Knight-Swift Transportation Holdings Inc.

NYSE:KNX

Earnings Call

Wednesday, April 22, 2026 9:30 PM GMT

Call Participants

EXECUTIVES

Adam W. Miller
Chief Executive Officer & Director

Andrew Hess
Chief Financial Officer

Brad Stewart
Treasurer & Senior VP of Investor Relations

ANALYSTS

Ariel Luis Rosa
Citigroup Inc., Research Division

Brian Patrick Ossenbeck
JPMorgan Chase & Co, Research Division

Christian F. Wetherbee
Wells Fargo Securities, LLC, Research Division

Scott H. Group
Wolfe Research, LLC

Daniel Charles Moore
Robert W. Baird & Co. Incorporated, Research Division

Jonathan B. Chappell
Evercore ISI Institutional Equities, Research Division

Kenneth Scott Hoexter
BofA Securities, Research Division

Ravi Shanker
Morgan Stanley, Research Division

Richa Harnain
Deutsche Bank AG, Research Division

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Presentation

Operator

Good afternoon. My name is Sarah, and I'll be your conference operator today. At this time, I would like to welcome everyone to the Knight-Swift Transportation First Quarter 2026 Earnings Call.

Speakers from today's call will be Adam Miller, Chief Executive Officer; Andrew Hess, Chief Financial Officer; and Brad Stewart, Treasurer and Senior VP of Investor Relations.

Mr. Stewart, the meeting is now yours.

Brad Stewart
Treasurer & Senior VP of Investor Relations

Thank you, Sarah. Good afternoon, everyone and thank you for joining our first quarter 2026 earnings call. Today we plan to discuss topics related to the results of the quarter, current market conditions, and our earnings guidance. We have slides to accompany this call which are posted on our investor website.
Our call is scheduled to last one hour. Following our commentary, we will answer questions related to these topics. In order to get to as many participants as possible, we limit the questions to one per participant. If you have a second question please feel free to get back in the queue. We will answer as many questions as time allows. If we are not able to get to your question due to time restrictions, you may call (602)-606-6349.

To begin, I will first refer you to the disclosures on slide 2 of the presentation and note the following:
This conference call and presentation may contain forward-looking statements made by the Company that involve risks, assumptions, and uncertainties that are difficult to predict. Investors are directed to the information contained in item 1(a), risk factors, or part 1 of the Company's Annual Report on Form 10-K filed with the United States SEC for a discussion of the risks that may affect the Company's future operating results. Actual results may differ.

Now I will hand the call over to Adam for some opening remarks.

Adam W. Miller
CEO & Director

Thanks Brad, and good afternoon, everyone. These are certainly interesting times, and there are now more reasons to be optimistic about our industry than we have seen in over four years. We operate one of the largest fleet in the truckload industry, and roughly 70% of our fleet is deployed in one-way, or over-the-road service. It is true the one-way market has been the most difficult place to be over the past three plus years as this market has felt the brunt of the influx of capacity over the last several years. Much of that capacity may have been playing by a different set of rules and therefore operating with a different cost structure, which distorted pricing behaviors and cyclical patterns. The ongoing efforts of the FMCSA and DOT to prevent and revoke invalidly issued CDLs, shut down non-compliant CDL schools, and address hours-of-service abuses are in the early stages and are already having an impact on the market. This cleanup effort should, in our view, have an outsized impact on not just the one-way truckload market but on the lowest-priced capacity in this market. The market that was hardest hit over the past few years is now benefiting the most from the removal of capacity, a dynamic which we expect will continue.

As we mentioned last quarter, the market has progressed to a point where even small changes can cause disruption, and we saw evidence of that during the first quarter, as the severe weather in January led to acute tightness and an elevated spot market almost overnight. We were able to leverage our one-way, over-the-road capacity at scale to provide solutions across multiple brands to help our customers recover from the storm when others in our space were not able. Following the recovery from the storm, the tightness in the truckload market has continued to build, largely due to declining capacity, though some indications of

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

improving demand are beginning to emerge. Broad truckload market indicators show improving trends for load tenders, tender rejections, and spot pricing. Our business is experiencing even stronger levels on these metrics, as our leading presence in the one-way market grows increasingly valuable to shippers. Late in the first quarter, we began to see the outcomes from early first quarter bids, which showed our volumes generally holding steady or growing while achieving mid-single digit percentage rate increases. For reference, that is better than last year at this time when targeting slightly lower price increases often caused us to lose volume.

Pricing activity is very busy now. In addition to bid season being in full swing, mini-bid activity has increased, indicating incumbent carriers are unable to or perhaps unwilling to service freight at existing rates. In addition, turnback bids are happening more frequently as bid awards are being at least partially rejected by the awarded carriers as networks have shifted or the market has moved well past rates that were proposed even one or two months ago. Unlike the past few years, shippers are generally not issuing off-cycle bids opportunistically to improve service or drive prices lower, these actions are driven by a need to secure capacity. At the same time, previously deep discounts in the spot market have evaporated, further encouraging shippers to align with quality asset-based capacity. This is on top of a trend of shippers favoring asset-based relationships that had formed late last year in response to the regulatory enforcement efforts. Whether for these reasons or because of expectations of improving demand, we have already had a number of shippers initiate discussions about peak season demand support, which is not typical this early in the year.

As we navigate a busy and rapidly evolving bid environment, we have shifted our bid targets to a range of high single to low double-digit percentage increases on current pricing activity, as compared to our low-to-mid single-digit target one quarter ago. Across our truckload brands, we are reviewing business that is not subject to current or near-term bids and addressing rates that are below market. Aside from the market developments and our position in one-way service, we believe our work over the past two years structurally cutting cost out of our business with ongoing opportunities for further progress sets us up for greater incremental margin as business conditions improve. As the market improves, recruiting and retaining quality drivers have and will become more challenging. We believe we have an advantage with our terminal network and academies to source and develop drivers, however, we expect this to be a challenge for the industry in the back half of the year.

While the LTL sector is not seeing the same sharp tightening as Truckload, we are seeing our freight mix improve and rate renewals continue at a mid-single digit pace. Shipment volume trends have been directionally in line with normal seasonal patterns, though somewhat understated until late in the first quarter. However, we saw a notable improvement in weight per shipment for the first time in years, with this measure progressively growing throughout the quarter. This is a result of bringing on more industrial customers who can leverage our expanded network footprint to move heavier and longer length of haul shipments. We believe we are in the early stages of our network transition from regional to national. We expect that over time, growing into our network investments, a maturing freight mix, improvement in network density, and continuously refining our operational and cost execution will allow us to drive sustained, methodical improvement in operating margin. We remain committed to thoughtfully deploying capital, intentionally leveraging our strengths, and creatively unlocking synergy opportunities across our businesses.

With that, I will turn the call over to Andrew & Brad to review the results and our guidance.

Andrew Hess
Chief Financial Officer

Thanks Adam.
The charts on slide 3 compare our consolidated first quarter revenue and earnings results on a year-over-year basis. Consolidated revenue, excluding truckload and LTL fuel surcharge, was essentially flat, and operating income declined by $38 million year-over-year largely due to $18 million of expense for claim development in our LTL segment, primarily related to an adverse arbitration ruling on a 2022 claim, $4

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

million of expense in our Truckload segment for an adverse decision on VAT reimbursement in Mexico for prior tax years, warehousing project business deferred to future quarters, and an estimated $12 to $14 million net negative impact from volume and cost headwinds from severe winter weather disruptions and sharply rising fuel prices during the quarter. Adjusted operating income declined $37 million year-over-year primarily driven by the same items. GAAP earnings per diluted share for the first quarter of 2026 were a loss of $0.01, primarily due to the items noted above. GAAP earnings per diluted share in the prior year quarter were $0.19. Adjusted EPS was $0.09 for the first quarter of 2026, compared to $0.28 for the first quarter of 2025. Our consolidated Adjusted Operating Ratio was 97.0%, up 230 basis points year-over-year. The effective tax rate on our GAAP results was 7% and our non-GAAP effective tax rate was 28.0%.

Slide 4 illustrates the revenue and adjusted operating income for each of our segments for the quarter. Overall, the relative shares of our various service offerings remained largely consistent quarter-over-quarter, with LTL gaining slightly over the fourth quarter as it exits its seasonally weakest period of the year.

Now, we will discuss each of our segments, starting with our Truckload segment on slide 5.

Aside from the negative impacts to volumes and cost from severe winter weather and fuel challenges in the quarter, most operational metrics were improving throughout the quarter. Revenue per loaded mile excluding fuel surcharge and intersegment transactions turned out stronger than we anticipated and even improved sequentially over our end of year peak season result, largely driven by spot opportunities that developed within the quarter. However, volumes and cost per mile for the quarter were both unfavorable as a result of the weather and fuel challenges. On the whole, our Truckload Adjusted Operating Ratio of 96.3% only degraded 70 basis points year-over-year as a reduction in empty miles and the strengthening rate environment largely offset the headwinds to volume and cost. Q1 marks the 7th consecutive quarter of year-over-year improvement in miles per tractor. Importantly, the strengthening rate backdrop and improving network efficiency have ongoing implications for our business, while the weather issues are not expected to recur.

On a year-over-year basis, revenue excluding fuel surcharge was essentially flat, as a 1.4% improvement in revenue per loaded mile, excluding fuel surcharge and intersegment transactions, largely offset a 1.8% decrease in loaded miles. Adjusted Operating Income declined $7.6 million year-over-year, largely as a result of the adverse decision in VAT reimbursement as noted earlier, as well as the cost headwinds from the severe winter weather and fuel escalation in the quarter.

U.S. Xpress made further progress on operating efficiency and trailed the legacy brands in Adjusted Operating Ratio by approximately 300 basis points for the quarter. The ongoing progress at U.S. Xpress is encouraging, and we expect this business will continue closing the gap in margin performance with our legacy brands as the market improves.

Moving on to slide 6, our LTL business grew revenue, excluding fuel surcharge, 2.6% year-over-year driven by a 5.2% increase in weight per shipment and an 8.5% increase in length of haul. Tonnage trends showed momentum as the quarter progressed, ending with March average daily tonnage up 7% year-over-year. Our expanded service coverage and presence in new markets is helping us to win business with new customers, gradually increase our industrial exposure, and transition our network and freight mix from regional to national. Shipments per day were down 1% year-over-year for the quarter, largely as a result of the winter weather disruption in January and the shift in freight mix to a higher weight per shipment. Revenue per hundredweight, excluding fuel surcharge, fell slightly by 70 basis points year-over-year driven by the increase in weight per shipment while renewal rates continue their trend of mid single-digit increases.

We continue to make progress normalizing operational and cost fundamentals following a period of significant change to our network and freight. Purchased transportation as a % of revenue, equipment rent, and variable labor per shipment all showed improvement year-over-year in the first quarter, and we anticipate further improvements in efficiency as we refine our network and freight flows.

As mentioned earlier, Adjusted Operating Income and Adjusted Operating Ratio were negatively impacted year-

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

over-year by the adverse claim development. We are encouraged by emerging seasonal freight patterns, steady progress on rate renewals, accelerating volume trends late in the quarter, and an improvement in weight per shipment for the first time in years as the freight mix continues to develop into our expanded terminal network.

Now I will turn it over to Brad for a discussion of our Logistics segment on slide 7.

Brad Stewart
Treasurer & Senior VP of Investor Relations

Thanks Andrew.

Logistics' Revenue for the first quarter declined 9.9% year-over-year as volumes were down 18.9% while revenue per load grew 10.4%. Third-party carrier capacity grew more difficult to source during the fourth quarter, and this trend continued through the first quarter. Gross margin of 16.6% for the first quarter declined 150 basis points year-over-year but improved 110 basis points from fourth quarter levels as strengthening spot opportunities helped offset pressure on contractually priced business. Despite the year-over-year decline in volumes and gross margin, our Logistics segment produced an Adjusted Operating Ratio of 96.2%, only a 70 basis point degradation year-over-year.

In addition to the increase in third-party carrier costs brought on by the regulatory pressures on capacity, our Logistics business experienced increased pressure on gross margin as we further enhanced our already rigorous carrier qualification standards in response to a sharp increase in cargo thefts in the industry and the troubling carrier practices exposed by recent regulatory efforts. This affects not only new applicants seeking to join our carrier base but also resulted in a reduction in the number of existing carriers we are tendering loads to. While such efforts were a headwind to capacity costs and caused us to reject more loads as unprofitable, as we reset contractual pricing through the bid season, we expect load count to improve and pressure on gross margin to lessen. Given the complementary relationship between our Logistics and asset-based Truckload segments, we believe the improving market dynamics would ultimately benefit both our asset and logistics businesses over time.

Our Logistics business has demonstrated its agility in navigating a volatile market the past few years by maintaining its operating margin close to target levels through disciplined pricing and cost management. This team is now further leveraging technology to take cost efficiencies to a new level as well as to improve our responsiveness and ability to capture opportunities in the market, which we expect will contribute to earnings in 2026.

Now on to slide 8 for a discussion of our Intermodal business.

The Intermodal segment grew revenue 2.7% and improved its operating ratio 50 basis points year-over-year as a 1.6% increase in revenue per load and a 1.2% increase in load count offset headwinds from winter weather in the quarter. Load count and revenue per load improved progressively throughout the quarter with March load count up 8.4% year-over-year. While the intermodal pricing environment is more competitive than truckload at this point, we are encouraged by ongoing opportunities to leverage our strong service performance and our truckload relationships to continue growing our volumes at improving rates. We remain focused on delivering excellent service and driving appropriate returns through growing our load count with disciplined pricing, cost control, network balance, and equipment utilization.

On slide 10, we have outlined our guidance and the key assumptions, which are also stated in the earnings release. Actual results may differ from our expectations. Based on our assumptions, we project our Adjusted EPS for the second quarter of 2026 will be in the range of $0.45 - $0.49. This range represents a larger than normal sequential increase in quarterly results as the first quarter was negatively impacted by events that we do not expect to recur and because freight market fundamentals are improving exiting the quarter. Our projections reflect recent trends in volumes, spot rates, and bid activity, as well as expectations for a continued seasonal build in freight demand for both truckload and LTL services. The key assumptions underpinning this guidance are listed on this slide.

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

I won't take time to read through all of our assumptions here, but I do want to highlight the point that the recent strengthening of the Truckload pricing environment will generally impact contractual rates beginning late second quarter and into the third.

This concludes our prepared remarks, and before I turn it over for questions, I want to remind everyone to keep it to one question per participant. Thank you. Sarah, we will now open the line for questions.

Question and Answer

Operator
Your first question comes from the line of Chris Wetherbee from Wells Fargo.

Christian F. Wetherbee
Wells Fargo Securities, LLC, Research Division

I guess, obviously, the pricing environment in the truckload market is improving, probably materially versus what we talked about last time. So Adam, I was kind of curious as you think about the margin opportunities or maybe the earnings opportunity for the truckload business as we go through, I guess, this year, but maybe bigger picture. Do you think this cycle has the potential to be what you kind of hoped it could be in terms of the cycle earnings of the Truckload business or the midscale margins of the truckload business? Any color around that and maybe timing towards getting there would be helpful.

Adam W. Miller
CEO & Director

Yes. So I mean, a great question, Chris. And it's early in the inflection here. So it's hard to know exactly the strength, the duration and the timing of how that will play out. But just leaning in on our experience in previous cycles, I don't think we've ever really seen the pressure on capacity and that, I mean, from regulatory forces versus just normal economics.

And so I think we could see more capacity coming out of the network than we typically would see in a cycle. And I feel like that could be a catalyst to really drive a strong bid season this year but also into next year. So the question is going to be, can we capture rates, but can we also improve the utilization on our equipment, which we've done that now for 7 consecutive quarters on a year-over-year basis. And then can we grow our seated trucks, not necessarily investing in more trucks. Now hey, if we get to that point, obviously, we'd have the ability to do that. But to be able to see more of the trucks that we have on our fleet, while running them productively.

If we're able to do all 3 of those, then I do believe this sets up to be able to get back to a more normalized earnings or margin profile that we're accustomed to seeing in our businesses, and that includes even U.S. Express getting to the legacy performance that we've seen at Knight and Swift. It's early in the cycle, and we're just getting some feedback on bids, and we're seeing how those awards are coming in. And then how -- some of our customers are tendering those awards and what mini bid activity looks like, what turndown business is looking like.

So still a lot to read through into the market. But it certainly feels like the setup is there for those in the industry to get back to kind of sustainable rates that puts our industry in a position where the good quality compliant carriers have the ability to make enough margin to invest in their businesses, invest in drivers, invest in safety and invest in good quality equipment.

Operator
Your next question comes from the line of Richa Harnain from Deutsche Bank.

Richa Harnain
Deutsche Bank AG, Research Division

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

So just following up from that previous question, just Adam, when you say normalized margins, maybe you can highlight kind of what that is mid-cycle, -- is it sort of low teens that we're talking about here? And then just I think, Brad, when you ended the segment, you said the impact of this high single-digit, low double-digit rate improvement will really be seen towards the end of Q2 into the back half of the year.

But if you can just kind of like give us a sense of the level of magnitude of margin expansion as we move through the year, you're already calling for 100 to 200 basis points of year-over-year improvement in Q2 before we really start to see the evidence of this type of rate environment, I think in 2Q, you just caught a low single-digit improvement, right?
So I'm just trying to get a sense of how we should flow through this in the model near term and maybe more longer term, if you could help things.

Adam W. Miller
CEO & Director

Okay. Well, I'll hit on maybe the first portion. I'll try the second and Brad, you can dovetail on that. I think we probably got this question on normalized margins for the last like 5 earnings calls in a row. So I'll try to be consistent on how I answer this. We look at our business in a normalized market, the truckload business typically operates in the mid-80s, right? So that's kind of a mid-teens margin when the market is really good, we've operated sub-80s and then typically, in a difficult market, you're upper 80s, obviously, this cycle played out differently has been far more challenging across the industry and for us, included in that.

But that's what I'm referencing getting back to that mid-80s normalized earnings. I feel like there's the setup here in this bid season and going into next to be able to achieve that. And then when you look at where we're at, we have our LTL business that's been growing, and that doesn't have the same cycles as truckload and we look at just methodically improving the margins in that business. Obviously, we had the anomaly with the claim development in the first quarter, but we expect that to be put behind us and continue down the path of improving margins as we grow in to that network and start to march down into the 80s, which I still feel this year, we can achieve a sub-90 operating ratio during the year and just continue to build upon that.

And then typically, when our truckload business is healthy, the logistics business can grow exponentially. Now early on as the cycle changes, logistics feels pain because the rates haven't adjusted yet to what the third-party capacity rates are. And so you probably see a low-count degradation which we've seen because you just can't take freight that you can't make a margin on. As rates reset, contractual rates, but also backup rates which we do a lot of with our customers. And so when the routing guy falls apart, they tend to slow to the backup rates that hopefully put us in a position where we can do it with our own trucks, we could do it with quality third-party capacity through our logistics business, that we were able to take a lot more of the loads that we're turning down today. So in normal earnings, I would expect logistics to be growing.

And then Intermodal, we believe is on a path to profitability. I think we laid out the improvement sequentially that we expect to achieve in intermodal, which would mean we're profitable. And volumes are really starting to build in that business. Last year, this time, we took a big step back when you had the tariffs announced that we were kind of pushing for improving our revenue per load, and that led to us losing some volume. But this year, it's very different. We're getting improvement, some improvement in rate, not near where you're going on the truckload side, but some improvement, and it's resulting in better volume as well.
So we're starting to see things build and we'd expect intermodal to get it to profitability and to see that improve as the cycle strengthens. So that's how we're viewing kind of this, say, normalized, you're never really at normal. It's kind of you're always flowing in the cycle. But that's how I'd frame it up for that question.

And then in terms of the high, low double-digit request, right now, we've probably got about 70% of our business in bid. But a lot of that starts to be implemented kind of mid- to late second quarter and then it starts to flow into the third quarter. We have some pretty big customers that hit in the third quarter.
So we may be seeing the activity really build in terms of approving a healthy rate increases, but it may not flow through to the P&L immediately but we expect that margin to really start to flow through kind of fully

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

based more in the third quarter and then build into the fourth quarter.

Brad, I don't know if you had anything else you want to elaborate on.

Brad Stewart
Treasurer & Senior VP of Investor Relations

And just one thing I would add is in terms of our contract versus spot mix, we came into the first quarter in the 10% to 12% kind of range low double digits, where we had been for really the last couple of years in terms of spot exposure. We exit the first quarter, just a couple of points higher than that, kind of low to mid-teens perhaps. And look, as we navigate the pricing environment and navigate trying to manage our business and extract yield from our network, jumping into spot exposure is step one in trying to manage yield.

And so our first priority is our contractual recurring relationship business, and we have expectations for where the market is on price at this point. And that's what we're trying to address first and foremost. And, if we can't come to agreement on price the same way in terms of the market, we may end up with less contractual exposure on certain accounts, and that will create more spot exposure. And so that's something that can evolve over the next several months as we continue to work through bid season. And so that's just another lever that can contribute to our realized rate per mile this is the contract and the backup rates as that Adam spoke to. So that's something that we're going to be managing and watching week by week as we work through this, but a lot of different avenues to generate.

Operator
Your next question is from the line of Ken Hoexter from Bank of America.

Kenneth Scott Hoexter
BofA Securities, Research Division

And I guess, Brad, just to extrapolate on that a bit, right? It sounds like in the prepared remarks, Adam, I think you might have mentioned you're revisiting contracts that are longer in nature. Are you already starting to give those notices to get out of the contracts and start to renew? Is that how tight the market has got. And I just want to understand kind of the comments around that. And to clarify on the LTL, did you say the delay but the weights are ramping, the delay in getting pricing, but you're seeing weights ramping given the industrial move. How long does that delay get until you get that pricing?

Adam W. Miller
CEO & Director

Well, let me clarify that. We're not saying we're getting delayed pricing on LTL. I think we're saying we're getting mid-single digit on the renewals, but we're seeing a freight mix change where we're getting longer length of haul, heavier shipments that we believe will improve the yield of the business. And so the revenue per hundredweight make it a little bit skewed in terms of the year-over-year comparison because of the freight mix change, but we're not seeing delay in LTL pricing.

And then in terms of the rate review is what we would call them is we're going through our network and looking at any rate that may just be stale. If it's beyond a year, it's something we're going to look at. We're reviewing those that are called the bottom 20% performing and looking at what we need to do to get those rates to where they're closer to market. And so if we don't have an active bid to address those, we're being proactive of making that going through that review and then having discussions with customers around that. So that is something that is active. I think early stages right now because there are a lot of customers that do RFPs and like I said, we're probably in the heart of about 70% of that business, but there is the 30% that we need to make sure we're addressing as the market moves quickly.

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Kenneth Scott Hoexter
BofA Securities, Research Division

And same for the LTL, does that gap closed, do you get if you're already at high single, low double in truckload. Can you see that transfer to the LTL market?

Adam W. Miller
CEO & Director

I don't know that they align that right now in LTL on renewals, we're getting mid-single digits right now.

Operator
Next question is from the line of Ravi Shanker from Morgan Stanley.

Ravi Shanker
Morgan Stanley, Research Division

Adam, last quarter, you very helpfully walked through what you saw were upcoming catalysts on the supply side. Obviously, lots of moving parts here, but everything from Delilah's law, the Montgomery case and the brokerage side, you proposal for a $5 million minimum insurance as well as all of the rules that we saw last year. How do you see this evolving over the next few months and potentially the market tightening up more?

Adam W. Miller
CEO & Director

Yes. I mean I think you hit them, Ravi. I mean these are all pressures that we think are going to deter bad actors from coming into our space. I think it's going to push capacity out of the market that aren't at sustainable rates and are acting in a compliant manner. I think clearly, when our industry saw spot rates jumped dramatically in 2021 and then we had this push for immigration, this industry was targeted. And we had a lot of people enter our space and didn't have much experience in trucking, probably didn't have a great safety background, didn't have proper training and also we're probably exploded by some of the chameleon carriers that are out there and ultimately paid them rates well below what someone who's a citizen in the U.S. would view as livable wages. And so I think that population is getting pushed out with the pressure on eliminating the improperly issued nondomicile CDLs. And I think Delilah's law will help codify that into law, among other things. I think we've got an administration who is really pushing on what some of these chameleon carriers, how they've exploited the system and the self-certification of training, the self-certification of logs and putting more regulation behind that. And I just think there's going to be a lot more oversight from the FMCSA that's needed.

Now hey, if we get minimum insurance, that's another big thing. I mean you got English language proficiency, that's pushing capacity out of the market. And hey, I think drug testing is another big one where we already have set a much higher standard for ourselves. We've been doing hair follicle drug testing for over a decade. And we see that you're probably 10x to 15x more likely to pick up a positive drug test than you would with urine. Yet we don't accept that as a valid way to test drivers, and you can't even submit those positive results to the clearinghouse. And so those drivers can just go on to another company and get a job and be behind the wheel. And we don't think that's right. And so I think that's another thing that I think this industry needs to help clean it up and really be focused on putting the safest drivers on the road.

But Ravi, what I'd say is we've never seen this type of push to clean up some of the capacity and the unsafe drivers out on the road. And when you pull that one of them, I think moves the needle enough, but when you aggregate them, I think we're already starting to see that influence the market. And really, the improvement we're seeing and the ability for us to get rate is driven largely by capacity reduction versus demand. And if we start to see demand pick up in conjunction with some of these other efforts that are just in the early innings, I think we could find ourselves in a much more favorable position from a carrier standpoint.

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Andrew Hess
Chief Financial Officer

Ravi, I would say that I think it's clear to us through our conversations, the administration is committed to the cleanup that needs to happen in our industry. We think if we can get legislative support through Delilah's law and the like. But obviously, that makes that more durable through future administrations, but we don't think it's dependent on that. We think whether that happens or not, that the actions of the administration are going to be effective over the next few years as we continue to kind of get things right with our industry.

Operator
Your next question comes from the line of Scott Group from Wolfe Research.

Scott H. Group
Wolfe Research, LLC

So Adam, what are you seeing with seated tractor counts and drivers generally? And then just big picture, if you think back last cycle, just massive growth in your and everyone's brokerage business, but all the things that you talked about and that last question with nondomicile and chameleon and Montgomery, all these sorts of things. I'm wondering, as you're having these big conversations, is there a sense from shippers that they're less willing to do a brokerage offering right now and maybe are they willing to pay more for asset-based this time versus maybe prior cycles?

Adam W. Miller
CEO & Director

Yes. Okay. Well, let me hit on those, Scott. So on the seated truck side, that certainly, finding drivers hiring driver has always been a challenge in our space. I've always said, in our industry, you either have drivers or you have loads. Rarely do you have them at the same time, right? So we're starting to see the loads come through. And so we're making investments to ensure that we can have an advantage in sourcing drivers. And so we're making investments in our marketing spend and the number of recruiters we have. We're leveraging AI to ensure that we're very quick to react to leads as they come in. And we're really leveraging the Academy network that we have to train and develop drivers. And as we've made those investments as we saw the market change, we're starting to see that build some momentum really across all of our different brands. And so I'm feeling more bullish on our ability to not only improve rates, but to improve our utilization and grow seated truck which I know was the biggest challenge during the last up cycle in the pandemic I think everyone went backwards to truck with how difficult labor was. I think the challenge that we'll have is that we've only gone after the high-quality drivers in some of our space have been able to hire those that don't meet the criteria that we had.

Now as some of those drivers are kind of pushed out of the market because of some of the things we just talked about, the quality drivers that we look at are going to be more attractive. But we believe we bring far more to the table with terminal network we have, the equipment we have and the ability to give high-quality training. And so we feel like we'll have an advantage to maintain and even grow our seated truck count as drivers become more challenging.

And to your point about logistics, I agree with you that I think we saw this proliferation in logistics because you had customers that just had to move goods at all cost because demand was so high and you had this flood of capacity coming in. I think when talking to shippers, I think they're going to have a bias towards asset-based carriers. I mean we're already starting to see that. We're starting to see that they're limiting even some bids, many bids only to asset-based carriers are living the percentage that they will allow in terms of brokers to participate in a bid. And I think that's going to continue. Now I think we get viewed a little bit differently because we do bring some assets to the equation with the power only that we offer. But we've also talked about what we're doing to vet the carriers that we work with. We have taken a great number of steps to really ensure that we have high-quality safe carriers. Now you're not always going to be perfect but we have cut down the number of carriers that we work with dramatically.

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Just since the beginning of this year, were down 30%, and we had made a large cut even earlier last year. And so we had, how long you've been in business. We're looking at evidence that you have logs that we could see where your tractors are at we actually, because I think one of the challenges in our space is the broker has no idea in most cases who is actually driving the truck. And I think that's been a real challenge for the broker and the shippers really know that. And so we are taking steps to ensure we know we have a copy of the license, we know who's in the truck, especially if they're going to operate and leverage 1 of our trailers.

So we're taking a lot of steps to put ourselves in a position that when customers kind of demand that as part of the logistics solution. We have that to offer. So I don't think you're going to see the same expected growth that we saw during the pandemic. But I do think those that are good quality logistics providers do it the right way and have an asset solution to complement what they're offering, we'll have the ability to grow in a strengthening market.

Operator
Your next question comes from the line of Jonathan Chappell from Evercore ISI.

Jonathan B. Chappell
Evercore ISI Institutional Equities, Research Division

Adam, I know you don't go into the monthly detail on LTL as some of the pure plays do. But is there any way to help give a cadence on kind of how the first quarter maybe April transpired as we think about like weight's been good, that's you're finally getting the turn there. But are we going to start to see more consistent kind of shipment tonnage growth? And then importantly, are you, do you feel if you do get that demand tailwind or tonnage tailwind shipment tailwind behind you. I know cost alignment was kind of pretty difficult. Have you been building out the national network? Do you feel like your costs are now appropriately aligned that if there were to be a demand pickup that would kind of go right to margin improvement as opposed to still kind of chasing that with resources?

Adam W. Miller
CEO & Director

Okay. That was a long question, Jon. I'll try to hit every component of it. So on the LTL front, I think we talked about in our commentary that we were a little bit slower on volume to begin the quarter but a good build with March being the strongest and then those trends continuing into April. We only got a couple of weeks into April, but we're not seeing that slow down at all. And then typically, second quarter is our one of our strongest quarters in LTL. We do believe we have a tremendous amount of operating leverage in the business. There's just a few pinch points that we have, where we may have a few locations to open up this year, but it's not going to be near the investment we had to make in the prior years. And so it's allowed us to focus on the fundamentals with ensuring that we're efficient with our labor, managing the purchase trends.

I think some of the things that Andrew touched on the LTL discussion, and so yes, as we see the tonnage improve, and it may not, because of the freight mix, it may not even have to be a huge lift in shipment count if you're getting more tonnage that typically yields better. As we look at our kind of our weekly performance and we have an estimated OR in that weekly performance as we see that building, yes, I think we're seeing the operating leverage in the business and a lot of that flowing to improved margins. And so that's where, if you feel like if this continues, it could be back half of this year, we start to see that operating ratio began with an 8 versus the 9 and then just continue to build from there.

I mean, hey, we're still working on freight flows and again, adjusting to the different, the changing network but we feel very confident about our LTL team and what we're doing there and just making kind of consistent improvement in both the freight mix and the cost structure. I don't know, Andrew, you may have something you want to add to that.

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Andrew Hess
Chief Financial Officer

Well, let me just say a couple of things. Just to give you a sense for the momentum within the quarter. So obviously, the Southeast was pretty heavily impacted by weather, and that's kind of our highest density volume is in our business. But if you look at tonnage in January, it was up 1.6%, February 2.6% and March 6.9%. So we really ended up at 4.1% up or so on tonnage year-over-year.

So we really did see that build as we kind of moved out of the weather and some of the new contract wins took effect. So I think that's going to be a positive momentum as we build into for us. In Q2 was our strongest seasonal quarter of our business. But when it comes to cost, I think below the surface, obviously, the claim or the arbitration liability cost impacted the core a lot, but we're seeing steady progress in our cost efficiency. So we saw our variable wage per ship improved from the fourth quarter to the first quarter, we expect that's going to continue. We have seen, I guess, I would say, just to give you a little feel for it. We're seeing the most improvement in our dock wages per shipment. And I think line haul is the next area where we're going to start to see the most improvement. So the costs that came out of the business as we brought our different businesses together last year, in terms of vehicle-oriented travel costs, right-sizing our equipment, all of those are showing positive trends.

The one thing I would probably mention to you is we've mentioned that we're slowing down, building new locations. And that is right. That's kind of where we're at. But we have locations where there are pinch points that in the security of our flow need to be addressed, and we are increasing door counts in those locations. That's going to allow our freight to flow in a more natural way, in a more cost-efficient way.

So you're going to see a fab locations where we need to, to help with that flow. Those are going to create some growth, but primarily, they're going to help with our costs. So we're still aligning our evolving network with our footprint but we're in a place now where it's just, we're positioned well. We're just going to see improvement in terms of that efficiency we expect going forward.

Operator
Your next question is from the line of Dan Moore from Robert W. Baird.

Daniel Charles Moore
Robert W. Baird & Co. Incorporated, Research Division

A lot of questions have been asked and answered, but one that was not addressed yet that I think is definitely worth a little bit of time is leverage around U.S. Xpress. So I can't imagine about a rate environment to begin to realize momentum in that business. I think we've argued for a while now that, that's really what was needed. I know you guys have done a lot of cost repair and management repair in terms of the business, but just the ability to move to a rate cycle, much less a rate cycle like this one, really presents a lot of opportunity. Can you talk to us about the size of the business today, generally? And maybe talk to the potential earnings leverage of U.S. Xpress as we move forward.

Adam W. Miller
CEO & Director

Yes. Well, so Dan, I think you're right. I mean when we purchased U.S. Xpress a few years ago, I mean, we felt like we were going to be in a more favorable environment sooner than we have found ourselves. So that's put some pressure on the margin and how quickly we are able to drive accretion through that acquisition. But I agree, we're finally in a place now where we can work on improving their freight network and improving their rates to a more sustainable level. And we've got a great team there, the gentleman who leads that business lead sales at Swift following the merger and was an integral part of the improvement at Swift and the margin profile at Swift. And so we feel he and his team are well positioned to understand what it takes to make some of the changes.

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

And hey, some of those rates are going to need to go up in a very meaningful way. And they're very equipped with understanding of the market, leveraging the network information we see across all of our brands, and closing the gap on where we're at from a legacy standpoint, I think this last quarter, they're about 300 basis point difference from an OR standpoint. Some of that is still a cost delta but I think a lot can be made up through getting the rates closer to where we are from a legacy standpoint, I think we've got the right team there.

We've made a lot of changes there, but feel well positioned in the discussions with our customers and getting, I think, good feedback in the early parts of the bid and expect to see rate continue to grow and develop.

Daniel Charles Moore
Robert W. Baird & Co. Incorporated, Research Division

Yes, One thing that would be helpful to understand is just the size of the business today and if you want to bracket it, that's fine or any manner in which you'd like to answer the question. I know it's obviously, it's a consolidated business at this point, but we don't know what the revenues are. So if you can maybe add some context around that today, if at all possible, that would be really appreciated.

Adam W. Miller
CEO & Director

Yes. I think between the trucking and the logistics business, I mean, you're just under $2 billion between those two. Close to that.

Andrew Hess
Chief Financial Officer

Yes. So just I think 4 areas that I think are opportunities ahead of us on cost. First, the cost of insurance and safety. So that we've had to go through something of a culture change there in regards to how we manage safety and insurance. And the CSA crash basic, I think, is a good number for us to look at. That's over 60% better from where we were we at the acquisition. So we are seeing, especially, we're starting to see that impact the business. And those legacy costs of insurance and claims have weighed on the business. We think that the safety performance that's improved dramatically is going to start to impact the business. The equipment costs, we're still working through some of our high-cost equipment leasing and so we think as we roll through that equipment, that's going to provide some opportunity. In terms of hiring costs and advertising, we think there's opportunity there as we get better at that to bring that cost down.

Obviously, the biggest opportunity is rate that Adam talked about, where we think we have more than a normal amount of progress to make on rate. So a lot of the work we've done on cost has been on the fixed cost side. On our overhead costs, which has been pretty significant in the last year. We think that's going to be structural and sustainable through volume growing in the business.

Operator
Your next question comes from the line of Brian Ossenbeck from JPMorgan.

Brian Patrick Ossenbeck
JPMorgan Chase & Co, Research Division

Maybe just to come back to some of the more topical ones here will be discussing here for a while. Just in terms of the, I guess, the work you did with carriers in the logistics business, down 30% I think it was for accepted carrier that's a pretty significant number. So is that something you feel like the rest of the industry has to go through as well. Maybe they have an even higher number of carriers they're going to have to squeeze out of their networks. And Adam, we've heard for a long time about hair follicle testing and things of that nature.

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

It sounds like I think you said there's some momentum. But like what are the steps we would have to see for that to get a bit more progress? And when should we expect maybe we could see that start to begin.

Adam W. Miller
CEO & Director

Well, look, I don't want to speak to what other logistics companies should do or have to do, I think about what we felt like was required of us to ensure that we're putting quality carriers hauling our shipments, hauling our trailers when they're doing power only. We're anticipating that our customers are going to start being more concerned about this as this becomes more of a relevant issue. And I think we're already seeing that in mainstream media. We've already had some discussions with some of these shippers about how we're really monitoring who's hauling their freight who's actually driving the truck. And so we felt it was prudent for us to take the steps to eliminate capacity that we didn't feel comfortable with. And do I think others will do that. I think some will. I think some will still take the cheapest carrier when they're available, and that may just be based on survival. So I don't know how that will play out. But I do think some of this capacity is just going to have to exit regardless because of some of the regulatory changes that are being enforced. And we’re very supportive of this administration and the actions that they're taking. So some logistics company may not have a choice because the capacity of the leverage today won't exist. But we're not waiting for that. Where we want to be proactive and to do the right thing.

On the hair follicle, Brad, do you want to maybe touch on that, Brad, you've been engaged in that?

Brad Stewart
Treasurer & Senior VP of Investor Relations

Yes, it was just maybe get a share in terms of what we've seen in our own experience over the last decade or so, as Adam mentioned, we do both, right? We do the year analysis because that's what's recognized by the feds. And we do the hair follicle test because that's what works. So we pay incremental cost to do that in addition to that because that is an important part of our hiring process. And what we found over doing this thousands, if not tens of thousands of times a year, is that the hair follicle test identifies roughly 14x the drug users that the urinalysis test does. So that prevents us from hiring them, it does not prevent them from driving in our industry because not all carriers do that. And so there is an openness it seems in Washington to at least engage in this conversation.

Congress passed this years ago, and just health and human services has not gotten around to writing the rules to actually put this into practice. So it does seem like there's maybe an openness to engaging in that conversation. We would ask just to allow us to report but those of us who are paying for the test, what we are finding. Maybe we don't require it of everyone, but if we're going to pay for it, let us report that to the registry because we do think that is important for safety for the motoring public.

Operator
Your next question is from the line of Ari Rosa from Citigroup

Ariel Luis Rosa
Citigroup Inc., Research Division

So Adam, I wanted to ask a bit of a strategic question. You've said a few thousand tractors since the USX acquisition. It makes sense to us, of course, why that decision would have been desirable in the downturn when obviously it was difficult to find loads. But now as we think about the up cycle, is there any dimension in which that holds back the ability to get the same level of upside that you might have seen if you kind of retain those tractors. I'm just hoping you can kind of discuss that decision or maybe defend that decision a bit, give us a little bit of color on like why that was the right decision to shed those tractors and also put it in the context of, on an absolute basis, obviously, we're looking at a larger tractor count now than what you had in kind of the prior cycle. So kind of how do those dynamics play out against each other

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

as we think about what the upside could look like?

Adam W. Miller
CEO & Director

Well, what I'd say, Ari, is we don't go into an acquisition with intentionally trying to shrink the capacity. I think as we go in and review the freight network and U.S. Xpress, 40% of their loads were coming from brokers which obviously you're not going to be successful if that's who you're relying on for your freight. So we had to go in and adjust their network to find direct relationships, loads that can support their network. And so in doing so, you had to turn some of the business they were very dependent on. At the same time, we're ensuring that we have good quality, safe drivers. And so we did change the standards at the hiring standards that U.S. Xpress very early on in the acquisition to ensure that we had good quality drivers to drive down the crash basics to improve the safety, to improve productivity. Some of the things that Andrew has mentioned, and so when you do that, you kind of limiting the class sizes that you're going to have and then you're changing your freight network.

When you have that kind of churn, you'll naturally end up or you have the risk of ending up with more open trucks than you feel comfortable carrying as overhead. And so as you went through that to get the business on a better foundation and position them to be far more healthy long term, you end up with some capacity that you just need to sell and exit and remove from your brand. And so that was the process that we went through at USX.

Now we feel stable today, and we're making the same investments there on the recruiting front and now leveraging that we have at Swift and said some at Knight to be able to train like our other brands do. And obviously, as you have a better freight market, they'll be able to make some progress on repairing their network and putting themselves in a position to have sustainable rates to grow the business back. And hey, we'd love to be able to seat more trucks and grow trucks. But today, we still have some empty trucks that we want to fill before we invest in additional capital but hey, we're in a much better spot today than if we would have just tried to hang on to all the trucks from the original acquisition and keep the porphyry and not adjust the standards that we hire in terms of drivers.

So I still feel it was the right move. We feel good about how we're positioned and expect to make some real progress on margin and to the business.

Brad Stewart
Treasurer & Senior VP of Investor Relations

And I'm just going to add a little bit of context, this is Brad. I know the op income right now coming out of the long and arduous down cycle doesn't show it, but we are running more miles than we were prior to the last up cycle. So we've got more of a basis there to work with going to this new cycle.

Operator
This concludes today's conference call. Thank you for joining. You may now disconnect.

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Copyright © 2026 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable. No content (including index data, ratings, credit-related analyses and data, research, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Global Market Intelligence or its affiliates (collectively, S&P Global). The Content shall not be used for any unlawful or unauthorized purposes. S&P Global and any third-party providers, (collectively S&P Global Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Global Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON "AS IS" BASIS. S&P GLOBAL PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Global Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages. S&P Global Market Intelligence's opinions, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Global Market Intelligence may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P Global Market Intelligence assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P Global Market Intelligence does not act as a fiduciary or an investment advisor except where registered as such. S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P Global publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.
© 2026 S&P Global Market Intelligence.