J.B. Hunt Transport Services (JBHT)

Updated May 20th, 2022, by Thomas Richmond

Key Metrics

Current Price:	$159	**5 Year CAGR Estimate:**	9.6%	**Market Cap:**	$16.9 B
Fair Value Price:	$205	**5 Year Growth Estimate:**	3.5%	**Ex-Dividend Date:**	05/12/22
% Fair Value:	78%	**5 Year Valuation Multiple Estimate:**	5.1%	**Dividend Payment Date:**	05/27/22
Dividend Yield:	1.0%	**5 Year Price Target**	$243	**Years Of Dividend Growth:**	18
Dividend Risk Score:	A	**Retirement Suitability Score:**	C	**Rating:**	Hold

Overview & Current Events

J.B. Hunt Transport Services (JBHT) is a freight carrier company that primarily operates large semi-trailer trucks (semis). The business operates over 12,000 trucks and has more than 100,000 trailers and containers in its fleet. The business is split into 5 segments – Intermodal (JBI), which operates the largest drayage fleet (vans 53 feet long) in North America, Dedicated Contract Services (DCS), which offers design and implementation of supply chain solutions and on-site management, Integrated Capacity Solutions (ICS), which ships domestic and international containers across North America, Truckload (JBT), which is one of the largest capacity networks in North America, allowing users to GPS track trailers, and Final Mile Services (FMS), which provides final destination delivery and installation. The 3 largest segments, JBI, DCS, and ICS, comprised 46%, 21%, and 19% of sales respectively for the first quarter of 2022, and made up 60%, 23%, and 8% of operating income respectively.

On April 18th, 2022, J.B. Hunt reported Q1 2022 results for the period ending March 31st, 2022. The business saw growth in the first quarter led by its largest segment, JBI. JBI's gross revenue for the first quarter increased 36% year-over-year, driven by a 7% increase in volume, but mainly a 28% increase in gross revenue per load. Operating income for the segment increased at 87% year-over-year, which was mainly driven by higher average revenue per load. In addition to the JBI segment, strong performance was also driven by the ICS and JBT segments. Revenue increased 29% in ICS for the year-over-year quarter, driven by a 15% increase in truckload volumes and a 14% increase in revenue per load. Revenue increased 77% in JBT for the year-over-year quarter, driven by a 47% increase in revenue per load, and a 17% increase in volume. These revenue increases had a magnified effect on the bottom line – operating income increased 243% for ICS and 210% for JBT.

The business saw diluted earnings-per-share of $2.29, up 67% from the year-ago period.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
EPS	$2.59	$2.87	$3.16	$3.66	$3.81	$3.75	$5.64	$5.21	$4.74	$7.14	***$9.30***	***$11.05***
DPS	$0.71	$0.45	$0.80	$0.84	$0.88	$0.92	$0.96	$1.04	$1.08	$1.18	***$1.60***	***$1.90***
Shares	118	117	117	114	111	110	109	106	106	105	***104***	***99***

Over the past 9 years, J.B. Hunt has seen earnings-per-share grow at an average annualized rate of 11.9%. In 2022, we expect J.B. Hunt to deliver $9.30 in earnings-per-share on the basis that demand for freight shipping services will continue to increase, even as COVID-19's impact on the economy lessens. We forecast that earnings-per-share will grow at a modest rate of 3.5% annually over the next 5 years.

Over the past 5 years, dividend payments have grown at 2.4% annually. We forecast that dividends will grow at 3.5% annually over the next 5 years, fueled by the growth in earnings-per-share. We also project that J.B. Hunt will continue buying back shares, helping earnings-per-share growth.

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Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Avg. P/E	21.2	25.2	24.2	22.2	21.6	26.0	20.7	20.0	25.1	23.9	***17.1***	***22.0***
Avg. Yld.	1.3%	0.6%	1.0%	1.0%	1.1%	0.9%	0.8%	1.0%	0.9%	0.7%	***1.0%***	***0.8%***

Over the past 9 years, J.B. Hunt has averaged a 23.1 P/E ratio, and over the past 5 years, the stock has averaged a 23.0 P/E ratio. Based on the steady history of valuation multiples, we estimate that a 22 P/E ratio is fair for the business, which makes up the basis of our 2027 P/E estimate. Today, the stock offers a low 1.0% dividend yield, which is low for investors who prioritize dividend income, but investors might consider the company if they're interested in the trucking space and the business's growth.

Safety, Quality, Competitive Advantage, & Recession Resiliency

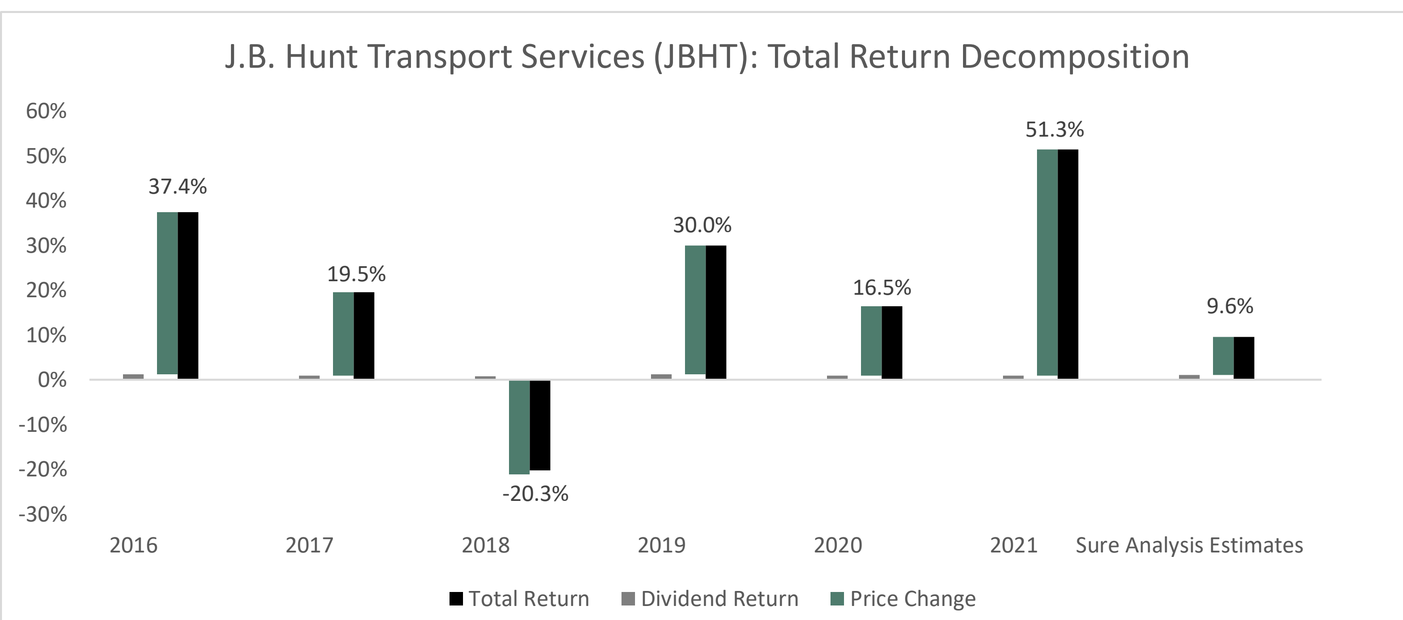
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	27%	16%	25%	23%	23%	25%	17%	20%	23%	17%	***17%***	***17%***

J.B. Hunt has averaged a payout ratio of 20% over the past 9 years. We project that the dividend will be safe since the low payout ratio signifies that the dividend is adequately backed by strong earnings-per-share. Although trucking businesses are naturally cyclical, J.B. Hunt has a safe balance sheet. J.B. Hunt has a certain level of economies of scale as one of the largest trucking companies in the US.

Final Thoughts & Recommendation

J.B. Hunt offers investors an opportunity to invest in a growing business that will benefit from the increasing demand for shipping. At today's price, we rate the stock as a hold because total return prospects come in at 9.6% annually over the next five years. Investors might be interested in this stock because of the business's exposure to the shipping industry, and because the stock is expected to make decent returns for investors as the shares could rerate towards a higher multiple, along with increasing earnings and dividends.

Total Return Breakdown by Year



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Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	5,055	5,585	6,165	6,188	6,555	7,190	8,615	9,165	9,637	12,168
Gross Profit	837	931	1,041	1,146	1,186	1,199	1,359	1,506	1,450	1,870
Gross Margin	16.6%	16.7%	16.9%	18.5%	18.1%	16.7%	15.8%	16.4%	15.0%	15.4%
SG&A Exp.	99	120	152	167	185	273	324	384	348	396
D&A Exp.	229	253	294	340	362	384	436	499	527	557
Operating Profit	530	577	632	716	721	624	681	734	713	1,046
Op. Margin	10.5%	10.3%	10.2%	11.6%	11.0%	8.7%	7.9%	8.0%	7.4%	8.6%
Net Profit	310	342	375	427	432	686	490	516	506	761
Net Margin	6.1%	6.1%	6.1%	6.9%	6.6%	9.5%	5.7%	5.6%	5.3%	6.3%
Free Cash Flow	109	81	(162)	148	216	328	92	244	384	276
Income Tax	194	211	230	263	264	(91)	151	165	160	239

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	2,465	2,819	3,378	3,630	3,951	4,465	5,092	5,471	5,928	6,794
Cash & Equivalents	6	6	6	6	6	15	8	35	313	356
Acc. Receivable	466	569	654	624	745	921	1,052	1,012	1,124	1,507
Inventories	23	26	28	23	19	21	22	21	24	25
Goodwill & Int.	---	---	---	---	2	113	105	203	212	191
Total Liabilities	1,673	1,807	2,174	2,329	2,537	2,626	2,990	3,204	3,328	3,677
Accounts Payable	267	305	326	340	384	599	710	603	588	773
Long-Term Debt	685	708	934	998	986	1,086	1,149	1,296	1,305	1,301
Total Equity	792	1,012	1,205	1,300	1,414	1,839	2,101	2,267	2,600	3,118
LTD/E Ratio	0.87	0.70	0.78	0.77	0.70	0.59	0.55	0.57	0.50	0.42

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	13.1%	13.0%	12.1%	12.2%	11.4%	16.3%	10.2%	9.8%	8.9%	12.0%
Return on Equity	45.7%	38.0%	33.8%	34.1%	31.8%	42.2%	24.8%	23.6%	20.8%	26.6%
ROIC	22.2%	21.4%	19.4%	19.3%	18.4%	25.8%	15.9%	15.2%	13.6%	18.3%
Shares Out.	118	117	117	114	111	110	109	106	106	105
Revenue/Share	42.12	46.77	52.05	53.01	57.83	64.74	78.01	84.62	90.26	114.16
FCF/Share	0.90	0.68	(1.37)	1.27	1.90	2.96	0.83	2.26	3.60	2.59

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.