

OLD DOMINION FREIGHT LINE INC/VA  
Form 10-Q  
May 08, 2012  
Table of Contents

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

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QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

For the quarterly period ended March 31, 2012

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_ .  
Commission File Number: 0-19582

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OLD DOMINION FREIGHT LINE, INC.  
(Exact name of registrant as specified in its charter)

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VIRGINIA  
(State or other jurisdiction of  
incorporation or organization)  
500 Old Dominion Way  
Thomasville, NC 27360  
(Address of principal executive offices)  
(Zip Code)  
(336) 889-5000  
(Registrant's telephone number, including area code)

56-0751714  
(I.R.S. Employer  
Identification No.)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of May 8, 2012 there were 57,443,324 shares of the registrant's Common Stock (\$0.10 par value) outstanding.

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Table of Contents

INDEX

Part I – FINANCIAL INFORMATION

<u>Item 1</u>	<u>Financial Statements</u>	<u>1</u>
	<u>Condensed Balance Sheets – March 31, 2012 and December 31, 2011</u>	<u>1</u>
	<u>Condensed Statements of Operations – For the three months ended March 31, 2012 and 2011</u>	<u>3</u>
	<u>Condensed Statements of Cash Flows – For the three months ended March 31, 2012 and 2011</u>	<u>4</u>
<u>Item 2</u>	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>7</u>
<u>Item 3</u>	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	<u>15</u>
<u>Item 4</u>	<u>Controls and Procedures</u>	<u>15</u>

Part II – OTHER INFORMATION

<u>Item 1</u>	<u>Legal Proceedings</u>	<u>15</u>
<u>Item 1A</u>	<u>Risk Factors</u>	<u>15</u>
<u>Item 6</u>	<u>Exhibits</u>	<u>16</u>

<u>SIGNATURES</u>	<u>17</u>
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<u>EXHIBIT INDEX</u>	<u>18</u>
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---

Table of Contents

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## OLD DOMINION FREIGHT LINE, INC.

## CONDENSED BALANCE SHEETS

	March 31, 2012 (Unaudited)	December 31, 2011
(In thousands, except share and per share data)		
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$54,219	\$75,850
Customer receivables, less allowances of \$9,114 and \$9,173, respectively	228,398	213,481
Other receivables	2,252	4,441
Prepaid expenses and other current assets	23,381	18,614
Deferred income taxes	19,650	19,466
Total current assets	327,900	331,852
Property and equipment:		
Revenue equipment	833,599	789,984
Land and structures	767,513	738,359
Other fixed assets	213,548	214,816
Leasehold improvements	5,827	5,773
Total property and equipment	1,820,487	1,748,932
Accumulated depreciation	(630,350)	(621,982)
Net property and equipment	1,190,137	1,126,950
Goodwill	19,463	19,463
Other assets	36,692	34,809
Total assets	\$1,574,192	\$1,513,074

Note: The Condensed Balance Sheet at December 31, 2011 has been derived from the audited financial statements at that date, but does not include all of the information and notes required by U.S. generally accepted accounting principles for complete financial statements.

The accompanying notes are an integral part of these condensed financial statements.

1

---

Table of Contents

OLD DOMINION FREIGHT LINE, INC.  
 CONDENSED BALANCE SHEETS  
 (CONTINUED)

	March 31, 2012 (Unaudited)	December 31, 2011
(In thousands, except share and per share data)		
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$54,677	\$42,096
Compensation and benefits	69,614	66,740
Claims and insurance accruals	38,040	35,934
Other accrued liabilities	49,851	20,686
Current maturities of long-term debt	39,086	39,354
Total current liabilities	251,268	204,810
Long-term liabilities:		
Long-term debt	219,117	229,831
Other non-current liabilities	94,836	86,998
Deferred income taxes	121,357	134,916
Total long-term liabilities	435,310	451,745
Commitments and contingent liabilities	—	—
Total liabilities	686,578	656,555
Shareholders' equity:		
Common stock - \$0.10 par value, 70,000,000 shares authorized, 57,443,324 shares outstanding at March 31, 2012 and December 31, 2011	5,744	5,744
Capital in excess of par value	137,275	137,275
Retained earnings	744,595	713,500
Total shareholders' equity	887,614	856,519
Total liabilities and shareholders' equity	\$1,574,192	\$1,513,074

Note: The Condensed Balance Sheet at December 31, 2011 has been derived from the audited financial statements at that date, but does not include all of the information and notes required by U.S. generally accepted accounting principles for complete financial statements.

The accompanying notes are an integral part of these condensed financial statements.

2

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Table of Contents

OLD DOMINION FREIGHT LINE, INC.  
 CONDENSED STATEMENTS OF OPERATIONS  
 (Unaudited)

(In thousands, except share and per share data)	Three Months Ended	
	March 31, 2012	2011
Revenue from operations	\$497,140	\$422,679
Operating expenses:		
Salaries, wages and benefits	257,989	221,498
Operating supplies and expenses	94,216	82,633
General supplies and expenses	14,152	11,566
Operating taxes and licenses	16,356	15,529
Insurance and claims	7,683	7,192
Communications and utilities	4,854	4,550
Depreciation and amortization	25,544	21,121
Purchased transportation	16,231	14,290
Building and office equipment rents	3,268	3,387
Miscellaneous expenses, net	2,629	2,992
Total operating expenses	442,922	384,758
Operating income	54,218	37,921
Non-operating expense (income):		
Interest expense	3,219	3,876
Interest income	(52)	(19)
Other income, net	(346)	(1,418)
Total non-operating expense	2,821	2,439
Income before income taxes	51,397	35,482
Provision for income taxes	20,302	13,909
Net income	\$31,095	\$21,573
Earnings per share:		
Basic	\$0.54	\$0.38
Diluted	\$0.54	\$0.38
Weighted average shares outstanding:		
Basic	57,443,324	56,255,970
Diluted	57,443,324	56,255,970

The accompanying notes are an integral part of these condensed financial statements.





Table of Contents

OLD DOMINION FREIGHT LINE, INC.  
 CONDENSED STATEMENTS OF CASH FLOWS  
 (Unaudited)

(In thousands)	Three Months Ended March 31,	
	2012	2011
Cash flows from operating activities:		
Net income	\$31,095	\$21,573
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	25,544	21,121
Loss on sale of property and equipment	474	517
Deferred income taxes	(13,743)	(4,646)
Other operating activities, net	34,957	35,242
Net cash provided by operating activities	78,327	73,807
Cash flows from investing activities:		
Purchase of property and equipment	(89,393)	(58,450)
Proceeds from sale of property and equipment	628	1,237
Net cash used in investing activities	(88,765)	(57,213)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	6	95,000
Principal payments under long-term debt agreements	(11,199)	(11,071)
Net payments on revolving line of credit	—	(66,230)
Proceeds from stock issuance, net of issuance costs	—	48,400
Net cash (used in) provided by financing activities	(11,193)	66,099
(Decrease) increase in cash and cash equivalents	(21,631)	82,693
Cash and cash equivalents at beginning of period	75,850	5,450
Cash and cash equivalents at end of period	\$54,219	\$88,143
Supplemental disclosure of noncash investing and financing activities:		
Acquisition of property and equipment by capital lease	\$211	\$—

The accompanying notes are an integral part of these condensed financial statements.



Table of Contents

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

Note 1. Significant Accounting Policies

Basis of Presentation

The accompanying unaudited, interim condensed financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and, in management's opinion, contain all adjustments (consisting of normal recurring items) necessary for a fair presentation, in all material respects, of the financial position and results of operations for the periods presented. Accordingly, they do not include all of the information and notes required by U.S. GAAP for complete financial statements.

The preparation of condensed financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions. Such estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the condensed financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Our operating results are subject to seasonal trends; therefore, the results of operations for the interim period ended March 31, 2012 are not necessarily indicative of the results that may be expected for subsequent quarterly periods or the year ending December 31, 2012.

The condensed financial statements should be read in conjunction with the financial statements and related notes, which appear in our Annual Report on Form 10-K for the year ended December 31, 2011.

There have been no significant changes in the accounting principles and policies, long-term contracts or estimates inherent in the preparation of the condensed financial statements of Old Dominion Freight Line, Inc. as previously described in our Annual Report on Form 10-K for the year ended December 31, 2011.

Unless the context requires otherwise, references in these Notes to "Old Dominion," the "Company," "we," "us" and "our" refer to Old Dominion Freight Line, Inc.

Fair Values of Financial Instruments

At March 31, 2012 and December 31, 2011, the carrying values of financial instruments, such as cash and cash equivalents, customer and other receivables and trade payables, approximate their fair value due to the short maturities of these instruments. The cash surrender value relating to Company-owned life insurance contracts is included in "Other assets" on our Balance Sheets and totaled \$30.2 million and \$27.6 million at March 31, 2012 and December 31, 2011, respectively, which approximates fair value. The carrying value of the senior notes included in our long-term debt was \$252.1 million and \$262.9 million at March 31, 2012 and December 31, 2011, respectively. The fair value of these senior notes was estimated to be \$263.1 million and \$270.3 million at March 31, 2012 and December 31, 2011, respectively. The fair value measurement of our senior notes is based upon undiscounted cash flows at market interest rates for similar issuances of private debt. Since this methodology is based upon indicative market interest rates, the measurement is categorized as Level 2 under the three-level fair value hierarchy as established by the Financial Accounting Standards Board (the "FASB").

Earnings Per Share

Earnings per common share is computed using the weighted average number of common shares outstanding during the period.

Comprehensive Income

The Company has no components of other comprehensive income. Accordingly, net income equals comprehensive income for all periods presented in this report.

Recent Accounting Pronouncements

In May 2011, the FASB issued Accounting Standards Update ("ASU") 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs, to create a consistent framework for the

application of fair value measurement across jurisdictions. The amendments are effective during interim and annual periods beginning after December 15, 2011. We adopted the amendments of ASU 2011-04 in the first quarter of 2012 without a material impact on our financial position, results of operations or cash flows.

5

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Table of Contents

## NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

## Note 2. Long-Term Debt

Long-term debt consisted of the following:

(In thousands)	March 31, 2012	December 31, 2011
Senior notes	\$252,143	\$262,857
Capitalized lease and other obligations	6,060	6,328
Total long-term debt	258,203	269,185
Less: Current maturities	(39,086	) (39,354
Total maturities due after one year	\$219,117	\$229,831

We have three outstanding unsecured senior note agreements with an aggregate amount outstanding of \$252.1 million and \$262.9 million at March 31, 2012 and December 31, 2011, respectively. These notes call for periodic principal payments with maturities that range from 2015 to 2021, of which \$35.7 million is due in the next twelve months. Interest rates on these notes are fixed and range from 4.00% to 5.85%. The effective average interest rate on our outstanding senior note agreements was 5.14% and 5.17% at March 31, 2012 and December 31, 2011, respectively. We have a five-year, \$200.0 million senior unsecured revolving credit facility pursuant to the terms of a second amended and restated credit agreement dated August 10, 2011 (the "Credit Agreement"), with Wells Fargo Bank, National Association ("Wells Fargo") serving as administrative agent for the lenders. Of the \$200.0 million line of credit commitments, \$150.0 million may be used for letters of credit and \$20.0 million may be used for borrowings under the Wells Fargo Sweep Plus Loan Program. This sweep program is a daily cash management tool that automatically initiates borrowings to cover overnight cash requirements up to an aggregate of \$20.0 million. In addition, we have the right to request an increase in the line of credit commitments up to a total of \$300.0 million in minimum increments of \$25.0 million. At our option, revolving loans under the facility bear interest at either: (a) the Applicable Margin Percentage for Base Rate Loans plus the higher of Wells Fargo's prime rate, the federal funds rate plus 0.5% per annum, or the one month LIBOR Rate plus 1.0% per annum; (b) the LIBOR Rate plus the Applicable Margin Percentage for LIBOR Loans; or (c) the LIBOR Market Index Rate ("LIBOR Index Rate") plus the Applicable Margin Percentage for LIBOR Market Index Loans. The Applicable Margin Percentage is determined by a pricing grid in the Credit Agreement and ranges from 1.0% to 1.875%. The Applicable Margin Percentage was 1.125% for the period this Credit Agreement was in effect during the first quarter of 2012. Revolving loans under the sweep program bear interest at the LIBOR Index Rate.

There was no outstanding balance on the line of credit facility at March 31, 2012 or December 31, 2011. There were \$49.9 million of outstanding letters of credit at March 31, 2012 and December 31, 2011.

## Note 3. Commitments and Contingencies

We are involved in various legal proceedings and claims that have arisen in the ordinary course of our business that have not been fully adjudicated. Many of these are covered in whole or in part by insurance. Our management does not believe that these actions, when finally concluded and determined, will have a material adverse effect upon our financial position, results of operations or cash flows.

## Note 4. Subsequent Events

Management evaluated all subsequent events and transactions through the issuance date of these financial statements, and concluded that no subsequent events or transactions have occurred that require recognition or disclosure in our financial statements.



Table of Contents

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We are a leading, less-than-truckload (“LTL”), union-free motor carrier providing regional, inter-regional and national LTL service and other value-added services from a single integrated organization. In addition to our core LTL services, we offer our customers a broad range of value-added services including ground and air expedited transportation, supply chain consulting, transportation management, truckload brokerage, container delivery, warehousing and consumer household moving services. Through marketing and carrier relationships, we also offer door-to-door international freight services to and from all of North America, Central America, South America and the Far East. More than 90% of our revenue is derived from transporting LTL shipments for our customers, whose demand for our services is generally tied to industrial production and the overall health of the U.S. domestic economy.

In analyzing the components of our revenue, we monitor changes and trends in the following key metrics:

Revenue Per Hundredweight - This measurement reflects our pricing policies, which are influenced by competitive market conditions and our growth objectives. Generally, freight is rated by a class system, which is established by the National Motor Freight Traffic Association, Inc. Light, bulky freight typically has a higher class and is priced at higher revenue per hundredweight than dense, heavy freight. Changes in the class, packaging of the freight and length of haul of the shipment can also affect this average. Fuel surcharges, accessorial charges, revenue adjustments and revenue for undelivered freight are included in this measurement. Revenue for undelivered freight is deferred for financial statement purposes in accordance with our revenue recognition policy; however, we believe including it in our revenue per hundredweight measurements results in a better indicator of changes in our yields by matching total billed revenue with the corresponding weight of those shipments.

Weight Per Shipment - Fluctuations in weight per shipment can indicate changes in the class, or mix, of freight we receive from our customers, as well as changes in the number of units included in a shipment. Generally, increases in weight per shipment indicate higher demand for our customers' products and overall increased economic activity.

- Average Length of Haul - We consider lengths of haul less than 500 miles to be regional traffic, lengths of haul between 500 miles and 1,000 miles to be inter-regional traffic, and lengths of haul in excess of 1,000 miles to be national traffic. By analyzing this metric, we can determine the success and growth potential of our service products in these markets.

Our primary revenue focus is to increase shipment and tonnage growth within our existing infrastructure, generally referred to as increasing density, thereby maximizing asset utilization and labor productivity. We measure density over many different functional areas of our operations including revenue per service center, linehaul load factor, pickup and delivery (“P&D”) stops per hour, P&D shipments per hour, platform pounds handled per hour and platform shipments per hour. In addition to our focus on density, it is critical for us to obtain an appropriate yield on the shipments we handle. We manage our yields by focusing on individual account profitability. We believe yield management and improvements in density are key components in our ability to produce profitable growth.

Our primary cost elements are direct wages and benefits associated with the movement of freight; operating supplies and expenses, which includes fuel and equipment repair costs; and depreciation of our equipment fleet and service



center facilities. We gauge our overall success in managing these costs by monitoring our operating ratio, a measure of profitability calculated by dividing total operating expenses by revenue, which also allows industry-wide comparisons with our competition.

We continually upgrade our technological capabilities to improve our customer service and lower our operating costs. Our technology provides our customers with visibility of their shipments throughout our network, increases the productivity of our workforce and provides key metrics from which we can monitor our processes.

7

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Table of Contents

The following table sets forth, for the periods indicated, expenses and other items as a percentage of revenue from operations:

	Three Months Ended March 31,		
	2012	2011	
Revenue from operations	100.0	% 100.0	%
Operating expenses:			
Salaries, wages and benefits	51.9	52.4	
Operating supplies and expenses	19.0	19.5	
General supplies and expenses	2.8	2.7	
Operating taxes and licenses	3.3	3.7	
Insurance and claims	1.5	1.7	
Communications and utilities	1.0	1.1	
Depreciation and amortization	5.1	5.0	
Purchased transportation	3.3	3.4	
Building and office equipment rents	0.7	0.8	
Miscellaneous expenses, net	0.5	0.7	
Total operating expenses	89.1	91.0	
Operating income	10.9	9.0	
Interest expense, net *	0.6	0.9	
Other income, net	(0.0)	(0.3)	)
Income before income taxes	10.3	8.4	
Provision for income taxes	4.0	3.3	
Net income	6.3	% 5.1	%

\* For the purpose of this table, interest expense is presented net of interest income.

Table of Contents

## Results of Operations

Key financial and operating metrics for the three-month periods ended March 31, 2012 and 2011 are presented below:

	Three Months Ended					
	March 31,					
	2012	2011	Change	%		
				Change		
Work days	64	64	—	—		
Revenue (in thousands)	\$497,140	\$422,679	\$74,461	17.6	%	
Operating ratio	89.1	% 91.0	% (1.9	)% (2.1	)%	
Net income (in thousands)	\$31,095	\$21,573	\$9,522	44.1	%	
Diluted earnings per share	\$0.54	\$0.38	\$0.16	42.1	%	
Total tons (in thousands)	1,659	1,499	160	10.7	%	
Shipments (in thousands)	1,873	1,710	163	9.5	%	
Weight per shipment (pounds)	1,771	1,753	18	1.0	%	
Revenue per hundredweight	\$15.05	\$14.27	\$0.78	5.5	%	
Revenue per shipment	\$266.58	\$250.21	\$16.37	6.5	%	
Average length of haul (miles)	945	961	(16	) (1.7	)%	

For the first quarter of 2012, we produced the highest quarterly revenue in our 78-year history, and our highest earnings and best operating ratio for a first quarter period. As compared to the first quarter of 2011, net income increased 44.1% to \$31.1 million and diluted earnings per share increased 42.1% to \$0.54. This performance extends the earnings momentum we have built over the past two years and reflects the ninth straight quarter with improvement in both tonnage and revenue per hundredweight when compared to the comparable quarter of the prior year. We believe our tonnage gain is primarily the result of our ongoing ability to win market share by providing superior service at fair and consistent pricing. The superior quality of our service is validated by our 99% on-time delivery performance and 0.47% cargo claims ratio, which is net cargo claims paid as a percent of revenue. We believe our customers appreciate the value of our service, which provides further opportunities to increase our market share.

## Revenue

First quarter 2012 revenue increased to \$497.1 million, or 17.6% over the first quarter of 2011. This increase resulted from growth in tonnage and improvements in revenue per hundredweight. Tonnage grew 10.7% over the prior-year quarter as result of a 9.5% increase in shipments and a 1.0% increase in weight per shipment. While we primarily attribute our first quarter tonnage growth to increased market share, we believe there was also a marginal improvement in the overall demand for our domestic LTL service due to an improving economy.

Revenue per hundredweight for the first quarter of 2012 was \$15.05, a 5.5% increase over the prior-year quarter. This increase reflects an improving pricing environment that has supported industry price increases and fuel surcharges. Revenue per hundredweight is a good indicator of pricing trends, but this metric can be influenced by many other factors, such as changes in fuel surcharges, weight per shipment, length of haul and the mix of our freight. As a result, changes in revenue per hundredweight do not necessarily indicate actual changes in underlying base rates. Changes in the mix of freight and increases in our fuel surcharges had a favorable impact on our revenue per hundredweight in the first quarter of 2012; however, the 1.7% decrease in our length of haul and the 1.0% increase in our weight per shipment had the effect of lowering this metric.

Our fuel surcharges are designed to offset fluctuations in the cost of petroleum-based products and are one of the many components included in the overall negotiated price we charge for our services. Fuel surcharge revenue increased to 16.9% of our total revenue for the first quarter of 2012 from 15.5% in the first quarter of 2011. Most of our tariffs and contracts provide for a fuel surcharge that is generally indexed to the U. S. Department of Energy's published diesel fuel prices that reset each week. These surcharges are generally considered to be a measure of the fluctuation in the cost of the petroleum products that we use in our operations. We regularly monitor the

9

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Table of Contents

components of our pricing for each customer, which include base rates and fuel surcharges. As a result, we address any individual account profitability issues with our customers as part of our effort to minimize the negative impact on our profitability that would likely result from a rapid and significant change in any of our operating expenses.

Operating Costs and Other Expenses

Salaries, wages and benefits increased \$36.5 million, or 16.5% from the first quarter of 2011, which compared favorably to our revenue increase of 17.6%. Excluding benefits, our salary and wage costs increased \$22.7 million, or 13.6% from the first quarter of 2011, primarily as a result of the additional labor required to process the increase in shipments as well as wage increases provided to employees in September 2011. Driver wages increased \$12.0 million, or 13.8%, and platform wages increased \$2.7 million, or 10.1% over the prior-year comparable quarter. Salaried and clerical wages also increased \$7.2 million, or 14.8%, primarily due to increases in full-time employees and performance-based incentive compensation. While our overall salary and wage costs increased, our full-time headcount only increased 6.6% between the comparable periods, which reflects the productivity improvements we made in many areas of our operations. P&D shipments per hour increased 2.2%, P&D stops per hour increased 2.0% and platform pounds per hour increased 6.9%. While we recognize these metrics benefited from the mild winter weather in 2012, much of the improvement was due to increased density and our continued focus on efficiency. Our benefit costs increased \$13.8 million, or 25.5%, over the first quarter of 2011 primarily due to the increase in the number of full-time employees eligible for our benefits and an increase in our group health and dental costs. Our group health and dental costs increased \$6.6 million, or 36.6%, over the prior-year comparable quarter due largely to an 89.4% increase in payments for claims in excess of \$50,000. In addition, we experienced a 15.7% increase in plan participants as compared to the prior-year quarter that exceeded the 6.6% increase in our full-time employees. Many of these new participants were enrolled as dependents under the 2010 Patient Protection and Affordable Care Act that requires us to provide dependent coverage until the age of 26.

Operating supplies and expenses increased \$11.6 million, or 14.0% as compared to the first quarter of 2011. This increase is primarily the result of higher diesel fuel costs, excluding fuel taxes, which is the largest component of operating supplies and expenses. Our diesel fuel costs, excluding fuel taxes, increased 18.0% over the first quarter of 2011 due to both increases in our average price per gallon and increased fuel consumption. We do not use diesel fuel hedging instruments and are therefore subject to market fluctuations, which we attempt to offset with additional revenue generated by fuel surcharges.

Depreciation and amortization expense increased to 5.1% of revenue in the first quarter of 2012 from 5.0% for the first quarter of 2011 despite the increase in tonnage and density during the quarter. The increase in these costs is the result of capital expenditures of \$258.8 million and \$89.6 million in 2011 and the first quarter of 2012, respectively. We continue to invest aggressively in both our infrastructure and our fleet to provide sufficient capacity to sustain our growth objectives and to also refresh our fleet of tractors and trailers. As a result, our capital expenditures for 2012 are expected to exceed those in 2011 and, therefore, our depreciation costs for future periods are projected to increase.

Our effective tax rate for the first quarter of 2012 was 39.5% as compared to 39.2% for the first quarter of 2011. The increase in our effective tax rate was primarily due to the expiration, on December 31, 2011, of alternative fuel tax credits for the use of propane in our operations. Our effective tax rate for 2012 exceeds the federal statutory rate of 35% due to the impact of state taxes, and, to a lesser extent, certain non-deductible items.



Table of Contents

## Liquidity and Capital Resources

A summary of our cash flows is presented below:

(In thousands)	Three Months Ended	
	March 31,	
	2012	2011
Cash and cash equivalents at beginning of period	\$75,850	\$5,450
Cash flows provided by (used in):		
Operating activities	78,327	73,807
Investing activities	(88,765)	(57,213)
Financing activities	(11,193)	66,099
(Decrease) increase in cash and cash equivalents	(21,631)	82,693
Cash and cash equivalents at end of period	\$54,219	\$88,143

The changes in our cash flows provided by operating activities between the periods presented above are due primarily to the improvement in our net income, which is described above in "Results of Operations." However, our cash from operations was impacted by a decrease in deferred taxes during the first quarter of 2012. This decrease was primarily due to timing differences between book and tax depreciation that were the result of 100% bonus depreciation rules used for tax depreciation in 2011.

Changes in cash flows used in investing activities are primarily due to an increase in our planned capital expenditures for 2012, which are described in more detail below.

Changes in cash flows related to financing activities are the result of specific financing transactions that occurred in the first quarter of 2011. These transactions included the issuance of \$95.0 million in long-term debt for which a portion of the proceeds were used to repay the \$66.2 million of outstanding borrowings on our revolving line of credit. In addition, we received \$48.4 million of net proceeds from the issuance of common stock pursuant to our at-the-market offering program.

We have three primary sources of available liquidity: cash and cash equivalents, cash flows from operations and available borrowings under our senior unsecured revolving credit agreement, which is described below. We believe we also have sufficient access to debt and equity markets to provide another source of liquidity, if needed. To facilitate our access to the equity market, we filed an automatic shelf registration statement with the Securities and Exchange Commission that provides us with the opportunity to offer and sell shares of common stock on a delayed or continuous basis at indeterminate prices from time to time.

Table of Contents

## Capital Expenditures

The table below sets forth our capital expenditures for property and equipment, including capital assets obtained through capital leases, for the three-month period ended March 31, 2012 and the years ended December 31, 2011, 2010 and 2009:

(In thousands)	YTD	Year Ended December 31,		
	March 31, 2012	2011	2010	2009
Land and structures	\$29,282	\$73,463	\$49,867	\$120,569
Tractors	34,047	69,837	35,777	33,072
Trailers	17,961	62,326	5,020	32,639
Technology	4,597	24,767	11,866	7,413
Other	3,717	28,391	5,000	17,663
Proceeds from sales	(628	) (5,436	) (2,050	) (2,303
Total	\$88,976	\$253,348	\$105,480	\$209,053

Our capital expenditure requirements are generally based upon the projected increase in the number and size of our service center facilities to support our plan for long-term growth, our planned tractor and trailer replacement cycle and forecasted revenue growth. These requirements can vary from year to year depending upon our needs for and the availability of property and equipment.

We currently estimate capital expenditures, net of anticipated proceeds from dispositions, will be approximately \$300 million to \$350 million for the year ending December 31, 2012. Of our capital expenditures, approximately \$90 million to \$120 million is allocated for the purchase of service center facilities, construction of new service center facilities or expansion of existing service center facilities, subject to the availability of suitable real estate and the timing of construction projects; approximately \$195 million to \$210 million is allocated for the purchase of tractors, trailers and other equipment; and approximately \$15 million to \$20 million is allocated for investments in technology. We expect to fund these capital expenditures through cash flows from operations, our existing cash and cash equivalents and the use of our senior unsecured revolving credit facility, if necessary. We believe our current sources of liquidity will be sufficient to satisfy our expected capital expenditures.

## Financing Agreements

We have a five-year, \$200.0 million senior unsecured revolving credit facility pursuant to the terms of a second amended and restated credit agreement dated August 10, 2011 (the "Credit Agreement"), with Wells Fargo Bank, National Association ("Wells Fargo") serving as administrative agent for the lenders. Of the \$200.0 million line of credit commitments, \$150.0 million may be used for letters of credit and \$20.0 million may be used for borrowings under the Wells Fargo Sweep Plus Loan Program. We utilize the sweep program to manage our daily cash needs, as the sweep program automatically initiates borrowings to cover overnight cash requirements up to an aggregate of \$20.0 million. In addition, we have the right to request an increase in the line of credit commitments up to a total of \$300.0 million in minimum increments of \$25.0 million. The amounts outstanding and available borrowing capacity under the Credit Agreement are presented below:

(In thousands)	March 31, 2012	December 31, 2011
Facility limit	\$200,000	\$200,000
Outstanding letters of credit	(49,878	) (49,878
Available borrowing capacity	\$150,122	\$150,122



We have three outstanding unsecured senior note agreements with an aggregate amount outstanding of \$252.1 million and \$262.9 million at March 31, 2012 and December 31, 2011, respectively. These notes call for periodic principal payments with maturities that range from 2015 to 2021, of which \$35.7 million is due in the next twelve months. Interest rates on these notes are fixed and range from 4.00% to 5.85%. The effective average interest rate on our outstanding senior note agreements was 5.14% and 5.17% at March 31, 2012 and December 31, 2011, respectively.

12

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## Table of Contents

With the exception of borrowings pursuant to the Credit Agreement, interest rates are fixed on all of our debt instruments. Therefore, short-term exposure to fluctuations in interest rates is limited to our line of credit facility. We do not currently use interest rate derivative instruments to manage exposure to interest rate changes.

Our Credit Agreement limits the amount of dividends that could be paid to shareholders during a fiscal year to the greater of (i) \$20.0 million; (ii) the amount of dividends paid in the immediately preceding fiscal year, or (iii) an amount equal to 25% of net income from the immediately preceding fiscal year. We did not declare or pay a dividend on our common stock in the first three months of 2012, and we have no plans to declare or pay a dividend during the remainder of 2012.

A significant decrease in demand for our services could limit our ability to generate cash flow and affect profitability. Most of our debt agreements have covenants that require stated levels of financial performance, which if not achieved could cause acceleration of the payment schedules. As of March 31, 2012, we were in compliance with these covenants. We do not anticipate a significant decline in business levels or financial performance that would cause us to violate any such covenants in the future, and we believe the combination of our existing Credit Agreement along with our additional borrowing capacity will be sufficient to meet foreseeable seasonal and long-term capital needs.

### Critical Accounting Policies

In preparing our condensed financial statements, we applied the same critical accounting policies as described in our Annual Report on Form 10-K for the year ended December 31, 2011 that affect judgments and estimates of amounts recorded for certain assets, liabilities, revenue and expenses.

### Seasonality

Our tonnage levels and revenue mix are subject to seasonal trends common in the motor carrier industry, although other factors, such as the economy, could cause variation in these trends. Operating margins in the first quarter are normally lower due to reduced shipments during the winter months. Harsh winter weather can also adversely impact our performance by reducing demand and increasing operating expenses. Freight volumes typically build to a peak in the third or early fourth quarter, which generally results in improved operating margins for those periods. We believe seasonal trends will continue to impact our business.

### Environmental Regulation

We are subject to various federal, state and local environmental laws and regulations that govern, among other things: the emission and discharge of hazardous materials into the environment; the presence of hazardous materials at our properties or in our vehicles; fuel storage tanks; the transportation of certain materials; and the discharge or retention of storm water. Under certain environmental laws, we could also be held responsible for any costs relating to contamination at our past or present facilities and at third-party waste disposal sites, as well as costs associated with clean-up of accidents involving our vehicles. We do not believe that the cost of future compliance with current environmental laws or regulations will have a material adverse effect on our operations, financial condition, competitive position or capital expenditures for the remainder of fiscal year 2012 or fiscal year 2013. However, future changes to laws or regulations may adversely affect our operations and could result in unforeseen costs to our business.

### Forward-Looking Information

Forward-looking statements appear in this report, including but not limited to "Management's Discussion and Analysis of Financial Condition and Results of Operations," and in other written and oral statements made by or on behalf of us. These forward-looking statements include, but are not limited to, statements relating to our goals, strategies, expectations, competitive environment, regulation, availability of resources, future events and future financial

performance. Such forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements typically can be identified by such words as “anticipate,” “estimate,” “forecast,” “project,” “intend,” “expect,” “believe,” “should,” “could,” “may” or other similar words or expressions. We caution readers that such forward-looking statements involve risks and uncertainties, including, but not limited to, the risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2011 and in other reports and statements that we file with the SEC. We caution readers that

13

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Table of Contents

such forward-looking statements involve risks and uncertainties that could cause actual events or results to differ materially from those expressed or implied herein, including, but not limited to, the following:

- the competitive environment with respect to industry capacity and pricing, including the use of fuel surcharges, such that our total overall pricing is sufficient to cover our operating expenses;
- our ability to collect fuel surcharges and the effectiveness of those fuel surcharges in mitigating the impact of fluctuating prices for fuel and other petroleum-based products;
- the negative impact of any unionization, or the passage of legislation that could facilitate unionization, of our employees;
- the challenges associated with executing our growth strategy, including the inability to successfully consummate and integrate acquisitions, if any;
- changes in our goals and strategies, which are subject to change at any time at our discretion;
- various economic factors such as economic recessions and downturns in customers' business cycles and shipping requirements;
- increases in driver compensation or difficulties attracting and retaining qualified drivers to meet freight demand;
- our exposure to claims related to cargo loss and damage, property damage, personal injury, workers' compensation, long-term disability and group health, including increased premiums, adverse loss development, increased self-insured retention levels and claims in excess of coverage levels;
- the availability and cost of capital for our significant ongoing cash requirements;
- the availability and cost of replacement parts and new equipment, particularly in light of regulatory changes and supply constraints impacting the cost of these assets;
- decreases in demand for, and the value of, used equipment;
- the availability and cost of diesel fuel;
- the costs and potential liabilities related to compliance with, or violations of, existing or future governmental laws and regulations, including environmental laws, engine emissions standards, hours-of-service for our drivers and new safety standards for drivers and equipment;
- the costs and potential adverse impact associated with the continued implementation of the safety monitoring system of the Federal Motor Carrier Safety Administration;
- seasonal trends in the industry, including the possibility of harsh weather conditions;
- our dependence on key employees;
- the costs and potential adverse impact associated with potential future changes in accounting standards or practices;
- the concentration of our stock ownership with the Congdon family;
- the impact caused by potential disruptions to our information technology systems;
- dilution to existing shareholders caused by any issuance of additional equity; and
- other risks and uncertainties indicated from time to time in our SEC filings.

Our forward-looking statements are based upon our beliefs and assumptions using information available at the time the statements are made. We caution the reader not to place undue reliance on our forward-looking statements (i) as these statements are neither a prediction nor a guarantee of future events or circumstances and (ii) the assumptions, beliefs, expectations and projections about future events may differ materially from actual results. We undertake no obligation to publicly update any forward-looking statement to reflect developments occurring after the statement is made, except as otherwise required by law.

Table of Contents

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market risk represents the risk of loss that may impact our financial position, results of operations and cash flows due to adverse changes in financial market prices and rates.

We are exposed to interest rate risk directly related to loans under our senior unsecured revolving credit agreement, which have variable interest rates. There were no loans outstanding under the credit agreement at March 31, 2012 or December 31, 2011. A 100 basis point increase in the average interest rate on this agreement would have no material effect on our operating results. We have established policies and procedures to manage our exposure to market risk and use major institutions that we believe are creditworthy to minimize credit risk.

We are exposed to market risk for equity investments relating to Company-owned life insurance contracts on certain employees. Variable life insurance contracts expose us to fluctuations in equity markets; however, we utilize a third-party to manage these assets and minimize that exposure.

We are also exposed to commodity price risk related to petroleum-based products, including diesel fuel, and manage our exposure to this risk primarily through the application of fuel surcharges.

For further discussion related to these risks, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in Item 2 of this report.

Item 4. Controls and Procedures

a) Evaluation of disclosure controls and procedures

As of the end of the period covered by this quarterly report, our management, with the participation of our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), conducted an evaluation of the effectiveness of our disclosure controls and procedures in accordance with Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Based on the evaluation of our disclosure controls and procedures as of the end of the period covered by this quarterly report, our CEO and CFO concluded that, as of such date, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is (a) accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure, and (b) recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms.

b) Changes in internal control over financial reporting

There were no changes in our internal control over financial reporting that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in various legal proceedings and claims that have arisen in the ordinary course of our business that have not been fully adjudicated. Many of these are covered in whole or in part by insurance. Our management does not believe that these actions, when finally concluded and determined, will have a material adverse effect upon our financial position, results of operations or cash flows.

Item 1A. Risk Factors

In addition to the other information set forth in this report and in our other reports and statements that we file with the SEC, including our quarterly reports on Form 10-Q, careful consideration should be given to the factors discussed in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2011, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.



Table of Contents

Item 6. Exhibits

Exhibit No. Description

31.1 Certification Pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification Pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

101(a) The following financial information from our Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, filed on May 8, 2012, formatted in XBRL (eXtensible Business Reporting Language) includes: (i) the Condensed Balance Sheets at March 31, 2012 and December 31, 2011, (ii) the Condensed Statements of Operations for the three months ended March 31, 2012 and 2011, (iii) the Condensed Statements of Cash Flows for the three months ended March 31, 2012 and 2011, and (iv) the Notes to the Condensed Financial Statements

The XBRL-related information has been furnished electronically herewith. This exhibit, regardless of whether it is an exhibit to a document incorporated by reference into any of our filings and except to the extent specifically (a) stated otherwise, is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections. Our SEC file number reference for documents filed with the SEC pursuant to the Securities Exchange Act of 1934, as amended, is 000-19582.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

OLD DOMINION FREIGHT LINE, INC.

DATE: May 8, 2012

/s/ J. WES FRYE

J. Wes Frye

Senior Vice President – Finance and Chief  
Financial Officer

(Principal Financial Officer)

DATE: May 8, 2012

/s/ JOHN P. BOOKER, III

John P. Booker, III

Vice President - Controller

(Principal Accounting Officer)



Table of Contents

EXHIBIT INDEX  
TO QUARTERLY REPORT ON FORM 10-Q

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