J.B. Hunt Transport Services (JBHT)

Updated May 4th, 2024, by Ian Bezek

Key Metrics

Current Price:	$166	**5 Year CAGR Estimate:**	4.9%	**Market Cap:**	$17.1 B
Fair Value Price:	$154	**5 Year Growth Estimate:**	5.5%	**Ex-Dividend Date:**	05/09/24
% Fair Value:	108%	**5 Year Valuation Multiple Estimate:**	-1.5%	**Dividend Payment Date:**	05/24/24
Dividend Yield:	1.0%	**5 Year Price Target**	$201	**Years Of Dividend Growth:**	22
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 115,000 pieces of company-owned trailing equipment 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 has now gone into reverse.

On April 16th, 2024, J.B. Hunt reported far weaker than expected Q1 2024 results. The business saw diluted earnings-per-share of $1.22, which fell sharply from the $1.89 it earned in the same period of last year. Analysts had been expecting $1.53 per share for this past quarter; J.B Hunt fell far short of expectations and demonstrated that the trucking industry has gotten stuck in a cyclical downturn. Revenues of $2.9 billion fell 8.8% year-on-year and also missed expectations.

The weakness was widespread, with various business divisions showing falling volumes year-over-year. The decline was particularly steep in J.B. Hunt's 360 Marketplace, with the firm's Integrated Capacity Solutions division seeing load volume fall 22% year-over-year. This division had been a source of strength for the company during 2021 and 2022, but has now become a major drag on the firm's overall results. We are still anticipating a recovery in trucking volumes in the back half of 2024, but this quarter was much weaker than expected and we have trimmed our earnings outlook as a result.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	$3.16	$3.66	$3.81	$3.75	$5.64	$5.21	$4.74	$7.14	$9.21	$6.97	***$7.00***	***$9.15***
DPS	$0.80	$0.84	$0.88	$0.92	$0.96	$1.04	$1.08	$1.18	$1.60	$1.68	***$1.72***	***$2.09***
Shares	117	114	111	110	109	106	106	105	104	103	***103***	***101***

Since 2014, J.B. Hunt has seen earnings-per-share grow at an average annualized rate of 9.2%. The company had enjoyed unusually rapid earnings growth over the past few years. However, 2023 marked a significant retrenchment from 2022's peak. In the bigger picture, we expect earnings growth to decelerate significantly over the next few years as the economy cools off. We forecast that J.B. Hunt will grow earnings per share at 5.5% per year going forward.

Over the past 5 years, dividend payments have grown at a rate of 10.6% annually. We expect that the dividend growth rate will slow down in-line with the company's earnings growth. To that point, J.B. Hunt's most recent dividend hike, announced in January 2024, was a mere 2% increase. The company also has a buyback program in effect, but at a rather modest scale.

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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Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	24.2	22.2	21.6	26.0	20.7	20.0	25.1	23.9	21.0	23.5	***23.7***	***22.0***
Avg. Yld.	1.0%	1.0%	1.1%	0.9%	0.8%	1.0%	0.9%	0.7%	0.9%	0.9%	***1.0%***	***1.0%***

Over the past 9 years, J.B. Hunt has averaged a P/E ratio of 22.8, and over the past 5 years, the stock has averaged a P/E ratio of 22.7. We expect that the company's P/E ratio to settle at 22.0 in the coming years.

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 the coming years.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	25%	23%	23%	25%	17%	20%	23%	17%	17%	24%	***25%***	***23%***

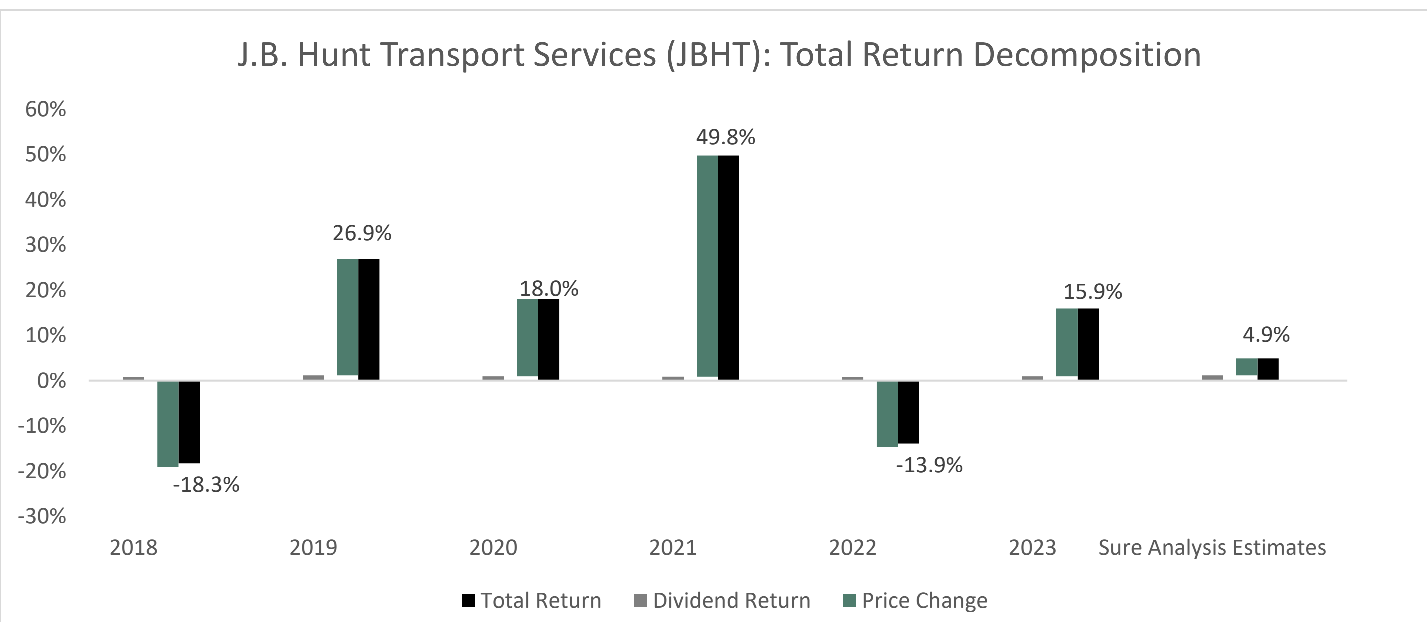
J.B. Hunt has averaged a roughly 20% payout ratio over the past decade. We expect it will continue to increase its dividend in line with earnings, leading to a stable payout ratio. Trucking is historically a cyclical industry prone to downturns during a recession. However, J.B. Hunt's diversified lines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

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

Given the economic headwinds and continuing demand shortfalls in the trucking industry, J.B. Hunt faces near-term challenges. J.B. Hunt has reported a number of weak earnings reports in a row. With this latest one, JBHT stock finally saw its share price drop, pushing shares far closer to fair value. While J.B. Hunt Transport Services is still not cheap today, shares have improved to a hold rating with a forward outlook for 4.9% total annualized returns.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	6,165	6,188	6,555	7,190	8,615	9,165	9,637	12,168	14,814	12,830
Gross Profit	1,041	1,146	1,186	1,199	1,359	1,506	1,450	1,870	2,473	2,210
Gross Margin	16.9%	18.5%	18.1%	16.7%	15.8%	16.4%	15.0%	15.4%	16.7%	17.2%
SG&A Exp.	152	167	185	273	324	384	348	396	570	633
D&A Exp.	294	340	362	384	436	499	527	557	---	738
Operating Profit	632	716	721	624	681	734	713	1,046	1,332	993
Op. Margin	10.2%	11.6%	11.0%	8.7%	7.9%	8.0%	7.4%	8.6%	9.0%	7.7%
Net Profit	375	427	432	686	490	516	506	761	969	728
Net Margin	6.1%	6.9%	6.6%	9.5%	5.7%	5.6%	5.3%	6.3%	6.5%	5.7%
Free Cash Flow	(162)	148	216	328	92	244	384	276	---	(118)
Income Tax	230	263	264	(91)	151	165	160	239	312	207

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	3,378	3,630	3,951	4,465	5,092	5,471	5,928	6,794	7,742	8,538
Cash & Equivalents	6	6	6	15	8	35	313	356	52	53
Acc. Receivable	654	624	745	921	1,052	1,012	1,124	1,507	1,528	1,335
Inventories	28	23	19	21	22	21	24	25	---	42
Goodwill & Int.	---	---	2	113	105	203	212	191	---	268
Total Liabilities	2,174	2,329	2,537	2,626	2,990	3,204	3,328	3,677	4,076	4,435
Accounts Payable	326	340	384	599	710	603	588	773	799	737
Long-Term Debt	934	998	986	1,086	1,149	1,296	1,305	1,301	1,262	1,576
Total Equity	1,205	1,300	1,414	1,839	2,101	2,267	2,600	3,118	3,667	4,104
LTD/E Ratio	0.78	0.77	0.70	0.59	0.55	0.57	0.50	0.42	0.34	0.38

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	12.1%	12.2%	11.4%	16.3%	10.2%	9.8%	8.9%	12.0%	13.3%	8.9%
Return on Equity	33.8%	34.1%	31.8%	42.2%	24.8%	23.6%	20.8%	26.6%	28.6%	18.7%
ROIC	19.4%	19.3%	18.4%	25.8%	15.9%	15.2%	13.6%	18.3%	20.7%	13.7%
Shares Out.	117	114	111	110	109	106	106	105	104	104
Revenue/Share	52.05	53.01	57.83	64.74	78.01	84.62	90.26	114.16	140.72	122.83
FCF/Share	(1.37)	1.27	1.90	2.96	0.83	2.26	3.60	2.59	---	(1.13)

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