



# OLD DOMINION FREIGHT LINE, INC. 2017 ANNUAL REPORT



## **BUILDING ON A PROVEN RECORD OF PERFORMANCE**

At Old Dominion Freight Line, Inc., we are continuously investing in all aspects of our business to provide our team with the tools necessary to deliver our on-time and claims-free service to the LTL marketplace. While shippers may care most about their freight being delivered on time and without damages, we provide many other elements of service that have allowed us to strengthen the relationship between us and our customers and grow our business.

**OD DOMESTIC** provides nationwide coverage with a network of 228\* service centers to help shippers manage their regional, inter-regional and national LTL needs. Our award-winning service continues to drive increases in our market share, and we are continuously expanding the capacity of our network to accommodate future market share opportunities. We are intently focused on providing the very best service and are proud to have been recognized by Mastio & Company\*\* as the leading LTL National Carrier for eight straight years.

**OD EXPEDITED** is the trusted shipping service for time-sensitive and appointment deliveries. Our Guaranteed, On Demand, and Air Service offerings meet the needs of any shipper by providing highly customizable solutions. OD Expedited has also recently introduced a "Must-Arrive-By-Date" service, which provides a solution for shippers to meet the increasingly complex supply chain demands of retailers.

**OD PEOPLE** represents our team of employees that delivers our premium service. We continuously invest in the education and training of our employees and utilize the OD Driver Training Program and OD Management Trainee Program to prepare our Company for the future.



\*As of December 31, 2017

\*\*Source: 2017 Mastio & Co. National LTL Carrier Report



**OD GLOBAL** uses door-to-door freight visibility to provide a wide range of services within the global supply chain. Our LTL services extend into Canada and Mexico through coordination with our global agents, and we also provide container delivery services that include less-than-container-load and full-container-load shipments. Connecting our customers' freight to global markets requires the complex integration of data and equipment, as well as the personalized expertise of our people every step of the way.

**OD TECHNOLOGY** consistently gives our customers access to real-time information while enabling us to manage equipment and shipments more efficiently. Our technology empowers our customers by giving them the tools to manage shipping needs and also enables our employees' ability to provide premium service.

## FELLOW SHAREHOLDERS

Old Dominion produced strong operating and financial results for 2017, driven in part by our ability to win market share as the domestic economy improved throughout the year. Our market share growth was supported by the consistent execution of our long-term strategic plan, which focuses on delivering superior service at a fair price. We also remained committed to investing in our service centers to ensure that our network capacity does not become a limiting factor on our ability to grow. As a result, we achieved double-digit growth in revenue and profits for 2017. Reflecting our financial performance and the ongoing opportunity for future profitable growth, the market price of a share of Old Dominion common stock increased 53.3% during 2017. Over the longer term, we have achieved a compound annual growth rate in our share price of 19.2%, 30.9% and 29.0% for the previous three-, five- and 10-year periods, respectively.

**Freight density and yield generated Company record financial results:** Old Dominion's revenue for 2017 increased 12.3% to a Company record \$3.36 billion from \$2.99 billion for 2016. Our revenue growth for 2017 was balanced, with a 7.8% increase in LTL tonnage per day and a 4.8% increase in LTL revenue per hundredweight. The increase in LTL tonnage consisted of a 6.2% increase in LTL shipments per day and a 1.5% increase in LTL weight per shipment. The increased demand for our transportation services has continued into 2018, and we expect this trend to continue throughout the year if the domestic economy and industry pricing environment remain strong.

We improved our volumes during 2017 while also maintaining a commitment to our long-term pricing philosophy. LTL revenue per hundredweight increased 4.8%, and increased 2.9% when excluding fuel surcharges. We were pleased with these results, as both the increase in LTL weight per shipment and a 1.2% decline in average length of haul typically have the effect of reducing LTL revenue per hundredweight results. The improvement in yield and density contributed to the improvement in our operating ratio in 2017 to 82.9%—a new Company record! We have long maintained that increases in freight density and yield, when supported by a positive economic environment, are key to long-term margin improvement for our business. This was the seventh time in eight years that we have improved our operating ratio, and we believe that we can continue to get better.

“ WE BELIEVE WE ARE THE BEST-POSITIONED LTL CARRIER. ”

The increase in revenue and improvement in our operating ratio resulted in an increase in net income for 2017. Net income increased to a Company record \$463.8 million, or \$5.63 per diluted share, for 2017 from \$295.8 million, or \$3.56 per diluted share, for 2016. While our results for 2017 include a \$104.9 million income tax benefit related to the passage of the Tax Cuts and Jobs Act in December 2017, we expect that our net income will benefit in future periods from a lower effective tax rate resulting from this Act.

**Focus on our superior service to our customers:** Old Dominion is committed to providing superior service to LTL shippers, and we believe that we have strongly differentiated ourselves from industry peers with our ability to provide on-time and claims-free service. We delivered on-time service in excess of 99% for 2017, while our cargo claims ratio improved to less than 0.3%. We were particularly pleased that our service levels remained so high during 2017, as we added over 1,600 full-time employees to our workforce during the year. This performance is a testament to the regular investments we make in the education and training of our employees, while also ensuring that we maintain our commitment to the unique culture that forms the foundation of our Company's success.

While our ability to win market share supports our belief that our service is best-in-class, we are very proud to have been recognized by various independent third parties for excellence within the transportation industry. Notably, we were honored to receive the 2017 Mastio Quality Award for the best National LTL carrier—the eighth consecutive year that Old Dominion has won this prestigious award!

**Investing for our future:** We are an industry leader when it comes to reinvesting in our business and our people, including significant capital expenditures for service centers, equipment and technology. We continue to view these investments as our best use of capital, and they are a critical part of preparing our team to deliver on our promise of superior service.

Since 2005, we have invested over \$1.4 billion in service center additions and expansions. We have added 74 new service centers—a 48% increase—to reach 228 at year-end, and we have more than doubled the number of doors at the facilities we operate. In addition, we have grown our fleet to include 8,316 tractors and 32,890 trailers as of December 31, 2017. Capital expenditures over this time frame have averaged approximately 14% of revenue.

Capital expenditures for 2017 were \$382.1 million, or 11.4% of revenue, and are currently expected to total approximately \$510 million in 2018. While other publicly traded LTL companies spend an average of approximately 5% of revenue on capital expenditures, our strategic investments provide a competitive advantage for winning new business by ensuring we have the capacity to absorb anticipated growth without affecting our ability to deliver high-quality service.

**Strong cash flow and balance sheet support our investments:** The Company's operating cash flow for 2017 of \$536.3 million was more than sufficient to fully fund our capital expenditure program for the year, the paydown of \$10.0 million outstanding on our revolving line of credit, and \$40.9 million of capital returned to shareholders through share repurchases and a newly initiated dividend. Our balance sheet remains very strong with a debt-to-capital ratio of 4.0% as of December 31, 2017. Old Dominion's significant operating cash flow and low leverage profile give us substantial flexibility to fund our planned capital expenditures and any strategic opportunities that may arise, while also allowing us to return capital to our shareholders.

We are excited about our recent announcement of planned changes to our executive leadership team. As part of our designed succession plan, effective May 16, 2018, our Board of Directors has elected Greg Gantt to serve as our Company's Chief Executive Officer in addition to his current role of President. As part of this transition, David will become our Executive Chairman and succeed Earl, who will become our Senior Executive Chairman. Greg has assumed ever-increasing roles and responsibilities with us over the past 24 years and has been a critical part of the development and execution of our long-term strategic plan. While we will continue to be actively involved with the Company in our new roles, we are confident that under Greg's leadership the Company will continue to innovate, evolve, and grow in the years to come.



In 2017, we initiated a \$0.10 per share quarterly dividend based on our confidence in the long-term financial strength of the Company and our commitment to increasing shareholder value, and we recently announced an increase in our quarterly dividend to \$0.13 per share. This dividend was designed to be complementary to our share repurchase program that began in 2014. While we reduced the number of shares purchased in 2017, we expect this repurchase program to be the primary means for returning capital to our shareholders in the future.

Old Dominion's accomplishments are the direct result of the hard work and dedication of our team of employees that continues to exceed the service expectations of our customers. This group of over 20,000 men and women are part of a unique culture that embodies our motto: Helping the World Keep Promises®, and we would like to thank our OD Family of employees on behalf of all of our shareholders. We also thank you, our fellow shareholders, for your continued support and investment in Old Dominion.

**Positioned for growth:** We believe we are the best-positioned LTL carrier to win market share in 2018 and are encouraged by recent industry and macroeconomic trends. More importantly, we believe we are best positioned to capture long-term market share and can benefit from trends that favor the LTL industry, such as the growing sophistication of supply chains that require an increased focus on service for time-sensitive shipments.

Sincerely,

*David S. Congdon*

**David S. Congdon**  
Vice Chairman and  
Chief Executive Officer

*Earl E. Congdon*

**Earl E. Congdon**  
Executive Chairman

# SELECTED FINANCIAL DATA

(In thousands, except per share amounts and operating statistics)

<b>OPERATING STATISTICS:</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
LTL revenue per hundredweight.....	\$ 19.39	\$ 18.51	\$ 18.23	\$ 18.33	\$ 17.95
LTL revenue per intercity mile.....	\$ 5.46	\$ 5.09	\$ 5.11	\$ 5.38	\$ 5.28
LTL intercity miles (in thousands).....	605,204	576,953	566,210	503,923	429,709
LTL tons (in thousands).....	8,519	7,931	7,938	7,391	6,325
LTL shipments (in thousands).....	10,736	10,148	10,129	9,073	7,942
Average length of haul (in miles).....	917	928	928	928	936
Service centers.....	228	226	225	222	221
Tractors.....	8,316	7,994	7,688	6,907	6,296
Trailers.....	32,890	32,525	30,204	27,259	25,052

<b>FINANCIAL RESULTS:</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Revenue from operations.....	\$ 3,358,112	\$ 2,991,517	\$ 2,972,442	\$ 2,787,897	\$ 2,337,648
Operating income.....	\$ 575,886	\$ 483,835	\$ 498,240	\$ 441,307	\$ 338,438
Net income.....	\$ 463,774	\$ 295,765	\$ 304,690	\$ 267,514	\$ 206,113
Operating ratio.....	82.9%	83.8%	83.2%	84.2%	85.5%
Diluted earnings per share.....	\$ 5.63	\$ 3.56	\$ 3.57	\$ 3.10	\$ 2.39
Diluted weighted average shares outstanding.....	82,407	83,154	85,378	86,162	86,165

<b>FINANCIAL POSITION:</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Current assets.....	\$ 584,653	\$ 382,622	\$ 381,730	\$ 403,772	\$ 309,730
Total assets.....	3,068,424	2,696,247	2,466,504	2,206,866	1,908,840
Current liabilities.....	351,049	288,636	285,402	255,638	232,122
Long-term debt (including current maturities).....	95,000	104,975	133,805	155,714	191,429
Shareholders' equity.....	2,276,854	1,851,158	1,684,637	1,494,064	1,232,082

**REVENUE FROM OPERATIONS**



**OPERATING INCOME**



**DILUTED EARNINGS PER SHARE**



**SHAREHOLDERS' EQUITY**



# BOARD OF DIRECTORS AND EXECUTIVE OFFICERS

**EARL E. CONGDON** <sup>(1)</sup>  
Executive Chairman

**DAVID S. CONGDON** <sup>(1)</sup>  
Vice Chairman and  
Chief Executive Officer

**ROBERT G. CULP, III** <sup>(1) (2) (3)\*</sup>  
Lead Independent Director;  
Chairman, Culp, Inc.

**JOHN R. CONGDON, JR.** <sup>(1)</sup>  
Director; Retired Chairman and Chief Executive Officer,  
Old Dominion Truck Leasing, Inc.  
and Dominion Dedicated Logistics, Inc.

**BRADLEY R. GABOSCH** <sup>(1) (2) (4)</sup>  
Director; Retired Managing Director,  
Grant Thornton LLP

**PATRICK D. HANLEY** <sup>(1) (2) (3)</sup>  
Director; Retired Senior Vice President - Finance and  
Accounting, UPS Freight

**JOHN D. KASARDA, PH.D.** <sup>(1) (4)\*</sup>  
Director; Professor Emeritus and Director of Center for Air  
Commerce at the University of North Carolina at Chapel Hill's  
Kenan-Flagler Business School; President and Chief Executive  
Officer, Aerotropolis Business Concepts LLC

**LEO H. SUGGS** <sup>(1) (3) (4)</sup>  
Director; Retired President and Chief Executive  
Officer, UPS Freight

**D. MICHAEL WRAY** <sup>(1) (2)\* (3)</sup>  
Director; President,  
Riverside Brick & Supply Company, Inc.

**GREG C. GANTT**  
President and Chief Operating Officer

**DAVID J. BATES**  
Senior Vice President – Operations

**CHRISTOPHER T. BROOKS**  
Senior Vice President – Human Resources  
and Safety

**KEVIN M. FREEMAN**  
Senior Vice President – Sales

**CECIL E. OVERBEY, JR.**  
Senior Vice President – Strategic Development

**ROSS H. PARR**  
Senior Vice President – Legal Affairs,  
General Counsel and Secretary

**ADAM N. SATTERFIELD**  
Senior Vice President – Finance,  
Chief Financial Officer and Assistant Secretary

*(1) Director (2) Audit Committee (3) Compensation Committee  
(4) Governance and Nomination Committee  
\* Chair*



## SHAREHOLDER INFORMATION

### FORM 10-K/INVESTOR CONTACT

Our Annual Report on Form 10-K is available on our website, [www.odfl.com](http://www.odfl.com), or a copy (without exhibits) is available at no charge by contacting Adam N. Satterfield, Senior Vice President - Finance and Chief Financial Officer at our corporate office.

### ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders will be held on Wednesday, May 16, 2018, at 10:00 a.m. EDT at our corporate office.

### REGISTRAR AND TRANSFER AGENT

American Stock Transfer and Trust Company, LLC  
6201 15th Avenue  
Brooklyn, NY 11219  
718.921.8200

### INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young LLP  
4131 Parklake Avenue, Suite 500  
Raleigh, NC 27612



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