting shipping volumes
- **Fuel Costs:** high sensitivity to fuel price changes
- **Labor & Driver Shortages:** rising labor costs and driver scarcity affect service reliability and operating margins
- **Inflation:** cost pressures from inflation challenge profit margins



- **Environmental Regulations:** eased regulatory costs, potentially reducing the need for costly fleet upgrades
- **Trade Policies:** increase costs for cross-border shipping but may also bolster domestic manufacturing, potentially boosting demand for domestic freight services
- **Corporate Tax Policies:** lower corporate tax rates could improve after-tax income, enhancing cash flow and profitability

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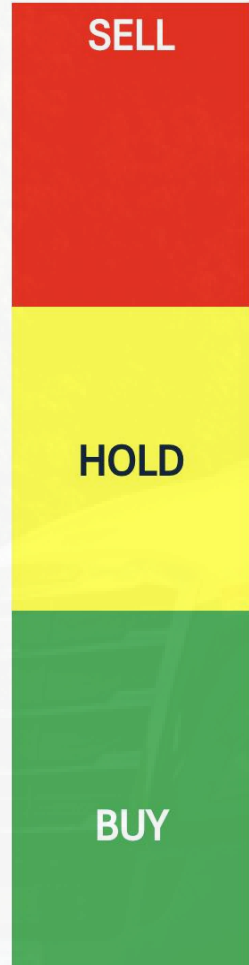
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# EPS Valuation



**\$450.22**

**\$218.61** *CURRENT PRICE*

**\$111.00**

Assuming: Low PE		Hi PE	EPS Growth
		20	37 17.00%
High EPS	High Price	Low EPS	Low Price
\$12.17	<b>\$450.22</b>	\$5.55	<b>\$111.00</b>

Upside Return	105.95%
Downside Return	-49.22%

- Low and High EPS derived from 5 and 10 Year CAGRs.
- 2.15:1 Upside/Downside Ratio
- Potential 106% return

**BUY**

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# Free Cash Flows Valuation

Old Dominion Freight Lines ODFL \$218.49

Year 1 Cash Flow	1,011.10
Discount Rate	7%
Growth Rate	17.0%
Year 11 Growth	3%
Capitalization Rate	4%

BUY

- Growth rate based on 5 and 10 year CAGRs.
- Long term growth assumed slightly higher than other sectors, since ODFL's sector and subsector would see some of the most prominent cost-cutting in future technology.
- PV per Share of \$377.44 presents an opportunity of 72.75%

Year	1	2	3	4	5	6	7	8	9	10
Prior Year Cash Flow	1,011	1,183	1,384	1,619	1,895	2,217	2,594	3,035	3,550	4,154
Growth Rate	17%	17%	17%	17%	17%	17%	17%	17%	17%	17%
Cash Flow	1,183	1,384	1,619	1,895	2,217	2,594	3,035	3,550	4,154	4,860
Discount Factor	0.9346	0.8734	0.8163	0.7629	0.7130	0.6663	0.6227	0.5820	0.5439	0.5083
Year 11 Cash Flow										5,006
Terminal Value										125,150
PV Cash Flow	\$1,105.60	\$1,208.92	\$1,321.91	\$1,445.45	\$1,580.54	\$1,728.25	\$1,889.77	\$2,066.38	\$2,259.50	\$2,470.67
PV Terminal Value	-	-	-	-	-	-	-	-	-	63,620

Total PV	80,697
Shares	213.8
FCF/Share	\$ 377.44
Return	72.75%

UNDERVALUED

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# Investment Rationale

**PRICE TARGET: \$421.11**

- Weighted average of EPS (60%) and FCF(40%).
  - P/E sits unconcerningly higher than its peers, indicates a willingness to pay more for returns
- Offers a 92.6% return

## Risks

- Economic Sensitivity
  - The LTL freight sector is highly sensitive to economic downturns, due to the resulting declines in industrial production and consumer demand.
- Driver Shortage
  - Aging workforce, long hours, and harsh working conditions exacerbate a growing driver shortage, pressuring the industry.

## Optimism

- Domestic Demand
  - Expectations of growth in domestic production will increase demand for cross-country shipping services.
- Eyes Ahead
  - Old Dominion's technological investments position it for advancement amongst its sector.

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