J.B. Hunt Transport Services (JBHT)

Updated January 17th, 2025, by Ian Bezek

Key Metrics

Current Price:	$174	**5 Year CAGR Estimate:**	2.6%	**Market Cap:**	$17.4 B
Fair Value Price:	$144	**5 Year Growth Estimate:**	5.5%	**Ex-Dividend Date:**	02/07/25[1]
% Fair Value:	121%	**5 Year Valuation Multiple Estimate:**	-3.7%	**Dividend Payment Date:**	02/21/25[1]
Dividend Yield:	1.0%	**5 Year Price Target**	$188	**Years Of Dividend Growth:**	22
Dividend Risk Score:	A	**Retirement Suitability Score:**	C	**Rating:**	Sell

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 January 16th, 2025, J.B. Hunt reported its Q4 results. The latest earnings report continued the recent downward trend. Revenues of $3.15 billion slipped 5% year-over-year. Earnings per share rose slightly to $1.53 from the $1.47 reported in the same period of 2023. The company was able to show some improvement in margins, however this EPS figure fell well short of expectations as analysts had been hoping for a faster turnaround in the business.

These Q4 ended a disappointing 2024 for J.B. Hunt where the company missed on earnings, revenues, or both items across all four quarters of the year. The upside with Q4 was that at least the firm's margin erosion let up as there was some relief on the expenses front. However, the majority of J.B. Hunt's business lines continue to report declining revenues as of Q4, and management's forward guidance was not especially optimistic either. We are forecasting a return to earnings per share growth in 2025 thanks to improved cost efficiencies, but there continue to be headwinds on the demand side of the equation.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$3.66	$3.81	$3.75	$5.64	$5.21	$4.74	$7.14	$9.21	$6.97	$5.56	***$6.25***	***$8.17***
DPS	$0.84	$0.88	$0.92	$0.96	$1.04	$1.08	$1.18	$1.60	$1.68	$1.72	***$1.72***	***$2.09***
Shares[2]	114	111	110	109	106	106	105	104	103	101	***100***	***98***

Since 2015, J.B. Hunt has seen its earnings-per-share grow at an average annualized rate of 4.8%. The company had enjoyed unusually rapid earnings growth up through 2022. The past two years have been challenging for J.B. Hunt and the trucking sector more generally. Once the industry slump bottoms out, 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 9.8% 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 was a mere 2% increase.

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[1] Estimated date.

[2] In millions of shares.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	22.2	21.6	26.0	20.7	20.0	25.1	23.9	21.0	23.5	29.4	***27.8***	***23.0***
Avg. Yld.	1.0%	1.1%	0.9%	0.8%	1.0%	0.9%	0.7%	0.9%	0.9%	0.9%	***1.0%***	***1.1%***

Over the past 10 years, J.B. Hunt has averaged a P/E ratio of 23.3, and over the past 5 years, the stock has averaged a P/E ratio of 24.6. While J.B. Hunt's share price has retreated from recent highs, the firm's current 27.8 P/E ratio remains well above the longer-term average.

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	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	23%	23%	25%	17%	20%	23%	17%	17%	24%	31%	***28%***	***26%***

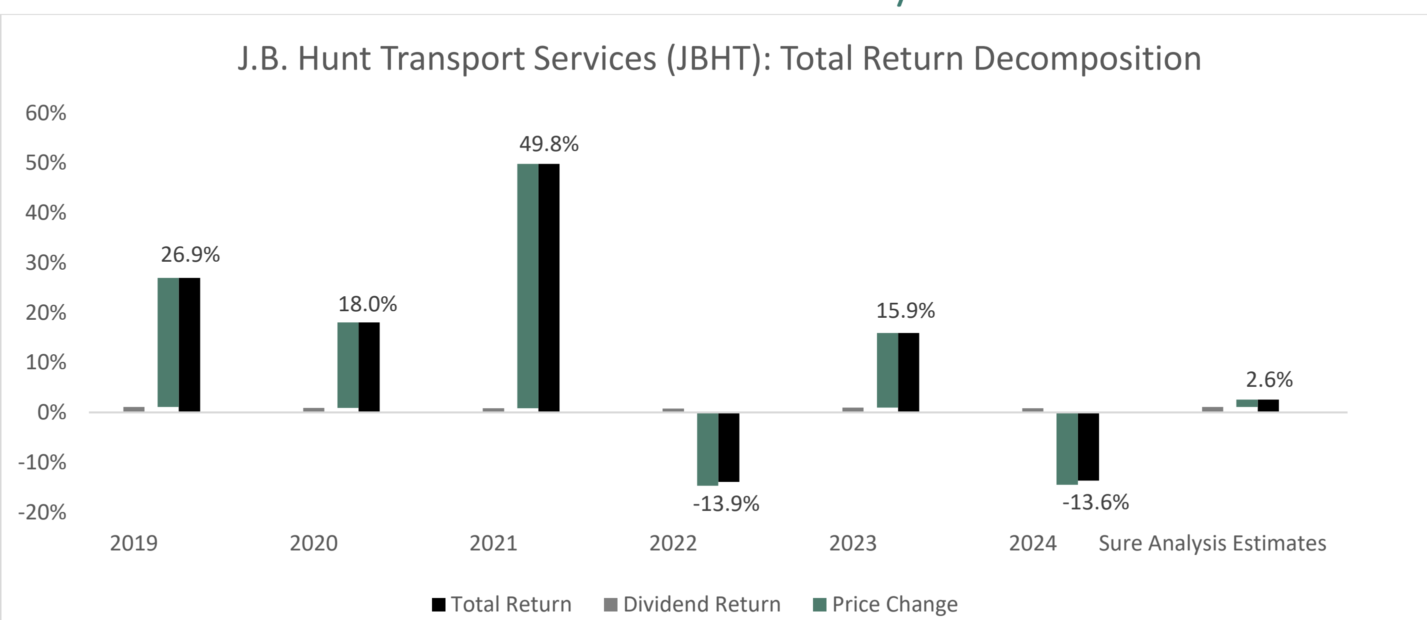
J.B. Hunt has averaged a roughly 22% payout ratio over the past decade. We expect it will continue to increase its dividend in line with earnings, leading to a stable payout ratio. Trucking is historically a cyclical industry prone to downturns during a recession. However, J.B. Hunt's diversified lines 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 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. Q4 was slightly better thanks to the stabilization in the firm's margins, but it's hard to get too excited given the subdued trucking demand outlook for 2025. The stock has pulled back a bit since our last report but remains meaningfully above our fair value estimate. We estimate 2.6% annualized returns, as P/E multiple compression offsets earnings growth. Shares earn a sell rating today.

Total Return Breakdown by Year



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

Balance Sheet Metrics

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

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	12.2%	11.4%	16.3%	10.2%	9.8%	8.9%	12.0%	13.3%	8.9%
Return on Equity	34.1%	31.8%	42.2%	24.8%	23.6%	20.8%	26.6%	28.6%	18.7%
ROIC	19.3%	18.4%	25.8%	15.9%	15.2%	13.6%	18.3%	20.7%	13.7%
Shares Out.	114	111	110	109	106	106	105	104	104
Revenue/Share	53.01	57.83	64.74	78.01	84.62	90.26	114.16	140.72	122.83
FCF/Share	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.