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November 17, 2014 – Declining Gas Prices Will Benefit Freight Companies – By Jeffrey Hagenmeier

In the United States, investors have seen gas prices decline from near $4.00 (USD) United States Dollar) to less than $3.00 USD. This dramatic decline in transportation costs will benefit a number of companies including freight companies. The somewhat improving American economy, is a major help to this industry as well. Fuel costs as would be expected, are a major cost to those companies involved in the transport of goods from one place to another. Looking ahead to 2015, a number of investment opportunities can be developed to take advantage of these lower energy costs.

A portion of freight companies will hedge some of their fuel needs in advance, or simply assign a surcharge on fuel costs to customers. Still most will benefit enormously, from lower energy prices. As demand increases with increasing economic growth in many areas of the United States, higher utilization of company assets will result, which will eventually lead to higher prices. This will increase revenue for companies that transport goods across the nation and abroad. Increasing government regulation on the federal level and a growing shortage of truck drivers, will propel costs and profits upwards.

Although most Americans might not realize it, the majority of merchandise in the country is trucked from the place of production or importation to the retail store, by trucks.

As aforementioned, increasing government restrictions and mandates will make it more expensive and difficult, for new companies in the industry to compete.

KNIGHT TRANSPORTATION Delivering More.™

Two trucking companies are being recommended today. The first one is **Knight Transportation**. This transport company has delivered for consecutive profitable business quarters. Knight Transportation does not hedge fuel costs, but does have a surcharge that it will add to the bill sent to companies, that use their services. However, the added charges never cover the full costs of higher gas and oil prices, so lower overall energy costs will be a benefit to Knight.

Knight Transportation was founded in 1990 and is headquartered in Phoenix, Arizona. Four cousins with the last name of Knight were the creators of the company. They began with transporting general commodities from Arizona to California. The company now has 4,400 employees. It possesses over 4000 tractors and over 8,700 trailers. This would include dry storage, refrigerated and brokerage service types of trailers. The company went public in 1994.

Knight Transportation stock ended **Friday, November 14th** at **$30.82 USD**. There was a $0.86 decline for the day which is a reduction in the share price of 2.71%. The high for the day was $31.70 and the low was $30.71. Market capitalization is $2.5 billion USD. The P/E ratio is 27.91 and the dividend yield stands at $0.24 and 0.78% respectively. The 5 day high was reached on Friday and the low was reached the preceding Monday at $29.47. The stock had reached a low of $25.80 as recently as October 13th. The 52 week low of **$17.23** was realized at the beginning of the year. The 52 week high still stands at **$31.71**. The stock price has gone up 70%, since the beginning of the year.

Volume on Friday was 605,925 shares traded with the 3 month average coming in at 719,194 shares. The EPS is 1.11.

Stock in Knight Transportation is an investment that can be held for the short and medium term this year, or for a higher return in 2015. Of course,higher profits for the company will depend on the general health of the American economy in the retail sector. **Short term and medium investors** should set a **target price** of **$34.82 USD**. This would be a **$4.00 advance** for the share price. It would allow for a 15% return on the original purchase. **Longer term investors** can set their **targets** from **$35.00 to $40.00 USD**. This would permit a 30% to 40% return.

Old Dominion Freight Line is the other shipping company. Profit margins have gone up and earnings expectations have been exceeded, for the last 3 business quarters. Lower energy costs will continue to help the company's bottom line. Similar to Knight, Old Dominion collects a fuel surcharge, but once again it never includes all fuel expenses.

Old Dominion is a much older company, that was founded during the Great Depression (1934) and is headquartered in Thomasville, North Carolina. The company went public in 1991. It is a billion dollar plus operation that ships goods throughout the United States and beyond. The company employs over 15,000 people globally. Revenue for the company already exceeded $2 billion USD, back in 2012. In 2013, *Fortune Magazine* named the company to it's list of the *100 Fastest-Growing Companies*.

The company operates over 5,800 tractors and more than 22,500 trailers. Old Dominion overseas operations involve goods transport services to Canada, the Caribbean, Europe, East Asia, and Latin America.

Old Dominion Freight Line stock ended the trading day on **Friday, November 14th at $76.99 USD**. The share price had declined $0.32 or 0.41%. The stock had reached a high of $78.10 and a low of $76.73. The 5 day low for the stock was reached earlier in the week on Monday coming in at $76.11 and the high was surmounted on Friday. A month ago the stock was trading at a low of $67.92, allowing the stock to increase in price a total of 13%. In the last three months the stock had reached a low of $62.56 on Monday October 13th. That amounts to a 23% increase for shares in the company at present.

Market capitalization for Old Dominion now stands at $6.63 billion USD with a P/E ration of 29.22. The 52 week range for the share price has been from a low of $49.00 to a high of $78.10. The stock has increased in value a total of 48% since the beginning of the year. Like Knight this could well be an investment that will need to be held over to 2015, if further increases are not realized over the holiday season.

Volume for the company was 466,259 on Friday with share volume averaging 503,480 over the last 3 months. The EPS is 2.84.

Short term and **medium investors** should set a **target** from between **$82.00 USD** and **84.00 USD**. This would allow for a $5.00 to $7.00 increase in the share price. That would permit a 10% to 15% rise in the share price. **Longer term investors** can look for a **target** in **excess of $84.00 USD**.