J.B. Hunt Transport Services (JBHT)

Updated February 3rd, 2022, by Ian Bezek

Key Metrics

Current Price:	$197	**5 Year CAGR Estimate:**	6.2%	**Market Cap:**	$20.3 B
Fair Value Price:	$201	**5 Year Growth Estimate:**	5.0%	**Ex-Dividend Date:**	02/09/23
% Fair Value:	98%	**5 Year Valuation Multiple Estimate:**	0.4%	**Dividend Payment Date:**	02/24/23
Dividend Yield:	0.9%	**5 Year Price Target**	$257	**Years Of Dividend Growth:**	21
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 more than 12,000 trucks and 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. Intermodal is the largest of these divisions, followed by Dedicated Contract Services and Integrated Capacity Solutions. The company enjoyed strong demand for logistics services over the past couple of years as American consumers spent money at a record pace. However, that momentum is slowing.

On January 18th, 2023, J.B. Hunt reported Q4 2022 results for the period ending December 31st, 2022. The business saw diluted earnings-per-share of $1.92, down 16% from the year-ago period. This result came up well short of analyst expectations. Revenues did rise 4.4% year-over-year to $3.65 billion. However, that was a sharp deceleration in growth from prior quarters of 2022, and the figure also fell short of analyst expectations of $3.8 billion in revenue for Q4.

The business lost momentum in Q4 primarily due to a 27% decline in volume in its Integrated Capacity Solutions business. In addition to slowing revenue, costs also rose. J.B. Hunt pointed to higher insurance costs, labor costs, and maintenance expenses among factors which pressured margins this quarter. J.B. Hunt does not offer specific forward earnings guidance. However, the conference call signaled potential weakness in trucking demand in early 2023 followed by a stronger finish to this year.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
EPS	$2.87	$3.16	$3.66	$3.81	$3.75	$5.64	$5.21	$4.74	$7.14	$9.21	***$9.15***	***$11.68***
DPS	$0.60	$0.80	$0.84	$0.88	$0.92	$0.96	$1.04	$1.08	$1.18	$1.60	***$1.68***	***$2.04***
Shares	117	117	114	111	110	109	106	106	105	104	***103***	***101***

Over the past 9 years, J.B. Hunt has seen earnings-per-share grow at an average annualized rate of 13.8%. However, that compounded rate is heavily driven by the large earnings increases seen over the past couple of years. We expect earnings growth to decelerate significantly over the next few years as the economy stabilizes after the recent bout of inflation and elevated consumer spending. Following a pause in earnings growth this year, we expect the firm to grow at 5% per year going forward.

Over the past 5 years, dividend payments have grown at 11.8% annually. We expect for that dividend growth rate to slow down in-line with the company's more modest earnings growth rate going forward. J.B. Hunt has bought back a meaningful amount of stock over the past decade, reducing its share count by more than 10%. There is currently a $551 million share buyback authorization open, though the company didn't repurchase any shares in its most recent quarter.

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Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
Avg. P/E	25.2	24.2	22.2	21.6	26.0	20.7	20.0	25.1	23.9	21.0	***21.5***	***22.0***
Avg. Yld.	0.6%	1.0%	1.0%	1.1%	0.9%	0.8%	1.0%	0.9%	0.7%	0.9%	***0.9%***	***0.8%***

Over the past 9 years, J.B. Hunt has averaged a P/E ratio of 23, and over the past 5 years, the stock has averaged a P/E ratio of 22.1. We expect that the company's P/E ratio will stay in its current range in the low 20s.

A similar outlook holds for the dividend. J.B. Hunt has long offered a dividend yield right around the 1.0% mark, and we expect the yield will remain near that level in coming years.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	21%	25%	23%	23%	25%	17%	20%	23%	17%	17%	*18%*	*18%*

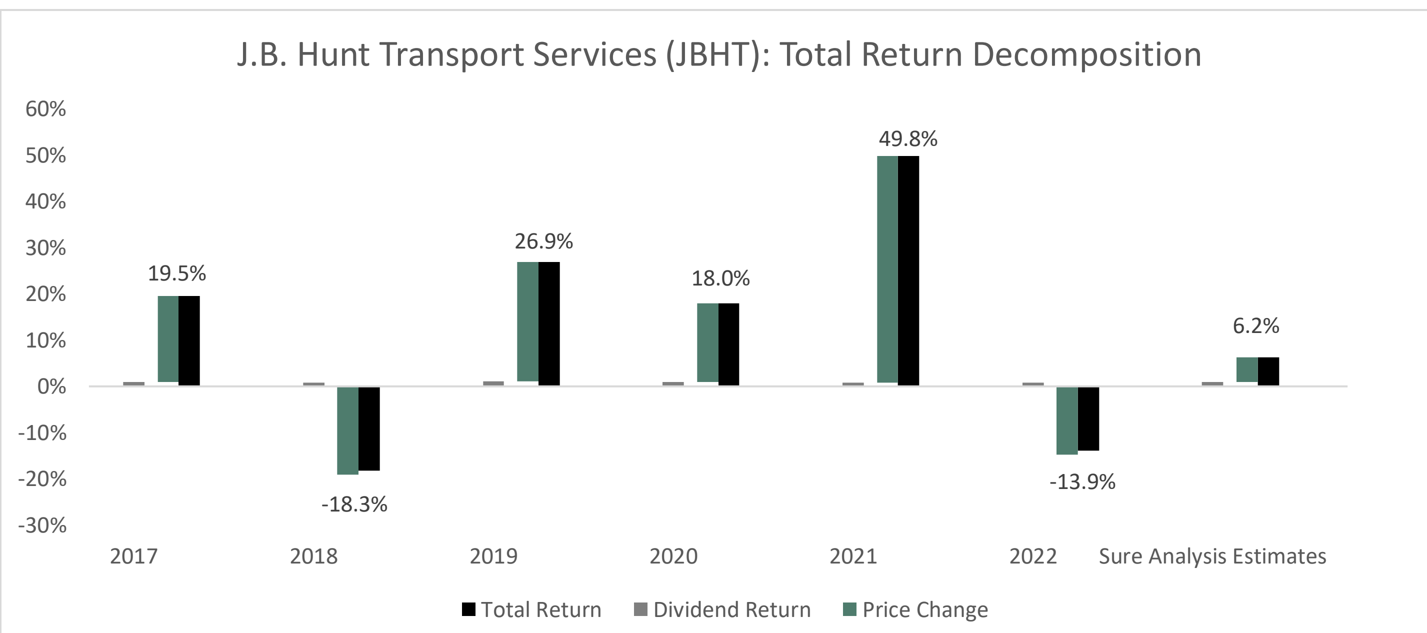
J.B. Hunt has averaged a roughly 20% payout ratio over the past decade. We expect it will continue to increase its dividend in-line with earnings, leading to a stable payout ratio. Trucking is historically a cyclical industry prone to downturns during a recession. However, J.B. Hunt's diversified lines of business and large scale give it a good deal of insulation from economic shocks as compared to most of its industry.

J.B Hunt has a fair amount of leverage on its balance sheet. S&P Global rates the company's debt at BBB+. The balance sheet is well within investment-grade parameters, but conditions could change in a more prolonged recession.

Final Thoughts & Recommendation

J.B. Hunt shares currently earn a hold rating, with a forward outlook of 6.2% annualized total returns. This comes primarily from future earnings growth, as shares are currently close to our estimate of fair value while the dividend yield is a modest part of the total return picture. Given the near-term economic headwinds and likelihood of a slowdown in trucking demand in 2023, investors may be able to find a more attractive entry point for shares in future months.

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	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	5,585	6,165	6,188	6,555	7,190	8,615	9,165	9,637	12,168	14,814
Gross Profit	931	1,041	1,146	1,186	1,199	1,359	1,506	1,450	1,870	2,473
Gross Margin	16.7%	16.9%	18.5%	18.1%	16.7%	15.8%	16.4%	15.0%	15.4%	16.7%
SG&A Exp.	120	152	167	185	273	324	384	348	396	570
D&A Exp.	253	294	340	362	384	436	499	527	557	---
Operating Profit	577	632	716	721	624	681	734	713	1,046	1,332
Op. Margin	10.3%	10.2%	11.6%	11.0%	8.7%	7.9%	8.0%	7.4%	8.6%	9.0%
Net Profit	342	375	427	432	686	490	516	506	761	969
Net Margin	6.1%	6.1%	6.9%	6.6%	9.5%	5.7%	5.6%	5.3%	6.3%	6.5%
Free Cash Flow	81	(162)	148	216	328	92	244	384	276	---
Income Tax	211	230	263	264	(91)	151	165	160	239	312

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	2,819	3,378	3,630	3,951	4,465	5,092	5,471	5,928	6,794	7,742
Cash & Equivalents	6	6	6	6	15	8	35	313	356	52
Acc. Receivable	569	654	624	745	921	1,052	1,012	1,124	1,507	1,528
Inventories	26	28	23	19	21	22	21	24	25	---
Goodwill & Int.	---	---	---	2	113	105	203	212	191	---
Total Liabilities	1,807	2,174	2,329	2,537	2,626	2,990	3,204	3,328	3,677	4,076
Accounts Payable	305	326	340	384	599	710	603	588	773	799
Long-Term Debt	708	934	998	986	1,086	1,149	1,296	1,305	1,301	1,262
Total Equity	1,012	1,205	1,300	1,414	1,839	2,101	2,267	2,600	3,118	3,667
LTD/E Ratio	0.70	0.78	0.77	0.70	0.59	0.55	0.57	0.50	0.42	0.34

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	13.0%	12.1%	12.2%	11.4%	16.3%	10.2%	9.8%	8.9%	12.0%	13.3%
Return on Equity	38.0%	33.8%	34.1%	31.8%	42.2%	24.8%	23.6%	20.8%	26.6%	28.6%
ROIC	21.4%	19.4%	19.3%	18.4%	25.8%	15.9%	15.2%	13.6%	18.3%	20.7%
Shares Out.	117	117	114	111	110	109	106	106	105	104
Revenue/Share	46.77	52.05	53.01	57.83	64.74	78.01	84.62	90.26	114.16	140.72
FCF/Share	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.