

Schneider National (SNDR)

\$23.26 (As of 06/09/20)

Price Target (6-12 Months): **\$25.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 02/26/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:A

Value: B

Growth: A

Momentum: B

Summary

Low freight volumes amid coronavirus concerns are weighing on Schneider National's performance. Similar to the first quarter, volumes are expected to remain weak in the second quarter with industries taking time to open up operations. Due to the coronavirus-related uncertainty, Schneider National withdrew 2020 view. Decline in truckload revenues due to weak freight demand is worrisome especially because the unit generates bulk of the total revenues. However, low fuel costs and cost-cutting initiatives are supporting the bottom line as evidenced by the 14.3% increase in first-quarter earnings. Improvement in the operating ratio is also noteworthy. Despite adversities, the company is committed towards rewarding shareholders. Shares of Schneider National have gained 23% in the last three months partly due to its cost-cutting initiatives.

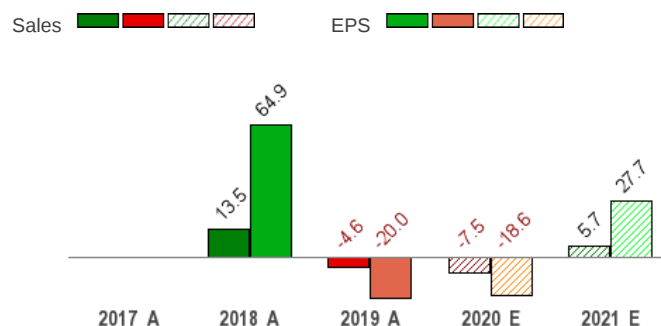
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$24.38 - \$15.36
20 Day Average Volume (sh)	744,254
Market Cap	\$4.1 B
YTD Price Change	6.6%
Beta	1.10
Dividend / Div Yld	\$0.26 / 1.1%
Industry	Transportation - Services
Zacks Industry Rank	Bottom 28% (181 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	26.3%
Last Sales Surprise	-0.0%
EPS F1 Est- 4 week change	-0.4%
Expected Report Date	08/06/2020
Earnings ESP	0.0%
P/E TTM	18.3
P/E F1	23.0
PEG F1	2.4
P/S TTM	0.9

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	1,145 E	1,153 E	1,206 E	1,239 E	4,641 E
2020	1,119 A	1,027 E	1,065 E	1,121 E	4,390 E
2019	1,194 A	1,213 A	1,184 A	1,156 A	4,747 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.27 E	\$0.35 E	\$0.33 E	\$0.43 E	\$1.29 E
2020	\$0.24 A	\$0.18 E	\$0.25 E	\$0.34 E	\$1.01 E
2019	\$0.21 A	\$0.34 A	\$0.32 A	\$0.37 A	\$1.24 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 06/09/2020. The reports text is as of 06/10/2020.

Overview

Schneider National, headquartered in Brown County, WI, is a leading transportation and logistics services company. Founded in 1935, the company offers a portfolio of premier truckload, intermodal and logistics solutions. Additionally, Schneider National, which went public in April 2017, operates one of the largest for-hire trucking fleets in North America. The company served approximately 14,900 customers, including many well-known companies, as of Dec 31, 2019.

The company's offerings include dry van, bulk transport, intermodal and supply chain management. The company operates through the truckload (43.7% of 2019 revenues), intermodal (21.2%) and logistics (19.7%) segments. Moreover, 9.8% and 7.8% of total revenues came from fuel surcharges and other sources.

The **truckload** segment includes freight transported and delivered with standard and specialty equipment. Services offered by the company through this division include standard long-haul and regional shipping through dry van equipment, bulk, temperature-controlled and customized solutions for high-value and time-sensitive loads.

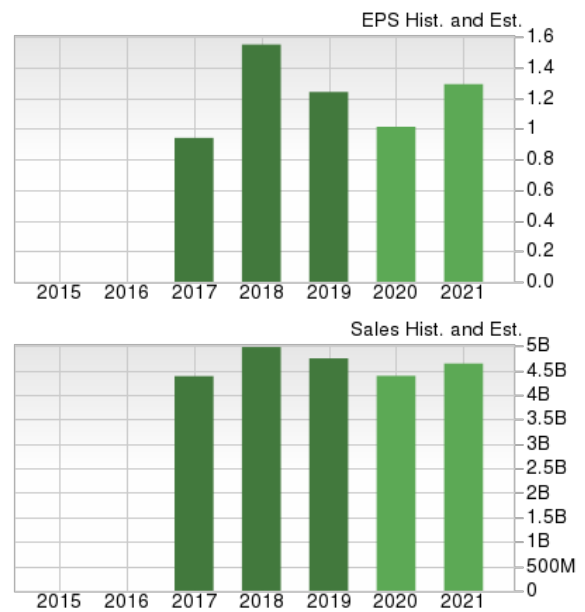
Schneider National executes the services through either for-hire or dedicated contracts. Dedicated standard, dedicated specialty, for-hire standard and for-hire specialty are the four quadrants of the company's truckload segment.

Truckload income from operations plunged 75.1% on a year-over-year basis in 2019, primarily due to losses from its First to Final Mile (FTFM) operations and restructuring charges related to its shutdown. The company shutdown its FTFM operations in 2019 due to below-par performance.

The **intermodal** unit focuses on door-to-door container on flat car service offered through the combination of rail and over-the-road transportation. The services, offered in association with its rail carrier partners, utilize company-owned containers, chassis, and trucks. Segmental income from operations decreased 17.4% in 2019 compared with 2018 levels.

Through its **logistics** segment, Schneider National offers services like non-asset freight brokerage, supply chain (including 3PL), and import/export. The business offers value-added services using third-party capacity to manage/move freight of its customers.

Schneider National's fiscal year coincides with the calendar year.



Reasons To Buy:

- ▲ Low fuel costs, cost-cutting initiatives and the closure of Schneider National's unprofitable FTFM operations in 2019, is aiding the company. Evidently, the company's bottom line increased 14.3% on a year-over-year basis in the first quarter. Additionally, income from operations (on a reported basis) increased 7% owing to the abovementioned factor. Improvement in the operating ratio (operating expenses as a percentage of revenues) is also encouraging. This key metric improved 50 basis points to 94.7% in the quarter.
- ▲ Despite coronavirus-related adversities, the company is committed towards rewarding shareholders. In a shareholder-friendly move, this January, the company increased its quarterly dividend payout by 8.3% to 6.5 cents per share. Notably, investors always prefer an income-generating stock.
- ▲ Total debt to total capital ratio, which is an indicator of a company's leverage, stood at 0.13 and 0.14 for Schneider National at the end of the first quarter 2020 and at 2019-end respectively. The readings compare favorably with the respective numbers for its industry of 0.71 and 0.44. Moreover, cash and cash equivalents at Schneider National stood at \$650 million at the end of the first quarter, way above the short-term debt figure of \$31 million, implying that the company has sufficient cash to meet its short-term debt burden.

The company's measures to reward shareholders despite coronavirus-concerns are appreciative.

Reasons To Sell:

- ▼ Schneider National is taking a hit from the coronavirus pandemic. The 6.3% decline in first-quarter revenues reflects coronavirus-led disruptions among other factors. Low freight volumes are weighing on the company's performance. As has been the case in the first quarter, volumes are expected to remain weak in the second quarter as well with industries taking time to open up operations and regain scale of production. Amid coronavirus-related uncertainty, the company suspended its full year earnings per share guidance.
- ▼ Decline in truckload (major revenue generating segment) revenues due to weak freight demand is quite concerning. Notably, revenues at the unit slipped 12% year over year in the first quarter. Additionally, intermodal revenues declined in the quarter due to decrease in order volumes. Moreover, segmental income from operations decreased 18% as a result of increased rail purchased transportation costs. The downturn in the intermodal unit is likely to persist in the second quarter due to low volumes.
- ▼ Schneider National's return on equity (ROE) undercuts its growth potential. The ROE (expressed as a percentage) for the company is currently 10.2 compared with 15.9 for its industry. Moreover, the company has an unimpressive earnings history having underperformed the Zacks Consensus Estimate in three of the last four quarters (beat in one).

Low freight volumes amid coronavirus concerns are weighing on the company's performance.

Last Earnings Report

Earnings Beat at Schneider National in Q1

Schneider National first-quarter 2020 earnings (excluding 1 cent from non-recurring items) of 24 cents per share surpassed the Zacks Consensus Estimate by 5 cents. Moreover, the bottom line increased 14.3% on a year-over-year basis. Also, operating revenues dropped 6.3% to \$1,119.1 million and lagged the Zacks Consensus Estimate. Moreover, revenues (excluding fuel surcharge) fell 6% to \$1,016.1 million. Results were hampered by lower volumes, downside in fuel surcharge revenues and coronavirus-led disruptions.

Income from operations (on a reported basis) increased 7% from the prior-year quarter's level to \$54.9 million owing to elimination of FTFM operating losses, cost-cut initiatives and lower fuel costs. Adjusted income from operations increased 4% to \$53.7 million in the March-end quarter. Also, adjusted operating ratio (operating expenses as a percentage of revenues) improved 50 basis points to 94.7%. Notably, lower the value of the ratio the better.

Segmental Highlights

Truckload revenues (excluding fuel surcharge) slipped 12% to \$469.4 million. Average trucks (company trucks and owner-operated trucks) in the segment also fell 11.8% to 10,207. Further, revenue per truck per week for the segment dropped 1.3%. This downside was mainly due to shutdown of FTFM operations and unfavorable pricing. Truckload income from operations was \$36.6 million in the reported quarter, up 58%. Moreover, adjusted operating ratio improved to 92.2% from 95.6% in the year-earlier quarter.

Intermodal revenues (excluding fuel surcharge) were \$261.2 million, flat with the first quarter 2019. Revenue per order declining 4%, primarily due a higher mix of shorter length of haul volume. Segmental income from operations decreased 18% to \$16.3 million as a result increased rail purchased transportation costs. Additionally, intermodal operating ratio deteriorated to 93.2% in the first quarter from the prior year's 91.6%.

Logistics revenues (excluding fuel surcharge) dropped 2% to \$239.6 million, primarily due to a customer in-sourcing activity in the segment's import/export operations. However, net revenue compression primarily induced a 59% decline in segmental income from operations to \$4.2 million. Further, operating ratio in the segment deteriorated to 98.2% from 95.8% in the first quarter of 2020.

Liquidity

Schneider, carrying a Zacks Rank #4 (Sell), exited the first quarter with cash and cash equivalents of \$600.6 million compared with \$551.6 million at the end of 2019.

Suspends 2020 EPS Guidance

Due to uncertainties related to the magnitude and duration of COVID-19 crisis, Schneider has suspended its full year 2020 EPS guidance.

Quarter Ending	03/2020
Report Date	Apr 30, 2020
Sales Surprise	-0.01%
EPS Surprise	26.32%
Quarterly EPS	0.24
Annual EPS (TTM)	1.27

Recent News

Dividend Update – Apr 29, 2020

Schneider National's board approved a quarterly cash dividend of 6.5 cents per share, payable to shareholders on Jul 9, 2020, of record as of Jun 12.

Valuation

Schneider National shares are up 6.6% and 29.6% 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 1.7% and down 9.4% in the year-to-date period respectively. Over the past year, the Zacks sub-industry and the sector are up 11.9% and down 4.6% respectively.

The S&P 500 index is up 0.2% in the year-to-date period and 11.9 % and in the past year.

The stock is currently trading at 20.42X forward 12-month price-to earnings, which compares to 32.05X for the Zacks sub-industry, 42.04X for the Zacks sector and 23.33X for the S&P 500 index.

Over the past two years, the stock has traded as high as 21.39X and as low as 10.22X, with a median of 14.23X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$25 price target reflects 21.94X forward 12-month earnings.

The table below shows summary valuation data for SNDR

Valuation Multiples - SNDR					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	20.42	32.05	42.04	23.33
	2-Year High	21.39	32.05	42.04	23.33
	2-Year Low	10.22	16.27	11.24	15.23
	2-Year Median	14.23	17.93	13.1	17.21
EV/EBITDA TTM	Current	6.65	13.34	7.39	11.97
	2-Year High	14.92	17.19	11.14	12.66
	2-Year Low	4.39	8.97	5.44	8.28
	2-Year Median	6.18	13	7.87	11.11
P/S F12M	Current	0.92	1.67	1.28	3.63
	2-Year High	1.05	1.67	1.3	3.63
	2-Year Low	0.55	1.21	0.84	2.76
	2-Year Median	0.76	1.44	1.14	3.16

As of 06/09/2020

Industry Analysis Zacks Industry Rank: Bottom 28% (181 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
C.H. Robinson Worldwide, Inc. (CHRW)	Neutral	4
Expeditors International of Washington, Inc. (EXPD)	Neutral	4
J.B. Hunt Transport Services, Inc. (JBHT)	Neutral	3
KnightSwift Transportation Holdings Inc. (KNX)	Neutral	3
ZTO Express Cayman Inc. (ZTO)	Neutral	3
Hub Group, Inc. (HUBG)	Underperform	5
Landstar System, Inc. (LSTR)	Underperform	4
XPO Logistics, Inc. (XPO)	Underperform	5

Industry Comparison Industry: Transportation - Services				Industry Peers		
	SNDR	X Industry	S&P 500	CHRW	EXPD	LSTR
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Underperform
Zacks Rank (Short Term)	3	-	-	4	4	4
VGM Score	A	-	-	C	B	A
Market Cap	4.12 B	1.20 B	22.74 B	11.18 B	13.01 B	4.32 B
# of Analysts	8	3	14	11	5	10
Dividend Yield	1.12%	0.00%	1.81%	2.46%	1.33%	0.66%
Value Score	B	-	-	C	C	B
Cash/Price	0.16	0.11	0.06	0.03	0.09	0.05
EV/EBITDA	7.44	7.73	13.04	14.22	14.42	12.16
PEG Ratio	2.41	3.57	3.12	3.24	NA	2.39
Price/Book (P/B)	1.82	2.69	3.14	7.05	6.45	6.89
Price/Cash Flow (P/CF)	8.03	6.68	12.32	16.59	20.76	16.34
P/E (F1)	23.55	26.72	22.61	29.17	25.75	28.62
Price/Sales (P/S)	0.88	0.70	2.46	0.73	1.61	1.09
Earnings Yield	4.34%	3.01%	4.26%	3.43%	3.89%	3.50%
Debt/Equity	0.13	0.48	0.76	0.69	0.15	0.10
Cash Flow (\$/share)	2.90	1.92	7.01	5.01	3.77	6.89
Growth Score	A	-	-	D	C	B
Hist. EPS Growth (3-5 yrs)	NA%	12.07%	10.87%	6.73%	12.05%	18.06%
Proj. EPS Growth (F1/F0)	-18.35%	-51.14%	-10.76%	-32.02%	-12.00%	-31.19%
Curr. Cash Flow Growth	-9.43%	-4.59%	5.48%	-11.01%	-4.59%	-8.92%
Hist. Cash Flow Growth (3-5 yrs)	7.13%	11.86%	8.55%	5.98%	8.52%	10.35%
Current Ratio	3.07	1.47	1.29	1.44	2.26	1.76
Debt/Capital	11.89%	35.16%	44.75%	40.77%	13.34%	8.99%
Net Margin	3.29%	2.52%	10.54%	3.21%	7.12%	5.16%
Return on Equity	10.18%	8.32%	16.08%	29.94%	27.00%	28.99%
Sales/Assets	1.24	1.24	0.55	3.27	2.21	2.95
Proj. Sales Growth (F1/F0)	-7.51%	-2.78%	-2.59%	-3.97%	-3.31%	-14.86%
Momentum Score	B	-	-	B	A	A
Daily Price Chg	-1.15%	-1.11%	-2.13%	-2.36%	0.33%	0.86%
1 Week Price Chg	-3.81%	8.58%	7.51%	2.38%	2.03%	-3.42%
4 Week Price Chg	7.69%	20.82%	16.33%	14.26%	6.27%	5.50%
12 Week Price Chg	29.65%	29.57%	28.71%	28.62%	26.57%	9.44%
52 Week Price Chg	29.51%	-7.65%	1.59%	3.33%	7.07%	10.83%
20 Day Average Volume	744,254	160,161	2,644,123	2,032,160	1,369,171	325,234
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	-0.37%	-0.72%	0.00%	-1.07%	0.20%	0.00%
(F1) EPS Est 12 week change	-21.13%	-45.86%	-15.96%	-23.01%	-12.25%	-27.25%
(Q1) EPS Est Mthly Chg	5.00%	0.00%	0.00%	0.00%	-2.58%	0.00%

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	B
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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