# Old Dominion Freight Line, Inc. (ODFL)

*Updated April 23rd, 2025, by Nikolaos Sismanis*

## Key Metrics

| | | | | | |
|---|---|---|---|---|---|
| **Current Price:** | $163 | **5 Year CAGR Estimate:** | 10.4% | **Market Cap:** | $34.6 B |
| **Fair Value Price:** | $145 | **5 Year Growth Estimate:** | 12.0% | **Ex-Dividend Date:** | 06/05/25[1] |
| **% Fair Value:** | 112% | **5 Year Valuation Multiple Estimate:** | -2.3% | **Dividend Payment Date:** | 06/19/25 |
| **Dividend Yield:** | 0.7% | **5 Year Price Target** | $256 | **Years Of Dividend Growth:** | 8 |
| **Dividend Risk Score:** | A | **Sector:** | Industrials | **Rating:** | Hold |

## Overview & Current Events

Old Dominion Freight Line, Inc. (ODFL) is one of the largest less-than-truckload (LTL) carriers in North America. Based in Thomasville, NC, the company has a market cap of $34.6 billion; its nearly 22,700 employees operate over 258 service centers in 48 states, 11,293 tractors (trucks), and 46,385 trailers. Founded in 1934, its largest competitor in the highly competitive LTL industry is JB Hunt Transport Services Inc (JBHT).

On April 23rd, Old Dominion posted its Q1 results for the period ending March 31st, 2025. For the quarter, total revenue of $1.37 billion was 5.8% lower than in Q1-2024, while diluted earnings per share declined by 11.2% to $1.19. This drop in revenue was primarily due to a 6.3% decrease in LTL tons per day, partially offset by a 4.1% increase in LTL revenue per hundredweight (excluding fuel surcharges).

The decline in LTL tons per day reflects a 5.0% decrease in LTL shipments per day and a 1.4% decrease in LTL weight per shipment. Throughout the quarter, the company demonstrated exceptional operational efficiency and upheld rigorous control over discretionary spending. Despite these efforts, the challenge of relatively stagnant sales in the face of inflationary pressures inevitably led to a modest margin compression.

Specifically, ODFL's salaries, wages, and benefit costs as a percent of revenue rose from 45.8% last year to 47.9%. So, the company's operating income margin contracted 190 basis points to 24.6%. Thus, net income fell by 12.9%. Yet, the per-share figure was further aided by a 2.4% reduction in the share count – hence the softer earnings-per-share drop.

## Growth on a Per-Share Basis

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2030 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **EPS** | $1.19 | $1.19 | $1.88 | $2.46 | $2.55 | $2.84 | $4.44 | $6.09 | $5.63 | $5.48 | ***$5.38*** | ***$9.48*** |
| **DPS** | --- | --- | $0.13 | $0.18 | $0.23 | $0.30 | $0.40 | $0.60 | $0.80 | $1.04 | ***$1.12*** | ***$3.42*** |
| **Shares** | 256 | 250 | 247 | 246 | 241 | 237 | 233 | 226 | 220 | 217 | ***214*** | ***200*** |

Despite facing growth challenges in the past couple of years after an impressive three-year post-pandemic surge from 2020 to 2022, we believe that growth will rebound in 2025. Management sees CAPEX of $757 million in 2025, covering real estate expansion ($300 million), tractors and trailers ($225 million), and I.T. assets ($50 million). These investments are expected to enhance operational efficiency and contribute positively to the company's overall performance.

For context, over the past five years, earnings-per-share has risen by an average of 18.5% per year. Earnings-per-share has also been getting a boost from share buybacks since 2015, with the company spending $957.3 million on buybacks in 2024. From 2015 to 2024, ODFL reduced its share count from 256 million to 217 million, a ~15% reduction. We are forecasting $5.38 in earnings-per-share for 2025 to go along with a 12% annual growth rate, expecting the company to continue to invest heavily in growing the business and cutting costs without sacrificing service quality.

On pricing, the company takes a long-term approach aimed at offsetting cost inflation and new investments. As well as service centers and trucks, it invests in IT and employee wages and benefits (none of its employees are unionized).

[1] Estimated dates based on past dividend dates.

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In the past five years, the dividend has increased by an average of 30.1% per year. We expect slower, but still significant average annual growth of 25%, as the company works toward a normalized payout ratio, despite the recent, softer hike. At that rate, the 2030 dividend would amount to $3.42, and the expected payout ratio would be 36%.

## Valuation Analysis

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Now | 2030 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Avg. P/E | 19.4 | 19.2 | 22.7 | 19.4 | 20.8 | 29.6 | 30.5 | 25.9 | 30 | 36.43 | ***30.3*** | ***27.0*** |
| Avg. Yld. | 0.0% | 0.0% | 0.4% | 0.4% | 0.4% | 0.4% | 0.4% | 0.4% | 0.5% | 0.5% | ***0.7%*** | ***1.3%*** |

Old Dominion has traded with an average P/E ratio of about 25 times earnings over the last decade, but we believe fair value is slightly ahead of this range. Still, with shares presently trading hands at over 30 times expected earnings, this implies the possibility for a valuation headwind ahead. This is due to our fair multiple standing at a more prudent 27 times EPS. While the dividend yield is quite low, it has the propensity to grow substantially over time. This is due to the potential for dividend growth to surpass earnings growth through 2030

## Safety, Quality, Competitive Advantage, & Recession Resiliency

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2030 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Payout | --- | --- | 7% | 7% | 9% | 11% | 9% | 10% | 14% | 19% | ***21%*** | ***36%*** |

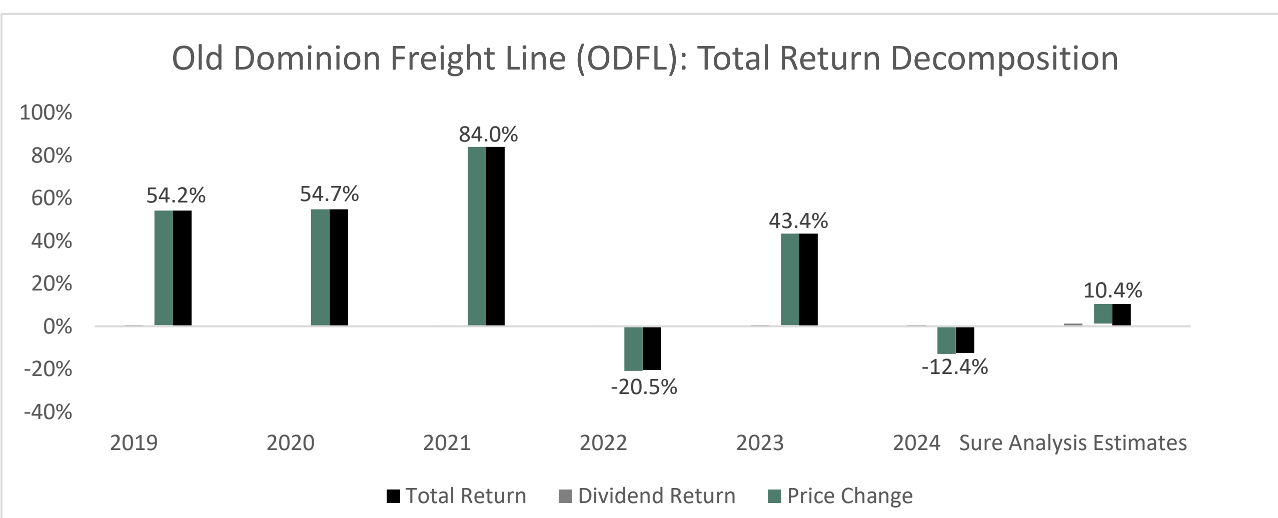
Old Dominion argues its competitive advantage lies in being able to deliver superior service at a fair price. The company is reasonably recession resistant. Despite the sharp economic downturn in 2020, its revenue was roughly flat, but its EPS and cash flow per share were up by high single digits. In the 2008 through 2010 period Old Dominion posted earnings-per-share of $0.55, $0.28, and $0.60 (pre-split numbers).

Debt is not a concern, as Old Dominion has only $40 million in long-term debt, none of which is due in the next four years. Long-term interest is just $212 thousand per year, and the interest coverage ratio is incredibly high.

## Final Thoughts & Recommendation

Due to both internal and external factors, Old Dominion is a powerful company and one of the leading LTL carriers in the U.S. Internally, it has invested in new growth, and, externally, it has benefited from the e-commerce revolution. The company is financially sound and profitable, throwing off cash flow that allows it to keep investing in the business and growing its dividend. Total expected returns come in at 10.4% per annum, driven by our expected growth rate of 12% and the 0.7% dividend yield, offset by the possibility of a 2.3% annual valuation headwind. ODFL earns a hold rating.

## 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 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|
| Revenue | 2,992 | 3,358 | 4,044 | 4,109 | 4,015 | 5,256 | 6,260 | 5,866 | 5,815 |
| Gross Profit | 745 | 875 | 1,144 | 1,170 | 1,229 | 1,775 | 2,256 | 2,072 | 2,023 |
| Gross Margin | 24.9% | 26.1% | 28.3% | 28.5% | 30.6% | 33.8% | 36.0% | 35.3% | 34.8% |
| SG&A Exp. | 152 | 177 | 194 | 206 | 184 | 224 | 259 | 281 | 310 |
| D&A Exp. | 190 | 206 | 230 | 254 | 261 | 260 | 276 | 324 | 345 |
| Operating Profit | 484 | 576 | 817 | 819 | 907 | 1,392 | 1,841 | 1,641 | 1,544 |
| Op. Margin | 16.2% | 17.1% | 20.2% | 19.9% | 22.6% | 26.5% | 29.4% | 28.0% | 26.6% |
| Net Profit | 296 | 464 | 606 | 616 | 673 | 1,034 | 1,377 | 1,240 | 1,186 |
| Net Margin | 9.9% | 13.8% | 15.0% | 15.0% | 16.8% | 19.7% | 22.0% | 21.1% | 20.4% |
| Free Cash Flow | 148 | 154 | 312 | 505 | 708 | 663 | 916 | 812 | 888 |
| Income Tax | 182 | 112 | 210 | 208 | 229 | 354 | 464 | 408 | 372 |

## Balance Sheet Metrics

| Year | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|
| Total Assets | 2,696 | 3,068 | 3,545 | 3,996 | 4,369 | 4,822 | 4,839 | 5,512 | 5,491 |
| Cash & Equivalents | 10 | 127 | 190 | 404 | 401 | 463 | 186 | 434 | 109 |
| Acc. Receivable | 320 | 394 | 428 | 398 | 445 | 567 | 579 | 579 | 502 |
| Goodwill & Int. | 19 | 19 | 19 | --- | --- | --- | --- | --- | --- |
| Total Liabilities | 845 | 792 | 865 | 915 | 1,043 | 1,142 | 1,186 | 1,255 | 1,247 |
| Accounts Payable | 89 | 74 | 79 | 70 | 69 | 83 | 106 | 113 | 92 |
| Long-Term Debt | 105 | 95 | 45 | 45 | 100 | 100 | 100 | 80 | 60 |
| Total Equity | 1,851 | 2,277 | 2,680 | 3,081 | 3,326 | 3,680 | 3,653 | 4,258 | 4,245 |
| LTD/E Ratio | 0.06 | 0.04 | 0.02 | 0.01 | 0.03 | 0.03 | 0.03 | 0.02 | 0.01 |

## Profitability & Per Share Metrics

| Year | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|
| Return on Assets | 11.5% | 16.1% | 18.3% | 16.3% | 16.1% | 22.5% | 28.5% | 24% | 21.6% |
| Return on Equity | 16.7% | 22.5% | 24.4% | 21.4% | 21.0% | 29.5% | 37.6% | 31.3% | 27.9% |
| ROIC | 15.7% | 21.4% | 23.8% | 21.0% | 20.5% | 28.7% | 36.6% | 30.6% | 27.6% |
| Shares Out. | 124 | 124 | 122 | 120 | 117 | 116 | 113 | 220 | 216 |
| Revenue/Share | 23.98 | 27.17 | 32.87 | 34.07 | 33.88 | 45.15 | 55.36 | 26.64 | 26.86 |
| FCF/Share | 1.18 | 1.25 | 2.53 | 4.18 | 5.97 | 5.69 | 8.10 | 3.69 | 4.10 |

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