

**SAIA:**

**LONG IDEA**



# Macro view

- Leading indicators:** Leading indicators are strong, particularly so in the US. Mixed comments with problems in the supply chain, labor shortage and **inflation** with **higher commodity prices and labor shortage** seem to be common themes across many industries as demand increases. Vaccination pace has been fast in the US and the economy is getting back to normal

ISM Non-Manuf	feb-21		mar-21		abr-21		mag-21		jun-21		jul-21	
Arts, Entertainment & Recreation	Growth	13	Growth	18	Growth	17	Growth	15	Growth	16	Growth	17
Wholesale Trade	Growth	16	Growth	17	Growth	16	Growth	17	Growth	13	Growth	16
Accommodation & Food Services	Growth	17	Growth	12	Growth	1	Growth	6	Growth	10	Growth	15
Management of Companies & Support Serv	Growth	6	Growth	15	Growth	15	Growth	10	Growth	11	Growth	14
Retail Trade	Growth	9	Growth	3	Growth	9	Growth	18	Growth	12	Growth	13
Real Estate, Rental & Leasing	Contraction	-1	Growth	11	Growth	13	Growth	13	Contraction	-2	Growth	12
Transportation & Warehousing	Growth	15	Growth	10	Growth	10	Growth	14	Growth	14	Growth	11
Information	Growth	5	Growth	4	Growth	2	Growth	7	Growth	4	Growth	10
Other Services	Growth	2	Growth	1	Growth	8	Growth	8	Growth	15	Growth	9
Public Administration	Growth	12	Growth	9	Growth	11	Growth	3	Growth	5	Growth	8
Construction	Growth	14	Growth	14	Growth	14	Growth	16	Growth	7	Growth	7
Health Care & Social Assistance	Growth	10	Growth	6	Growth	5	Growth	5	Growth	6	Growth	6
Utilities	Growth	11	Growth	7	Growth	12	Growth	9	Growth	9	Growth	5
Professional, Scientific & Technical Service	Growth	8	Growth	5	Growth	4	Growth	2	Growth	1	Growth	4
Educational Services	Growth	3	Growth	2	Growth	3	Growth	1	Growth	2	Growth	3
Finance & Insurance	Growth	7	Growth	8	Growth	7	Growth	11	Growth	3	Growth	2
Mining	Growth	1	Growth	16	Growth	6	Growth	12	Growth	8	Growth	1
Agriculture, Forestry, Fishing & Hunting	Growth	4	Growth	13	Contraction	-1	Growth	4	Contraction	-1	Neutral	0

# Macro view

- Sales seem to be strong in the sector , main issue being chip shortage

	ago-21	<u>“Strong sales continue,</u> but production is limited due to supply issues with chips.” [Transportation Equipment]
Transportation Equipment	jun-21	<u>“Strong sales continue, and inventories are low as the chip shortage is keeping production numbers down —</u> we have idled several of our assembly plants to reduce the strain on the chip supply base.” [Transportation Equipment]
	may-21	<u>“Strong sales continue,</u> and production output is at 100 percent. COVID-19 restrictions have been mostly lifted. Global chip allocation continues to limit some feature offerings — production schedules have been updated to restrict content affected by the chip shortage.” [Transportation Equipment]
	abr-21	“Ongoing component shortages are driving dual sourcing and longer-term supply plans to be implemented.” [Transportation Equipment]

# Macro view

- The pandemic and the fiscal policy response to it have created huge dislocations in consumer spending and can be observed by the uneven consumption expenditure between goods and services.

## The Pandemic's Uneven Effect on Consumer Spending

Change in personal consumption expenditures on goods and services in the U.S. since January 2020\*



\* underlying monthly spending data is seasonally adjusted at annual rates

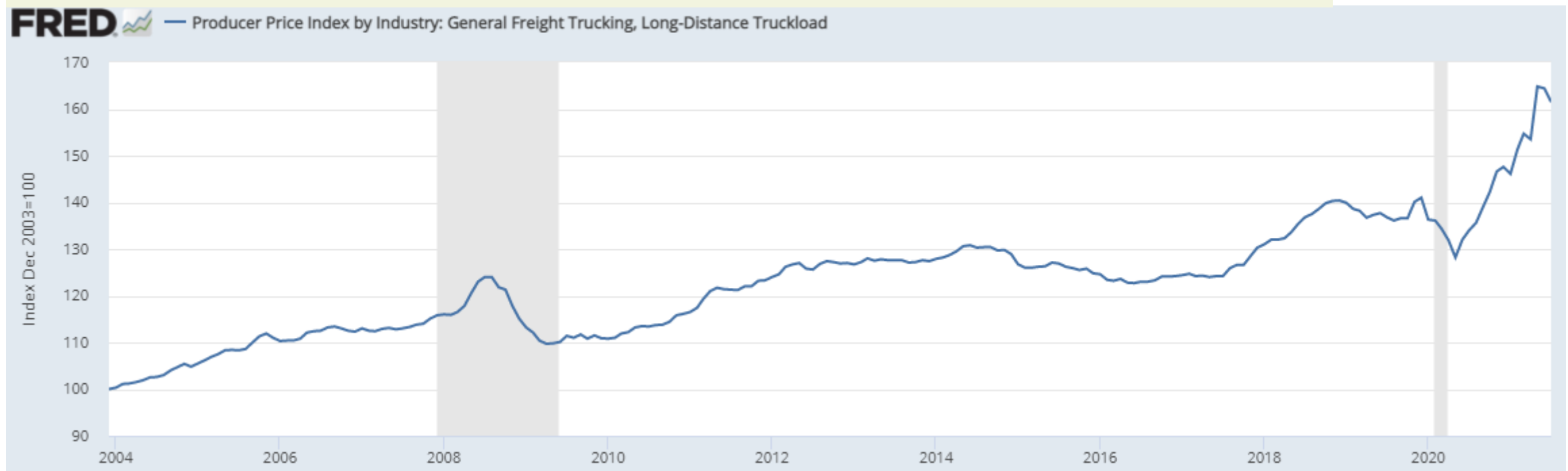
Source: U.S. Bureau of Economic Analysis



# Macro view

- The uptick in **consumer goods and products consumption**, bolstered by the lack of services and travel, has generated **huge demand for transportation services**, which has generated an exponential **increase in freight rates**

Producer Price Index by Industry: General Freight Trucking, Long-Distance Truckload (PCU484121484121)



# Top-Down analysis

- We can observe that this whole industry is **expected to grow a lot this year**, but **forward-looking growth** numbers look **well above average for Saia**, which is also trading at a premium.

Ticker	Company Name	EG F1	EG F2	EG F3	PE FY1	PE FY2	PE FY3	PEG F1	PEG F2	PEG F3	Days	Percent Change in FY1	Percent Change in
												EPS Estimates (Prev 60	FY2 EPS Estimates
												(Prev 60 Days)	(Prev 60 Days)
ARCB	ArcBest Corp	97.73%	-0.86%	2.80%	10.94	11.04	10.74	0.11	-12.79	3.84		18.98	14.69
FDX	FedEx Corp	16.89%	11.13%	10.18%	12.58	11.32	10.27	0.74	1.02	1.01		-0.10	-0.92
SNDR	Schneider National Inc	57.37%	-0.50%	1.83%	11.72	11.78	11.57	0.20	-23.65	6.34		17.05	8.59
WERN	Werner Enterprises Inc	37.08%	4.92%	4.07%	13.43	12.80	12.30	0.36	2.60	3.03		3.58	4.64
KNX	Knight-Swift Transportation Holdings Inc	46.02%	4.15%	6.10%	13.34	12.81	12.07	0.29	3.09	1.98		11.32	14.57
HTLD	Heartland Express Inc	14.43%	2.23%	5.13%	17.04	16.66	15.85	1.18	7.47	3.09		-0.82	-6.73
UPS	United Parcel Service Inc	36.21%	4.34%	7.92%	17.68	16.94	15.70	0.49	3.90	1.98		2.44	1.25
XPO	XPO Logistics Inc	118.12%	7.33%	17.11%	20.19	18.81	16.06	0.17	2.57	0.94		-30.90	-34.35
LSTR	Landstar System Inc	71.09%	-4.96%	-0.49%	18.99	19.98	20.08	0.27	-4.03	-41.24		2.97	2.14
JBHT	J B Hunt Transport Services Inc	40.99%	16.25%	8.95%	27.37	23.55	21.61	0.67	1.45	2.42		1.54	1.33
SAIA	Saia Inc	54.18%	16.02%	8.59%	30.73	26.49	24.40	0.57	1.65	2.84		12.30	9.31
Industry Average		53.65%	5.46%	6.56%	17.64	16.56	15.51	0.46	-1.52	-1.25		3.49	1.32

It also has one of the highest positive changes in forward estimates

# Company Overview

Saia, Inc. NasdaqGS

[★ In My Watchlists](#) [My Notes](#) [Quotebox](#)

**SAIA** **238.88** USD **-2.46 (-1.02%)** **238.88** USD **0.00 (+0.00%)** **Fri Oct 29th 2021** **Industrials** **Road and Rail** **\$ 6.27<sup>b</sup>** **27.1x** **146,342** **13.30%** **80.76%**  
 Last Updated • Thu Sep 09 4:00PM EDT After Market • Thu Sep 09 4:37PM EDT Next Earnings Date Sector Industry Market Cap Forward P/E Volume Total Return (3M) Total Return (1Y)

SNAPSHOT CHART

1D 5D MTD 1M QTD 3M 6M YTD 1Y **3Y** 5Y 10Y 20Y ALL



KEY DATA

Dividend Yield	-	Avg Volume (10D)	940.57 x
Beta (5Y Monthly)	1.23	Volatility (1Y)	35.11
Shares Outstanding	26.24 M	Short Interest %	4.01 %
Industry	Road and Rail		
Competitors	WERN ODFL USX LSTR ARCB		

PERFORMANCE RETURNS

	1M	3M	YTD	1Y
Price	-1.09 %	13.30 %	32.12 %	80.76 %
Total	-1.09 %	13.30 %	32.12 %	80.76 %

VALUATION

	LTM	NTM
P/E	35.1 x	27.1 x
EV/Sales	3.2 x	2.8 x
EV/EBITDA	15.5 x	13.7 x
Price/Book	5.9 x	

CAPITAL STRUCTURE

Market Cap	\$ 6.27 <sup>b</sup>
Total Debt	\$ 169.00 <sup>m</sup>
Cash & Inv.	\$ 52.86 <sup>m</sup>
Enterprise Value	\$ 6.38 <sup>b</sup>

NEWS

3 Reasons Why Growth Investors Shouldn't Overlook Saia (SAIA)	Zacks Investment Research	06:45 PM
ArcBest Sees August Tonnage Dip In Efforts To Bolster LTL Service	Benzinga	Sep 08 21
Old Dominion (ODFL) August LTL Shipments Per Day Rise 17% Y/Y	Zacks Investment Research	Sep 08 21
Saia's Momentum Carries Into 3rd Quarter	Benzinga	Sep 03 21
Buy These 3 Stocks With Upgraded Broker Ratings Right Away	Zacks Investment Research	Sep 03 21

ANALYST ESTIMATES

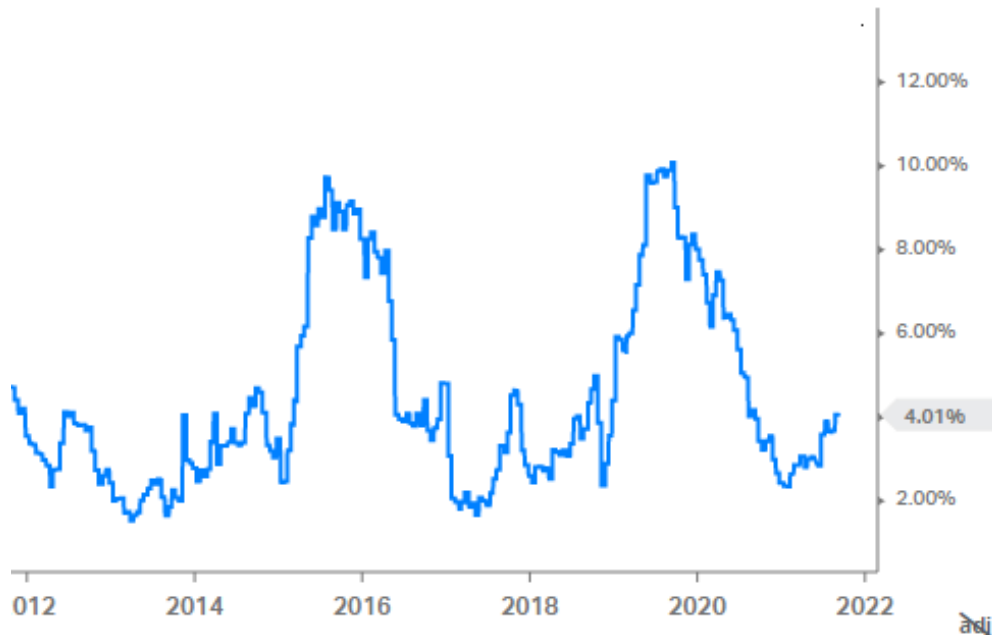
	FY 2021	FY 2022	FY 2023
Sales	\$ 2.18 <sup>b</sup>	\$ 2.37 <sup>b</sup>	\$ 2.48 <sup>b</sup>
YoY Chg	19.55 %	8.96 %	4.27 %
EPS	8.03	9.31	9.52
YoY Chg	54.45 %	15.93 %	2.22 %

# Company Overview

- Short interest is 4% and there are no anomalies in institutional holdings

## Short Interest %

[Open Graph](#)



## Shareholders

Name	Equities	%
The Vanguard Group, Inc.	2,706,773	10.3%
Anchorage Capital Group LLC	1,619,701	6.15%
Select Equity Group LP	1,267,584	4.81%
Peregrine Capital Management LLC	996,150	3.78%
Vaughan Nelson Investment Management LP	907,017	3.44%
SSgA Funds Management, Inc.	881,401	3.35%
T. Rowe Price Associates, Inc. (Investment Management)	829,791	3.15%
Dimensional Fund Advisors LP	804,766	3.06%
Sterling Johnston Capital Management LP	784,125	2.98%
Perkins Investment Management LLC	766,050	2.91%



# Company Overview

- **Description**

Saia, Inc operates as a transportation company in North America. The company provides less-than-truckload services for shipments between 100 and 10,000 pounds; and other value-added services, including non-asset truckload, expedited, and logistics services.



# Quantitative analysis

## Revenue Growth

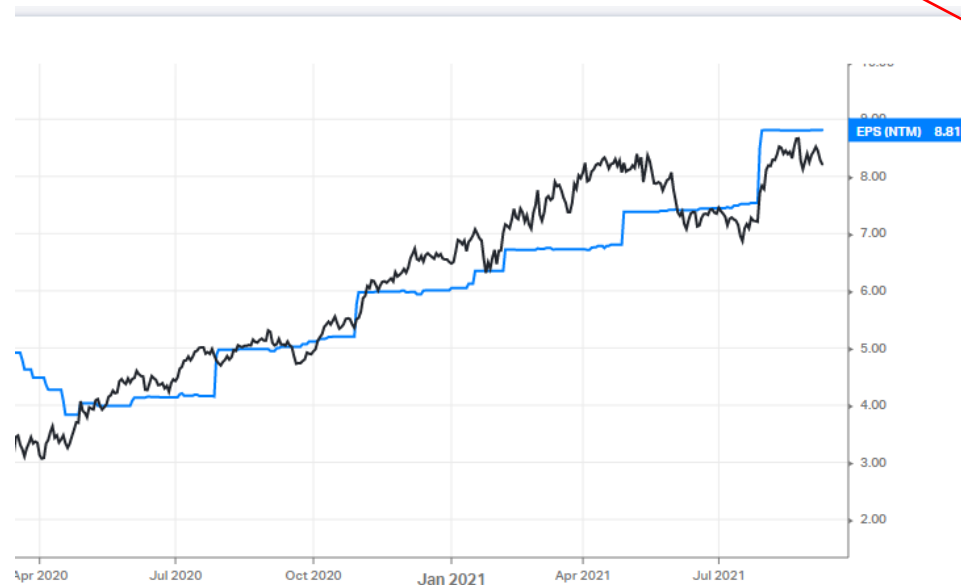
	FY 2020	FY 2021	FY 2022	FY 2023
1Q Mar	\$ 446.40M	\$ 484.07M	\$ 535.97M	-
2Q Jun	\$ 418.11M	\$ 571.33M	\$ 611.11M	-
3Q Sep	\$ 481.37M	\$ 575.28M	\$ 607.42M	-
4Q Dec	\$ 476.48M	\$ 542.75M	\$ 572.74M	-
Year	\$ 1.82B	\$ 2.18B	\$ 2.37B	\$ 2.48B
Growth	13.33%	19.55%	8.96%	4.27%



# Quantitative analysis

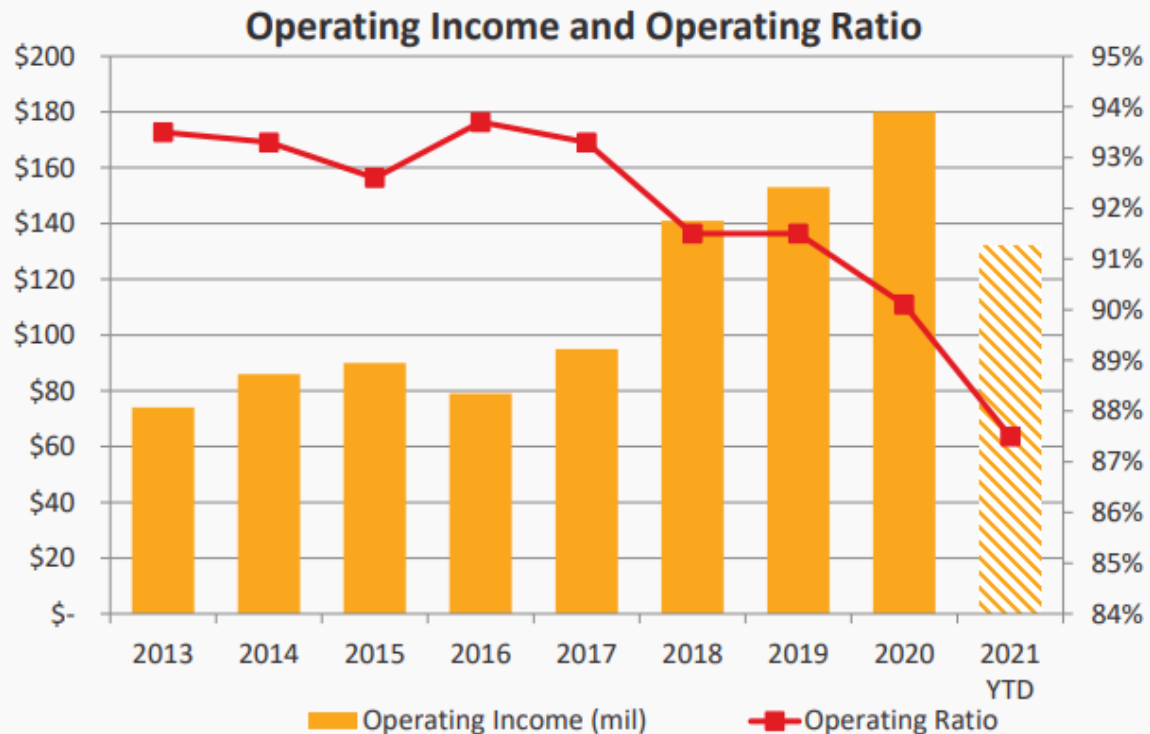
## Earnings Growth

	FY 2020	FY 2021	FY 2022	FY 2023
1Q Mar	1.06	1.40	1.86	-
2Q Jun	1.07	2.34	2.66	-
3Q Sep	1.56	2.33	2.58	-
4Q Dec	1.51	1.96	2.18	-
Year	5.20	8.03	9.31	9.52
Growth	62.53%	54.45%	15.93%	2.22%



2X Sales -  
Operational  
Leverage

# Qualitative analysis: Operational Leverage



- If the operating ratio is falling, **expenses are decreasing, or revenue is increasing**, or some combination of both. Here we can observe a very stable trend in the improvement of the operational leverage.
- “Our **record 85.5% operating ratio** in the quarter marked the **fourth consecutive** quarter where it was sub-90. This 85.5% OR is a single **best quarter in our company's long history.**” – **Last Earnings Call**
- “So, I think with that in mind, we continue to march on the OR improvement over time. **I don't -- we are not stopping at 85.5%.**” – **Last Earnings Call**

# Qualitative analysis: Last Quarter - Other KPI's

## Price, Consensus & Surprise



- Revenue was \$571.3 million, a **36.6% increase YoY**
- Operating income was \$82.9 million, a **132.4% increase**
- EPS \$2.34 beat by \$0.28. (**17%**)

# Qualitative analysis: Last Quarter - Other KPI's

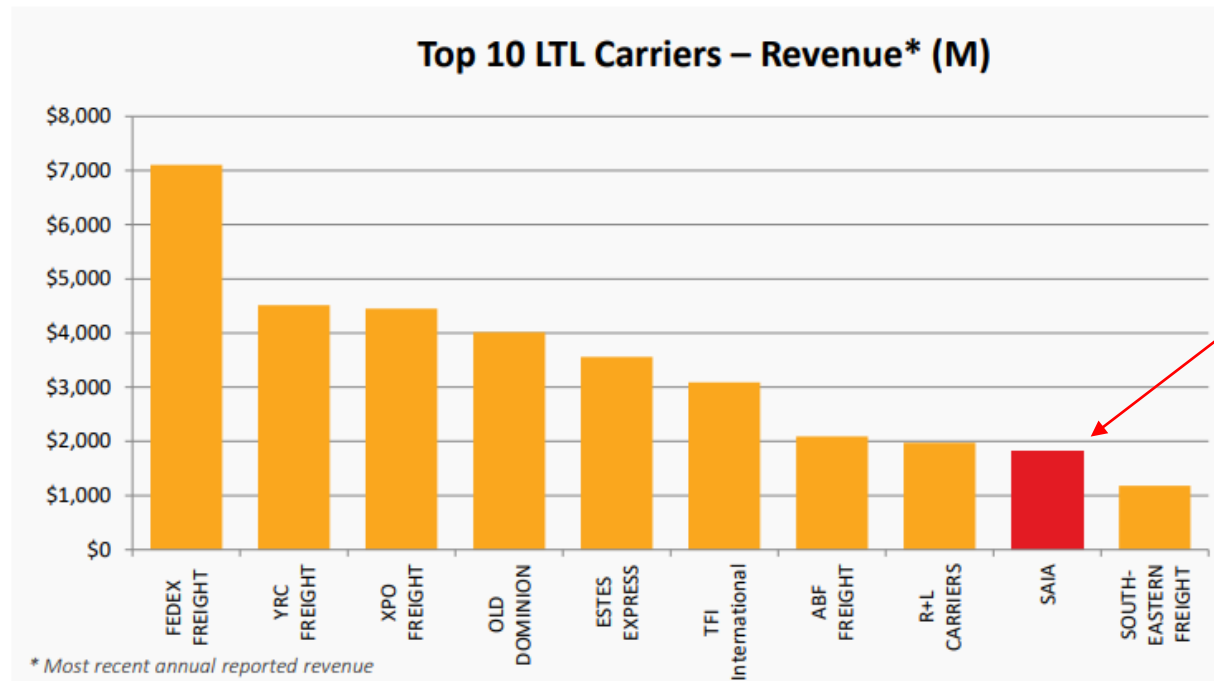
- Tonnage per workday: **23.1%** increase
- Revenue per shipment: **12.8%** increase
- Contractual renewals averaged **10.6%**
- Cargo claims ratio was a **record 50.54%**
- On-time service standard was **97.7%**

- LTL Shipments per workday increased 15.3%
- LTL Tonnage per workday increased 23.1%
- LTL Yield increased 10.5%

# Qualitative analysis: TAM

- Saia has **potential for growth** in a huge market, but also faces stiff competition

- Saia competes in the domestic less-than-truckload (LTL) market with an estimated annual industry revenue of \$43 billion
- In the LTL industry, the top 5, 10 and 25 carriers have approximately 50%, 80% and 90% total share of revenue respectively



# Qualitative analysis: Future Growth: Labor/Hirings

- The other way that **Saia grows is by hiring more drivers and employees**, which could prove challenging with the **labor shortage** situation

*"We're **actively recruiting and hiring across our network** as we work to take care of our customers' freight needs in the face of a very tight labor market and lingering COVID-19 employee challenges."*

*"In many markets, we're **offering hiring and referral bonuses** to build our team in a very competitive labor market."*

**Analyst:** But how is the labor market playing into your near-term ability to grow into the back half?

**CEO:** "...that's about replicating and building the team. **So, we think we can do it in the second half of the year.**

We've got the playbook for it, but I'm not going to say that's not a challenge.



# Catalysts

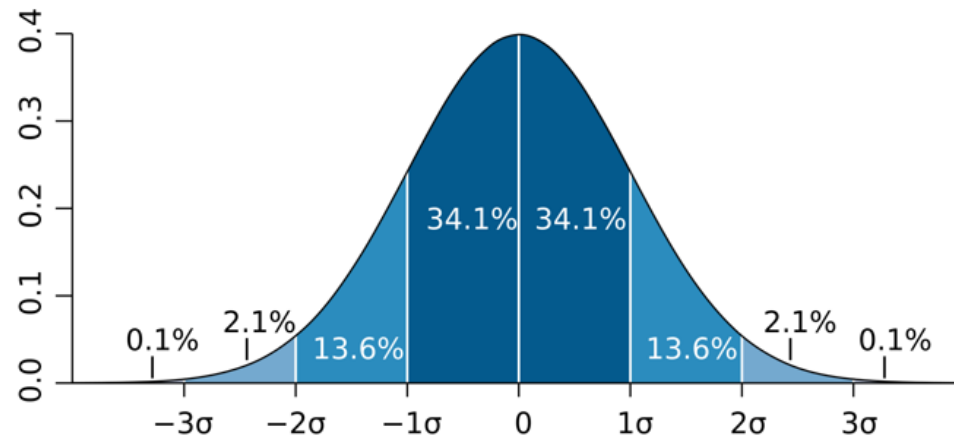
- Next earnings (Oct 29th) will likely show further leverage in operations, also the other KPI's previously mentioned.
- Further bottlenecks in supply chain as production tries to catch up to demand is likely to increase **demand** and **freight rates**.
- **Further hirings**, maybe eased by an improvement in the labor market.

# Volatility Assessment

- Stock seems volatile enough within the November option time horizon, so assuming a move a little bit over 1 Std Dev we can get to a price target of 290.

Stock Price: 238.8

Implied Volatility Assessment		1 Std Dev = 68%		2 Std Dev = 95%	
Timeframe	Implied Volatility	Lower Bound	Upper Bound	Lower Bound	Upper Bound
Annual	44.73%	131.99	345.61	25.18	452.42
Monthly	12.91%	207.97	269.63	177.13	300.47
Weekly	6.20%	223.99	253.61	209.18	268.42
Daily	2.34%	233.21	244.39	227.62	249.98
Option Time Horizon	19.59%	192.03	285.57	145.25	332.35



# Trade Structure

- There isn't much reason to think the stock will move in a big way before the earnings date.
- Chosen structure is a Calendar Spread as follows:

	Strategy	Calendar	Calendar
	Expiry	Oct	Nov
	strikes	250	250
	prices	5 and 12.15	5 and 12.15
	contracts	(1) and 2	(1) and 2
	Calc Date	Oct and Nov	Oct and Nov
	cost	\$ (1,930.00)	\$ (1,930.00)
	\$ 220.00	\$ (1,218.00)	\$ (1,930.00)
	\$ 230.00	\$ (700.00)	\$ (1,930.00)
Price Points	\$ 240.00	\$ 20.00	\$ (1,930.00)
Profit and Loss	\$ 245.00	\$ 500.00	\$ (1,930.00)
	\$ 250.00	\$ 970.00	\$ (1,930.00)
	\$ 255.00	\$ 1,026.00	\$ (930.00)
	\$ 260.00	\$ 1,134.00	\$ 70.00
	\$ 265.00	\$ 1,293.00	\$ 500.00
	\$ 270.00	\$ 1,497.00	\$ 2,070.00
	\$ 275.00	\$ 1,744.00	\$ 3,070.00
	\$ 280.00	\$ 2,029.00	\$ 4,070.00
	\$ 285.00	\$ 2,348.00	\$ 5,070.00
	\$ 290.00	\$ 2,697.00	\$ 6,070.00

Maximum profit situation gives us a 3,2:1 ratio