

# Old Dominion Freight Line, Inc. (ODFL)



**DAVID S. CONGDON** was named Chief Executive Officer of Old Dominion Freight Line, Inc., Jan. 1, 2008. Previously he held the positions of President and Chief Operating Officer since May of 1997; he has been a member of Old Dominion's board of directors since 1978. Mr. Congdon was born in Richmond, Va., where Old Dominion was originally founded by his grandparents. During his 35-year tenure in the transportation industry, he has held the positions of Dockman, Mechanic, City Driver, Road Driver, Industrial Engineer, Director of Employee Relations, Director of Safety & Personnel, VP Maintenance & Equipment, President of Old Dominion Furniture Division, VP Linehaul and VP Quality Management. In addition to his responsibilities at Old Dominion, Mr.

Congdon is on the board of directors for the North Carolina Trucking Association, the American Trucking Association and the Piedmont Triad Partnership, where he also chairs the Piedmont Triad Aerotropolis Leadership Board. He also serves on the Governor's Statewide Logistics Task Force and has held several other leadership roles with additional philanthropic organizations. Mr. Congdon is a graduate of the University of North Carolina at Wilmington, where he received his B.S. degree in business administration.

## SECTOR — TRANSPORTATION

(ANV601) **TWST:** You are in the less-than-truckload industry. What does that mean?

**Mr. Congdon:** There are several modes of trucking; we'll start with full-truckload carriers. You see a load of trucks, such as Snyder, J.B. Hunt or Werner, and every trailer that you see represents one shipper and one receiver. When you see an Old Dominion Freight or Con-way, or FedEx Freight or UPS Freight, we are in the less-than-truckload industry. If you see a pair of our 28-foot trailers going down the road, each trailer may contain 15 to 20 shipments from a variety of shippers to a variety of consignees or receivers. It gets a little deeper than that, but that's basically what LTL is. The next step down in size would be the parcel carriers, such as UPS and FedEx. We're in the middle of the market, with our shipments weighing approximately 1,200 pounds to 1,500 pounds.

**TWST:** Why did you choose that market segment?

**Mr. Congdon:** It started a long time ago. My grandparents founded the company in 1934 in Richmond, Va. They started off hauling anything that paid money and put food on the table. But even dating back to the 1930s, there has always been a segmentation of the way that freight moves, the way people sell things. You are not going to go out to the store and buy a truckload of pantyhose or a truckload of food. Nor do people who sell pantyhose or food buy by the whole truckload. They often buy in less-than-truckload quantities. That's where the LTL industry came from. It has been around for a long time, and it will continue to be around because when you consider the clothes on your back, the food on your table, the furniture you are sitting in, the computer you are sitting in front of, the telephone we are talking on, all of these products move by truck at various stages of their life cycle or their supply chain.

**TWST:** Old Dominion is a rare mix of a family busi-

ness that is publicly traded. What are the advantages and disadvantages of having a family legacy with public shareholders?

**Mr. Congdon:** Honestly, I don't see any real disadvantages because it gives you the best of both worlds. The family influence that has been the culture of our organization continues to drive our culture of open communications, caring for one another as fellow employees. This results in a tremendous amount of care and service to our customers. The customer is obviously the one that gives us revenue and gives us profits, and enables our paychecks every week. So it's very advantageous to have the family influence. On being publicly traded, we went public in 1991, and it opened the door for outside investors. And that has provided an additional vehicle over time to raise capital for growth. Lastly, being a public company, we have to take corporate governance and shareholder satisfaction very seriously. And to be honest, I think this takes a company like ours to a much higher level of professionalism than in typical privately held companies. Overall, I think it has been very good for our company; it's a neat mix. And as our family has grown, we have a number of non-working shareholders — those who don't manage but have about 25% ownership of the company — and then we have another 8% or 9% of the total outstanding shares — they are held by next-generation and some non-working shareholders. That gives them a liquidity vehicle as well.

**TWST:** What changes have you made to deal with the economic downturn?

**Mr. Congdon:** For 2009 our revenues were down approximately 19%. A part of that was the difference in the cost of fuel and fuel surcharges, but overall our shipments and tonnage were down in the 12% to 14% range for the year. That obviously brings on a lot of challenges, but the good thing is that we have been managing under a strategic plan that was developed over the last 12 to

14 years. That has served us very well through numerous business cycles, and we were determined to stick with it. The most important element of that business plan was on-time service. That is the main thing that we sell — a certain transit time from one city to another — and we have driven our on-time service levels to 99%. The second thing that our customers are looking for is whether freight will arrive without being damaged. We have driven our cargo claim ratio to the industry-leading 0.06% of our revenue, which is almost unheard of in our industry. Normally claims are 1.5%. We have continued to invest in our technology and our service center infrastructure, and we've also not lost our head like many others have in cutting prices to gain volume in a declining volume market. The most important thing that we have done is to try to take care of our employees and keep their pay levels the same, keep their benefits the same and try not to take anything away. We're seeing a lot of that occur within our industry, where people have had to take pay cuts. The end result is that we were the only publicly traded less-than-truckload carrier in our industry to make money in 2009; all the rest lost money. And although our profits were off 50%, we still had a profit, and we were able to take care of our employees and accomplish these other service elements that I mentioned earlier.

**TWST: Are your drivers employees, subcontractors or a combination of the two?**

**Mr. Congdon:** Almost all of them are employees. We have a small group of contractors in our ocean container drayage operations. There are about 150 of what we call our "operators," but the rest of our drivers, which number approximately 5,500, are all company employees, and they are all non-union.

**TWST: How does 2010 look for you?**

**Mr. Congdon:** I can share with you what I've shared publicly. We're doing fairly well going forward. We saw the bottom in the economy in the third quarter of 2009. Third and fourth, we were all the way down — I'd say on the bottom. But our year-over-year comparisons turned positive in the first quarter, with January and February being up about 3% each over the same period of last year, and our tonnage was up 7% in March. So it feels like the economy is coming back, and we're encouraged about that.

**TWST: Last month you opened a new warehouse in Thomasville, and you also applied for a foreign-trade zone for that location. Why did you choose to open that facility, and what is the importance of the foreign-trade zone designation?**

**Mr. Congdon:** Actually, there are a couple of reasons for opening the warehouse. The first reason was to establish a corporate business recovery site, which complements our long-standing computer disaster recovery plan. We have here in our corporate headquarters about 600 employees. If for some reason this building became uninhabitable due to fire or perhaps a chemical spill or something like that, we need somewhere for our corporate employees to work. About 50,000 square feet of this 160,000-foot warehouse are going to be set aside for a place for our people to go to work should something happen in the corporate headquarters. This warehouse has an additional 100,000 square feet available for warehousing, which complements our other two warehouses — one in Worcester, Mass., and one in Commerce, Calif. — for our new warehousing division that we launched about a year ago. The foreign-trade zone application is a strategy that we are interested in, as

we are pursuing the management of global supply chains for customers. A foreign-trade zone basically is a warehouse, but it offers some deferred or possible elimination of taxes and duties for companies that utilize the foreign-trade zone.

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**TWST: What is your investor base like?**

**Mr. Congdon:** More than 90% of our investors are institutional investors. We have 12 of the top truck transportation industry analysts following us, which includes companies like Stifel Nicolaus, BB&T, Stephens, Robert Baird, Raymond James, Deutsche Bank, Credit Suisse, to name a few. These analysts are really putting out information primarily for the institutional clients. But our actual investors, the last number I heard was that we had over 1,000 shareholders. Value-style investors will meet with us as well as growth-style investors at the same time. It depends on the cycle at where our stock is trading as to whether we're viewed as a value or a growth stock. We view ourselves as a growth stock, a long-term growth story. And so I would think we would attract more growth-oriented investors than value right now.

**TWST: Who are your primary competitors?**

**Mr. Congdon:** Well, LTL is a segment of its own, and a truckload carrier cannot compete in an LTL sector because we have to have freight service centers. Right now we have 210 freight service centers, and these service centers have to have cross-dock doors, and have to have local pickup and delivery operations, and so forth. The parcel people don't have the right kind of equipment to deal with our size and types of shipments. So we compete primarily with the less-than-truckload carriers. We'll compete with big national players as well as small regional players, but the good news is that we do it all — short haul, medium haul, long haul and our value-added services — all under one fully integrated company. We can compete very effectively, and we have strategic service advantages over all of our LTL competitors in one way or another.

**TWST: What would you like the company to look like in the next five to 10 years?**

**Mr. Congdon:** The good news, first of all, is that we truly have become what we envisioned back in 1997. We had about a dozen items on our strategic plan, and every year we have a renewal of our strategic plan. We have a five-year plan that we look at to estimate where our revenues are going to be, what our size its going to be and how we're going to grow the company. But going forward, we believe we will continue to gain market share within our OD-Domestic network. Because of the strategic and tactical advantages that we have over the regional carriers, the inter-regional carriers, the

long-haul carriers, we can compete effectively. We also will remain intensely focused on building our global presence in our brand as well as our supply chain services that include warehousing, logistics, consulting, management and truckload brokerage. Value-added services are very important to continue to feed our domestic network with more freight, and we anticipate that the value-added services, which currently make up about 7% of our revenue, will grow in five years. For 10 years, I'd just anticipate that it will be a larger amount — it might be 15% to 20% in five and 10 years from now.

**TWST: What do you think investors should know about Old Dominion that they may not already know?**

**Mr. Congdon:** Number one, I think we are hands down the best-performing public LTL carrier out there. We may not be the largest, but our numbers are, across the board, the best in the industry. We have a business plan, and we execute it consistently. And if an investor wants to carry transportation in their portfolio, and they want to own the best names for the long term, they have no choice but to own some Old Dominion.

**TWST: Tell us about your background.**

**Mr. Congdon:** I was born in Richmond, Va., but our family moved here through our first acquisition in 1960. So I have lived in North Carolina for roughly 50 years. At the age of 14, I wanted to go to Japan on the World Boy Scout Jamboree, and my dad said I had to pay for half of it and he'd pay for the other half. I said, "How am I going to do that on a \$3-a-week allowance?" And he said, "Well, you could start working." I started working on the dock, and I was a Dock Worker, a Mechanic for several years through high school, working in service centers. I rode with pickup delivery drivers for the docks and started learning operations. I went to college at the University of North Carolina in Wilmington and earned my Bachelor of Science in business administration with a concentration in management. Then I did my graduate work in North Carolina truck driver training school. I drove a truck for about a year, and then I worked through our engineering department, safety and personnel. We had a furniture hauling division that I ran for a few years. I was the Founder of our quality management process in 1993, and that process lives and breathes today in the way that we manage our business. When I was promoted from VP of Quality to President of the company, I was able to take what we had been building for about five years and actualized it even better with our management team.

That's where the whole idea of developing a strategic plan came from — the annual renewals of the plan, the whole idea of having a vision statement, vision success elements and having each officer of the company own a piece of the whole program. After my graduate work in the North Carolina truck driver training school, I guess I've done all the rest of my education in the school of hard knocks.

**TWST: Is there anything you would like to add?**

**Mr. Congdon:** We went into the recession with a strategic plan that has served us well through numerous business cycles, and we decided that we would stick with what was good for us — our consistent business plan, and a focus on service and low claims. But here we are with a history of significant revenue growth and profitability. We have superior customer service and technology. We are in a very strong competitive position. We have the industry's leading financial performance. We have a proven ability to identify and integrate accretive acquisitions. Our balance sheet is very strong to support future growth opportunities. We are public, so we can access public markets if we need additional capital. We have excellent relationships with our banks. The bottom line is that our success didn't happen by accident; it happened because of the experience and motivation from our management team and every single employee of our company across the whole network. Anyone can buy trucks, trailers, terminals and computers. You can have all the plans and strategies in the world, but it's all about people pulling together and focusing on the common vision, with the common set of guidelines and plans for the future, and people pulling it all together and making them successful. So I have to commend our team for this. Our management team has an average of 29 years of industry experience and 19 years with the company.

**TWST: Thank you. (LMR)**

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