

Expeditors(EXPD)

\$85.19 (As of 08/10/20)

Price Target (6-12 Months): **\$90.00**

Long Term: 6-12 Months

Zacks Recommendation:
Neutral

(Since: 04/05/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:A

Value: B

Growth: A

Momentum: A

Summary

Expeditors reported better-than-expected earnings per share and revenues for second-quarter 2020. Moreover, both metrics improved year over year. The uptick in airfreight revenues boosted results. The coronavirus-induced cancellation of multiple passenger flights (that usually carry freight as well as passenger luggage) increased the usage of charters to meet customer needs. We are also impressed by Expeditors' efforts to reward its shareholders. The company's sound balance sheet encourages us as well. As of Jun 30, 2020, the company had no long-term debt obligation. However, depressed volumes due to coronavirus-triggered supply-chain disruptions represent a big headwind. In the June quarter, volumes pertaining to airfreight tonnage and ocean container contracted 10% and 14%, respectively.

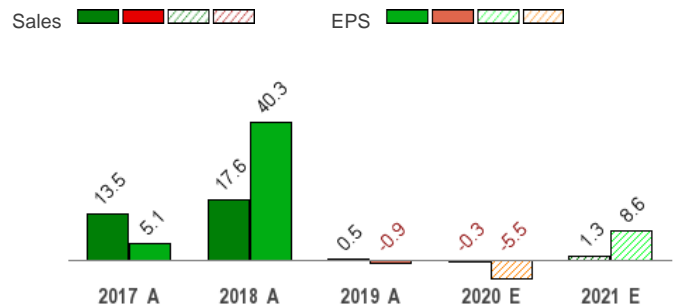
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$87.65 - \$52.85
20 Day Average Volume (sh)	1,147,583
Market Cap	\$14.3 B
YTD Price Change	9.2%
Beta	0.79
Dividend / Div Yld	\$1.04 / 1.2%
Industry	Transportation - Services
Zacks Industry Rank	Bottom 32% (173 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	65.2%
Last Sales Surprise	38.5%
EPS F1 Est- 4 week change	7.9%
Expected Report Date	11/03/2020
Earnings ESP	5.1%
P/E TTM	24.1
P/E F1	26.1
PEG F1	NA
P/S TTM	1.7

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	1,962 E	2,078 E	2,118 E	2,196 E	8,254 E
2020	1,902 A	2,581 A	2,110 E	2,086 E	8,151 E
2019	2,020 A	2,036 A	2,075 A	2,045 A	8,175 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.72 E	\$0.87 E	\$0.89 E	\$0.91 E	\$3.54 E
2020	\$0.71 A	\$1.09 A	\$0.88 E	\$0.85 E	\$3.26 E
2019	\$0.80 A	\$0.88 A	\$0.92 A	\$0.81 A	\$3.45 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 08/10/2020. The reports text is as of 08/11/2020.

Overview

Expeditors International of Washington Inc. is a leading third-party logistics (3PL) provider. The company, based in Seattle, WA, is engaged in the business of global logistics management, including international freight forwarding and consolidation, for both air and ocean freight.

As of Dec 31, 2019, Expeditors operated 176 district offices across the globe. Out of them, 70 were in Americas, 21 in North Asia, 16 in South Asia, 45 in Europe and 24 in areas covering Middle East, Africa and India.

The company also has branch offices, aligned with and dependent on a district office. Furthermore, the company has contracts with independent agents for providing services.

Expeditors, whose fiscal year coincides with the calendar year, has the following three reporting segments:

Airfreight Services (accounted for 36% of 2019 revenues) – Expeditors typically acts either as a freight consolidator, or as an agent for the airline carrying the shipment.

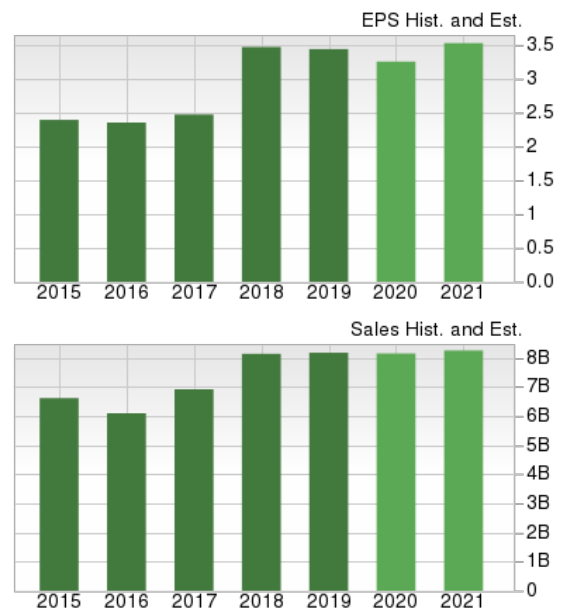
The company procures shipments from its customers, determines the routing, consolidates shipments bound for a particular airport distribution point, and selects the airline for transportation to the distribution point.

Expeditors also acts as a freight forwarder, whereby it receives and forwards individual, unconsolidated shipments and arranges the transportation with the concerned airline.

Ocean Freight and Ocean Services (27%) – Expeditors operates Expeditors International Ocean (EIO), an Ocean Transportation Intermediary, sometimes referred to as a Non-Vessel Operating Common Carrier specializing in ocean freight consolidation from Asia to the United States.

The company's revenues as an ocean freight forwarder are also derived from commissions paid by the carrier and revenues from fees charged to customers for ancillary services, which the company may provide. The company does not own vessels, nor does it physically handle the cargo.

Customs Brokerage and Other Services (37%) – As a customs broker, the company assists importers to clear shipments through customs by preparing the necessary documents, calculating and providing for payment of duties and other taxes on behalf of the importer.



Reasons To Buy:

- ▲ We are impressed by Expeditors' efforts to reward shareholders through dividend payments and buybacks. In 2019, the company repurchased 5.3 million shares on average price of \$72.91 per share. Again, in first-half 2020, the company repurchased 4.4 million shares at an average price of \$71.41 per share. Moreover, in May 2020, the company announced 4% hike in semi-annual cash dividend to 52 cents per share (annualized \$1.04 per share).
- ▲ Expeditors' trailing 12-month return on equity (ROE) supports its growth potential. The company's ROE of 28.1% compares favorably with its industry's ROE of 11.5% and the S&P 500 index's 16.7%. The favorable readings support the company's efficiency in utilizing its shareholders' funds. We are optimistic about the buyout of Fleet Logistics' Digital Platform. The acquisition is expected to boost Expeditors' online LTL shipping platform, Koho. The move is in line with the company's focus on Digital Solutions. Amid the coronavirus crisis, the acquisition is expected to expand business and get further investments that are expected to drive the top line in the upcoming quarters.
- ▲ Expeditors performed very well in second-quarter 2020 reporting better-than-expected earnings per share and revenues. Moreover, both metrics improved year over year. The uptick in airfreight revenues boosted results. We are also encouraged by Expeditors' sound balance sheet. As of June 30, 2020, the company had no long-term

We are impressed by Expeditors' efforts to reward shareholders through dividend payments and buybacks.

Reasons To Sell:

- ▼ Expeditors' second-quarter results were hurt by coronavirus-induced disruptions resulting in declining volumes. In fact, Bradley S. Powell, Senior Vice President and Chief Financial Officer of Expeditors stated "We are unable to remember a time when the operating environment has been so uncertain". Notably, volumes pertaining to airfreight tonnage and ocean container contracted 10% and 14%, respectively in the June quarter. With the health peril still very much present, volumes are likely to remain depressed throughout 2020.
- ▼ The trade tensions between the United States and China proved to be a huge setback for Expeditors. Given the company's exposure in China (26% of 2019 revenues came from China exports and imports) it is suffering because of low shipment volumes. Notably, revenues from North Asia declined significantly in 2019. In fact, revenues from Airfreight Services, declined 10.5% in 2019 mainly due to weakness pertaining to its operations in China.
- ▼ Expeditors operates in more than 60 countries across the globe. With the global economy currently experiencing a slowdown due to the COVID-19 pandemic, Expeditors' operations are being hurt. For instance, North Asia, South Asia and North America registered airfreight volume declines of 9%, 30% and 9%, respectively in first-half 2020.

Supply chain disruptions from the coronavirus pandemic are weighing on Expeditors' volumes.

Last Earnings Report

Earnings Beat at Expeditors in Q2

Expeditors' earnings of \$1.09 per share surpassed the Zacks Consensus Estimate by 43 cents and also improved 23.9% on a year-over-year basis. Adding to this optimism, the top line not only rose 26.8% year over year to \$2,580.6 million but also surpassed the Zacks Consensus Estimate of \$1863.7 million. The uptick in airfreight revenues boosted results. The coronavirus-induced cancellation of multiple passenger flights (that usually carry freight as well as passenger luggage) led to the increased usage of charters to meet customer needs.

Quarter Ending **06/2020**

Report Date	Aug 04, 2020
Sales Surprise	38.47%
EPS Surprise	65.15%
Quarterly EPS	1.09
Annual EPS (TTM)	3.53

Other Details

In the quarter under review, volumes pertaining to airfreight tonnage and ocean container contracted 10% and 14%, respectively, year over year. Operating income jumped 29% to \$248 million in the second quarter on the back of higher revenues.

During the June quarter, the company repurchased 0.4 million shares at an average price of \$77.46 per share. The company exited the quarter with cash and cash equivalents of \$1.18 billion compared with \$1.23 billion at the end of 2019.

Airfreight Services revenues soared 93.5% year over year to \$1,434.59 million in the second quarter. Ocean Freight and Ocean Services revenues deteriorated 9.6% to \$491.7 million. Moreover, Customs Brokerage and Other Services revenues decreased 12.8% year over year to \$654.33 million.

Recent News

Acquisition of Fleet Logistics' Digital Platform – May 26, 2020

Expeditors completed the acquisition of Fleet Logistics' Digital Platform. The buyout is expected to boost Expeditors' online LTL shipping platform, Koho. The move is in line with the company's focus on Digital Solutions. Apart from supporting Koho, the investment is also expected to brace small shippers quote, book, manage and track the LTL shipments online.

Amid the coronavirus crisis, the acquisition is expected to expand business and get further investments that are expected to drive the top line in the upcoming quarters. Further details of the deal were not disclosed.

Valuation

Expeditors shares are up 9.2% and 19.9% in the year-to-date period and over the trailing 12-month period, respectively. Stocks in the Zacks sub-industry and the Zacks Transportation sector are up 5.9% but down 2.5% in the year-to-date period respectively. Over the past year, the Zacks sub-industry is up 18.8% and the sector is up 4.9%.

The S&P 500 index is up 3.9% and 16.4% in the year-to-date period and in the past year, respectively.

The stock is currently trading at 14.79X trailing 12-month price-to-earnings, which compares to 40.71X for the Zacks sub-industry, 34.5X for the Zacks sector and 23.76X for the S&P 500 index.

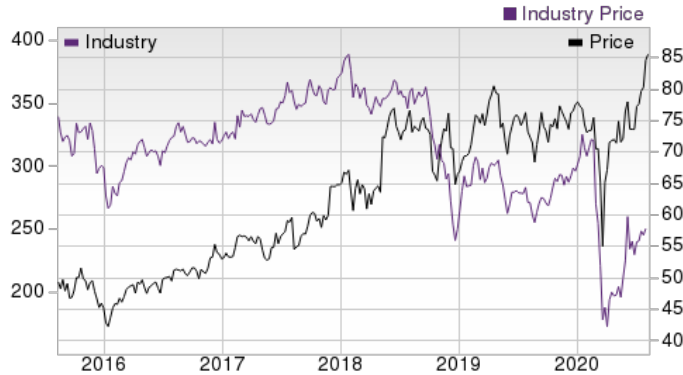
Over the past five years, the stock has traded as high as 28.58X and as low as 16.11X, with a 5-year median of 21.94X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$90 price target reflects 15.62X trailing 12-month earnings.

The table below shows summary valuation data for EXPD

Valuation Multiples - EXPD					
		Stock	Sub-Industry	Sector	S&P 500
P/ETTM	Current	14.79	40.71	34.5	23.76
	5-Year High	28.58	40.71	34.5	23.76
	5-Year Low	16.11	17.29	11.53	15.98
	5-Year Median	21.94	22.64	15.52	19.26
EV/EBITDA TTM	Current	15.91	15.05	9.74	12.62
	5-Year High	16.54	21.76	11.09	12.84
	5-Year Low	9.23	9	5.41	8.24
	5-Year Median	13.39	12.84	7.24	10.9
P/S F 12M	Current	1.74	1.75	1.34	3.66
	5-Year High	1.79	2.28	1.41	3.66
	5-Year Low	1.1	0.61	0.85	2.53
	5-Year Median	1.47	1.5	1.2	3.05

As of 08/10/2020

Industry Analysis Zacks Industry Rank: Bottom 32% (173 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
United Parcel Service, Inc. (UPS)	Outperform	1
C.H. Robinson Worldwide, Inc. (CHRW)	Neutral	3
FedEx Corporation (FDX)	Neutral	3
Hertz Global Holdings, Inc. (HTZ)	Neutral	3
Hub Group, Inc. (HUBG)	Neutral	3
J.B. Hunt Transport Services, Inc. (JBHT)	Neutral	3
Landstar System, Inc. (LSTR)	Neutral	2
Ryder System, Inc. (R)	Neutral	3

Industry Comparison Industry: Transportation - Services				Industry Peers		
	EXPD	X Industry	S&P 500	CHRW	JBHT	R
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	A	-	-	A	A	B
Market Cap	14.28 B	1.06 B	23.56 B	13.03 B	14.42 B	2.06 B
# of Analysts	5	3	14	12	10	6
Dividend Yield	1.22%	0.00%	1.71%	2.11%	0.79%	5.85%
Value Score	B	-	-	B	B	A
Cash/Price	0.08	0.09	0.07	0.03	0.02	0.41
EV/EBITDA	15.90	7.83	13.39	16.33	12.52	3.63
PEG Ratio	NA	3.33	2.92	3.13	1.97	NA
Price/Book (P/B)	6.56	2.67	3.18	7.64	6.03	0.96
Price/Cash Flow (P/CF)	22.62	8.14	12.69	19.30	14.14	0.91
P/E (F1)	26.28	27.17	22.16	28.13	29.50	NA
Price/Sales (P/S)	1.66	1.01	2.55	0.86	1.56	0.24
Earnings Yield	3.83%	2.93%	4.33%	3.56%	3.39%	-6.99%
Debt/Equity	0.17	0.46	0.77	0.64	0.55	3.10
Cash Flow (\$/share)	3.77	1.96	6.94	5.01	9.67	41.99
Growth Score	A	-	-	A	A	C
Hist. EPS Growth (3-5 yrs)	12.12%	7.94%	10.41%	4.99%	10.97%	-23.52%
Proj. EPS Growth (F1/F0)	-5.39%	-54.92%	-6.51%	-18.00%	-5.24%	-364.85%
Curr. Cash Flow Growth	-4.59%	-0.60%	5.26%	-11.01%	-2.99%	25.93%
Hist. Cash Flow Growth (3-5 yrs)	8.52%	13.37%	8.55%	5.98%	9.02%	9.98%
Current Ratio	2.22	1.51	1.34	1.56	1.59	0.77
Debt/Capital	14.29%	33.53%	44.59%	39.07%	35.35%	75.59%
Net Margin	7.02%	0.82%	10.13%	3.10%	5.65%	-3.84%
Return on Equity	28.08%	7.26%	14.59%	28.22%	22.88%	0.29%
Sales/Assets	2.34	1.08	0.51	3.18	1.70	0.59
Proj. Sales Growth (F1/F0)	-0.30%	-0.15%	-1.54%	-2.07%	-0.25%	-7.69%
Momentum Score	A	-	-	A	B	F
Daily Price Chg	-0.30%	0.60%	0.91%	0.89%	0.55%	2.27%
1 Week Price Chg	1.11%	3.92%	2.30%	2.21%	5.06%	2.29%
4 Week Price Chg	10.31%	11.45%	8.54%	17.77%	8.79%	-1.64%
12 Week Price Chg	15.61%	25.42%	13.68%	24.15%	33.18%	14.66%
52 Week Price Chg	19.83%	11.56%	3.71%	14.46%	38.90%	-19.55%
20 Day Average Volume	1,147,583	160,972	2,015,804	1,684,700	973,495	899,209
(F1) EPS Est 1 week change	7.87%	0.00%	0.00%	1.22%	0.00%	0.00%
(F1) EPS Est 4 week change	7.87%	0.00%	1.67%	23.11%	9.65%	-20.59%
(F1) EPS Est 12 week change	8.95%	5.06%	2.27%	19.34%	8.42%	-115.15%
(Q1) EPS Est Mthly Chg	5.42%	0.25%	0.67%	16.67%	7.97%	-442.86%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	B
Growth Score	A
Momentum Score	A
VGM Score	A

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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