



2018 | ANNUAL REPORT

OLD DOMINION FREIGHT LINE, INC.



CONTINUED INVESTMENT DELIVERS A RECORD PERFORMANCE

At Old Dominion Freight Line, we invest in our future by focusing on our OD Family of employees, expanding our service center network and developing new technology and processes for our business and our customers. These investments contributed to our success in 2018, which was a record-setting year in terms of our financial performance. As we look forward, we are well-positioned to continue to produce shareholder value while providing superior service to our customers at a fair price.



OD DOMESTIC OD strategically invests in our domestic service center network to increase capacity and improve our nationwide coverage. Our network of 235 service centers helps shippers manage their regional, inter-regional and national LTL needs. With an ever-expanding network, we can win additional market share while maintaining our superior service standards. Our superior customer service and operational strength earned us the Mastio Quality Award* for the ninth year in a row.

OD EXPEDITED OD is the trusted shipping service for time-sensitive and appointment deliveries. We offer Guaranteed, On Demand and Air services to meet the needs of our customers by providing highly customizable solutions. Our offerings also include OD's Must-Arrive-By-Date service, which helps meet the increasingly complex supply chain demands of our retail customers.

OD PEOPLE Our dedicated team of employees is what sets us apart as an industry leader. We continue to invest in the future of our OD People through education and training programs, which include our OD Driver Training Program and OD Management Trainee Program. We believe the continuous investment in our OD Family has allowed us to attract and retain the talent necessary to grow our business and prepare for the future. As a result of our efforts, we were recognized by Forbes** in 2018 as one of the World's Best Employers.

OD GLOBAL OD Global utilizes 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 strategic alliances with global agents. We also offer container delivery services that include less-than-container-load and full-container-load shipments. Connecting our customers' freight to global markets requires the complex coordination of data and equipment, as well as the personalized experience of our people throughout the process.

OD TECHNOLOGY OD technology solutions give our customers access to real-time information while empowering them with tools to manage their shipping needs. Our technology also enables our employees to efficiently manage our equipment and shipments while ensuring our customers' shipments are delivered on time and claims free.



* Source: 2018 Mastio and Company National LTL Carrier Report

** Source: Forbes, LLC

FELLOW SHAREHOLDERS

We are proud to report that **Old Dominion Freight Line** delivered a solid financial and operating performance for 2018, producing many new Company records. We exceeded \$4.0 billion in annual revenue and produced an annual operating ratio below 80.0% - both of which were first-time achievements for us. We believe our 2018 operating ratio of 79.8% may also be the best operating ratio ever produced by a national carrier in the LTL industry.

FOLLOWING OUR STRATEGIC PLAN: We produced these record results by continuing to execute our long-term strategic plan. This plan is based on two primary components: providing shippers with superior service at a fair price, and consistently investing in our service center capacity to support our continued growth. While execution of this plan has produced long-term profitable growth throughout many economic cycles, the strength of the domestic economy also contributed to our financial performance in 2018. Our model typically shines the brightest when both the economy and pricing environment are strong, like they were in 2018, as shippers typically place more of an emphasis on the quality of service and available capacity when selecting a carrier. We have also benefited from supply chain changes that are increasingly causing shippers to select carriers that can consistently provide on-time and claims-free service. Continuing our record of superior service, we provided 99% on-time service and had a claims ratio of 0.3% in 2018. This service performance has differentiated us from our competitors and, along with many other service-related attributes, allowed us to win the Mastio Quality Award in 2018 – our ninth straight year of receiving this award!

While we appreciate the awards and recognition related to our service, we believe our continued ability to win market share is the most important indicator that we provide the best value in the LTL industry. Our revenue increased 20.4% in 2018 and significantly outpaced the 9.3% average growth rate for the publicly-traded LTL carrier group. We were also able to improve our operating ratio more than any of these other LTL carriers, despite the fact that our operating ratio already leads the industry. All of the factors that have contributed to our ability to outperform our competition over the long-term continue, and we are confident that we can continue to increase our market share and further improve our operating ratio.

SUPPORTING OUR REVENUE GROWTH: Old Dominion's revenue for 2018 increased 20.4% to \$4.0 billion from \$3.4 billion in 2017. This revenue growth was due to a 10.1% increase in LTL tonnage and a 9.6% increase in LTL revenue per hundredweight. After we first crossed the \$3.0 billion threshold for annual revenue in 2017, we were able to cross the \$4.0 billion threshold in 2018 due to the additional \$685.6 million of revenue that we produced. This was the highest amount of annual revenue growth we have ever achieved.

Achieving this level of revenue growth was only possible because of our consistent and significant investments in service center capacity over many years. We have invested over \$1.4 billion in our service center network over the past ten years. This investment increased the number of doors within our service center network by approximately 60% and increased the number of service centers by 14% to 235 operating facilities at December 31, 2018. We increased the pace of openings in 2018 with seven net additions, and we plan to open approximately ten service centers during 2019.

The continued expansion of our service center network will increase our overall capacity and provide us with the ability to continue to grow our business. These additions will not only provide us with the capacity for growth, but should generally improve our pickup and delivery service and productivity as well.

The importance of our continuous investment in service center capacity – an investment that we make in both strong and weak economic periods – is most noticeable in years such as 2017 and 2018 where our revenue growth accelerated very quickly. Without the latent capacity of our service center network, we would not have been able to handle the significant acceleration in volume growth that began in late 2017 and continued throughout 2018, which generated record profits for us.



Our capital expenditures for 2018 totaled \$588.3 million, or 14.5% of revenue, with almost \$250 million spent on our service center network. In the past five years, we have spent between 10-15% of our revenue each year for capital expenditures as compared to our public LTL competitors that have spent an average of between 4-6% of revenues. We believe that we have more capacity for growth than anyone in our industry, at approximately 15-20% spare capacity, and we believe that a continued disparity in capital expenditures as compared to the overall LTL industry will provide us with additional market share opportunities.

We expect capital expenditures for 2019 to total approximately \$490 million, including planned expenditures of \$220 million for real estate and service center expansion projects; \$175 million for tractors and trailers; and \$95 million for information technology and other assets.

FUNDING OUR INVESTMENTS: The quality of our revenue growth in 2018 included improvement in both density and yield. We benefited from a strong pricing environment, which allowed us to achieve an improvement in yield necessary to offset our cost inflation and also support our investment in capacity and technology to meet customer demands. At the same time, we also continued to focus on managing our costs and improved both our variable operating costs and overhead costs as a percent of revenue in 2018. Our efforts led to a 310 basis point improvement in our operating ratio and generated \$900.1 million in cash flow from our operations.

We expect to continue to generate significant cash flows from our operations. Our first priority for allocating this capital will be further investments in strategic assets that will provide us with the capacity for continued growth. These strategic investments have provided us with a strong return on invested capital, and we believe we can continue to provide strong returns on capital by investing further in ourselves.

DRIVING SHAREHOLDER PERFORMANCE: As a result of the revenue growth and improved operating ratio in 2018 as compared to 2017, our diluted earnings per share grew 31.1%. From a longer term perspective, we have produced a double-digit increase in diluted earnings per share in eight out of the past ten years, with a compound annual growth rate of 24.6%. The growth in our profits occurred despite the fact that this ten-year period included the impact of the Great Recession on our 2009 financial results as well as a slowdown in the industrial economy that affected our 2016 financial results. While the domestic economy has generally expanded since 2010, we believe that concerns regarding the length of the economic recovery and the potential of an economic slowdown weighed on both our stock price and the transportation sector as a whole in 2018. Nevertheless, although our stock price finished the year down 6.1%, the long-term success of our business is reflected in our stock price performance over multiple years. Total shareholder return, including reinvestments of dividends, for the previous three-, five- and ten-year periods was 28.2%, 18.6% and 25.7%, respectively.

In addition to our focus on long-term profitable growth to drive the improvement in our share price, we have continued to return more capital to our shareholders. We repurchased \$163.3 million of shares and paid \$42.6 million in dividends during 2018. Our quarterly dividend increased 30% to \$0.13 per share in 2018 from the initial quarterly dividend of \$0.10 per share when we launched our dividend program in 2017. We recently announced our first-quarter 2019 dividend and were pleased to provide our shareholders with a 30.8% increase to \$0.17 per share. This reflects both our confidence in Old Dominion's growth strategy and our commitment to improving shareholder value.

TEAM OD: Our value proposition is centered on our OD Family of employees, as our strong financial performance would not be possible without this exceptional team. We continuously invest in the technology, training and tools that our employees need to be able to provide our customers with superior service. A relentless focus on maintaining the culture of our organization – which we often refer to as the “OD Family Spirit” – is also critical for our ongoing success. We believe this culture, as well as our pay and benefits package, has allowed us to attract and retain the employees necessary to handle our volume growth while also maintaining superior service standards. The average number of full-time employees increased by over 2,500 people in 2018, while the turnover rate for our drivers is less than 10%. As a result of our efforts, we were recognized by Forbes in 2018 as one of the World's Best Employers.

There is no doubt that our record growth and performance in 2018 is the direct result of the hard work and dedication of our OD Family of employees. We expect that the experience and motivation of this team will continue to produce profitable growth and support further increases in shareholder value. We recognize and thank our outstanding team of employees, on behalf of all our shareholders, for Helping the World Keep Promises® and achieving industry-leading performance over many years. We would also like to thank each of our fellow shareholders for your continued support and investment in Old Dominion.

Sincerely,

Greg C. Gantt
President and Chief Executive Officer

David S. Congdon
Executive Chairman of the Board

Earl E. Congdon
Senior Executive Chairman of the Board

SELECTED FINANCIAL DATA

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

OPERATING STATISTICS:	2018	2017	2016	2015	2014
LTL revenue per hundredweight	\$ 21.25	\$ 19.39	\$ 18.51	\$ 18.23	\$ 18.33
LTL revenue per intercity mile	\$ 5.91	\$ 5.46	\$ 5.09	\$ 5.11	\$ 5.38
LTL intercity miles (in thousands)	674,506	605,204	576,953	566,210	503,923
LTL tons (in thousands)	9,379	8,519	7,931	7,938	7,391
LTL shipments (in thousands)	11,748	10,736	10,148	10,129	9,073
Average length of haul (in miles)	918	917	928	928	928
Service centers	235	228	226	225	222
Tractors	9,254	8,316	7,994	7,688	6,907
Trailers	35,729	32,890	32,525	30,204	27,259

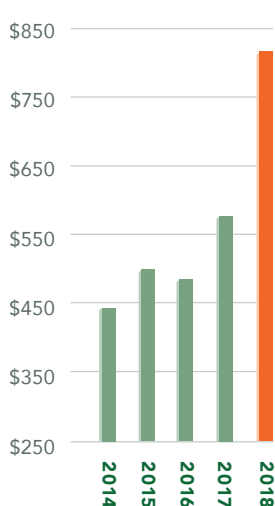
FINANCIAL RESULTS:	2018	2017	2016	2015	2014
Revenue from operations	\$ 4,043,695	\$ 3,358,112	\$ 2,991,517	\$ 2,972,442	\$ 2,787,897
Operating income	\$ 817,051	\$ 575,886	\$ 483,835	\$ 498,240	\$ 441,307
Net income	\$ 605,668	\$ 463,774	\$ 295,765	\$ 304,690	\$ 267,514
Operating ratio	79.8%	82.9%	83.8%	83.2%	84.2%
Diluted earnings per share	\$ 7.38	\$ 5.63	\$ 3.56	\$ 3.57	\$ 3.10
Diluted weighted average shares outstanding	82,020	82,407	83,154	85,378	86,162

FINANCIAL POSITION:	2018	2017	2016	2015	2014
Current assets	\$ 706,229	\$ 584,653	\$ 382,622	\$ 381,730	\$ 403,772
Total assets	3,545,283	3,068,424	2,696,247	2,466,504	2,206,866
Current liabilities	356,732	351,049	288,636	285,402	255,638
Long-term debt (including current maturities)	45,000	95,000	104,975	133,805	155,714
Shareholders' equity	2,680,483	2,276,854	1,851,158	1,684,637	1,494,064

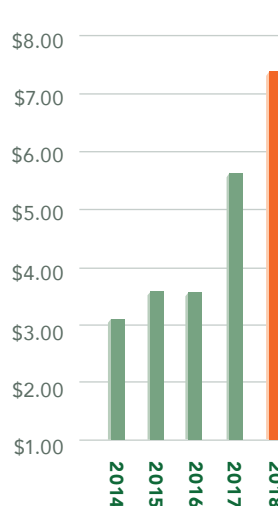
REVENUE FROM OPERATIONS



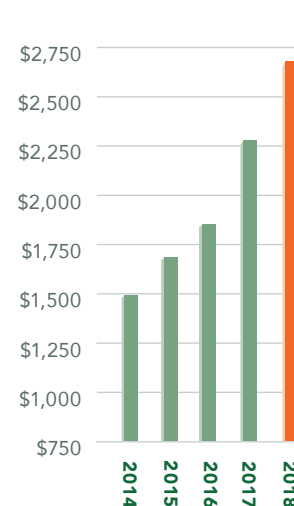
OPERATING INCOME



DILUTED EARNINGS PER SHARE



SHAREHOLDERS' EQUITY



BOARD OF DIRECTORS AND EXECUTIVE OFFICERS

EARL E. CONGDON ⁽¹⁾

Senior Executive Chairman

DAVID S. CONGDON ⁽¹⁾

Executive Chairman

SHERRY A. AAHOLM ^{(1) (2) (4)}

Director; Vice President and Chief Information Officer, Cummins, Inc.

JOHN R. CONGDON, JR. ⁽¹⁾

Director; Retired Chairman and Chief Executive Officer, Old Dominion Truck Leasing, Inc. and Dominion Dedicated Logistics, Inc.

BRADLEY R. GABOSCH ^{(1) (2) (4)}

Director; Retired Managing Director, Grant Thornton LLP

GREG C. GANTT ⁽¹⁾

Director; President and Chief Executive Officer

PATRICK D. HANLEY ^{(1) (2) (3)}

Director; Retired Senior Vice President - Finance and Accounting, UPS Freight

JOHN D. KASARDA, PH.D. ^{(1) (4)*}

Director; Professor Emeritus and Director of the Center for Air Commerce at the University of North Carolina at Chapel Hill's Kenan-Flagler Business School; President and Chief Executive Officer of Aerotropolis Business Concepts LLC

LEO H. SUGGS ^{(1) (3)* (4)}

Lead Independent Director; Retired President and Chief Executive Officer, UPS Freight

D. MICHAEL WRAY ^{(1) (2)* (3)}

Director; President, Riverside Brick & Supply Company, Inc.

KEVIN M. FREEMAN

Executive Vice President and Chief Operating Officer

DAVID J. BATES

Senior Vice President – Operations

CHRISTOPHER T. BROOKS

Senior Vice President – Human Resources and Safety

CECIL E. OVERBEY, JR.

Senior Vice President – Strategic Development

ROSS H. PARR

Senior Vice President – Legal Affairs, General Counsel and Secretary

GREGORY B. PLEMMONS

Senior Vice President – Sales

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, <https://ir.odfl.com/annual-reports>, 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 SHAREHOLDERS' MEETING

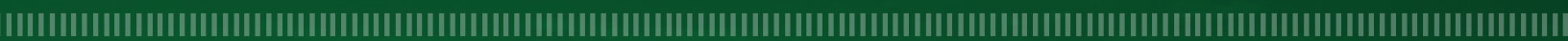
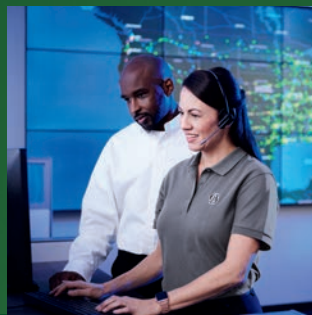
The Annual Meeting of Shareholders will be held on May 15, 2019 at 10:00 a.m. EDT at our corporate office.

REGISTRAR AND TRANSFER AGENT

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INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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