

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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended **June 30, 2020**

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: 001-35007



Knight-Swift Transportation Holdings Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

20-5589597

(I.R.S. Employer Identification No.)

**20002 North 19th Avenue
Phoenix, Arizona 85027**

(Address of principal executive offices and zip code)

(602) 269-2000

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock \$0.01 Par Value	KNX	New York Stock Exchange

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, every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large Accelerated Filer	☒	Accelerated Filer	☐
Non-accelerated Filer	☐	Smaller Reporting Company	☐
		Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

There were 170,203,548 shares of the registrant's common stock outstanding as of July 29, 2020.

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KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

QUARTERLY REPORT ON FORM 10-Q

GLOSSARY OF TERMS

The following glossary defines certain acronyms and terms used in this Quarterly Report on Form 10-Q. These acronyms and terms are specific to our company, commonly used in our industry, or are otherwise frequently used throughout our document.

Term	Definition
<i>Knight-Swift/the Company/Management/We/Us/Our</i>	Unless otherwise indicated or the context otherwise requires, these terms represent Knight-Swift Transportation Holdings Inc. and its subsidiaries.
<i>2017 Merger</i>	The September 8, 2017 merger of Knight and Swift, pursuant to which we became Knight-Swift Transportation Holdings Inc.
<i>2017 Debt Agreement</i>	The Company's Credit Agreement, entered into on September 29, 2017, consisting of the Revolver and Term Loan, which are defined below.
<i>2018 RSA</i>	Fourth Amendment to the Amended and Restated Receivables Sales Agreement, entered into on July 11, 2018 by Swift Receivables Company II, LLC with unrelated financial entities.
<i>Annual Report</i>	Annual Report on Form 10-K
<i>ASC</i>	Accounting Standards Codification
<i>ASU</i>	Accounting Standards Update
<i>Board</i>	Knight-Swift's Board of Directors
<i>COVID-19</i>	Viral strain of a coronavirus which led the World Health Organization to declare a global pandemic in March 2020.
<i>DOE</i>	United States Department of Energy
<i>EPS</i>	Earnings Per Share
<i>ESPP</i>	Knight-Swift Transportation Holdings Inc. Amended and Restated 2012 Employee Stock Purchase Plan
<i>FASB</i>	Financial Accounting Standards Board
<i>GAAP</i>	United States Generally Accepted Accounting Principles
<i>Knight</i>	Unless otherwise indicated or the context otherwise requires, this term represents Knight Transportation, Inc. and its subsidiaries prior to the 2017 Merger.
<i>LIBOR</i>	London InterBank Offered Rate
<i>Quarterly Report</i>	Quarterly Report on Form 10-Q
<i>QTD</i>	Quarter-to-date
<i>Revolver</i>	Revolving line of credit under the 2017 Debt Agreement
<i>RSU</i>	Restricted Stock Unit
<i>SEC</i>	United States Securities and Exchange Commission
<i>Swift</i>	Unless otherwise indicated or the context otherwise requires, this term represents Swift Transportation Company and its subsidiaries prior to the 2017 Merger.
<i>Term Loan</i>	The Company's term loan under the 2017 Debt Agreement
<i>TRP</i>	Transportation Resource Partners
<i>US</i>	The United States of America
<i>YTD</i>	Year-to-date

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
PART I FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
Condensed Consolidated Balance Sheets (Unaudited)

	June 30, 2020	December 31, 2019
	(In thousands, except per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 117,760	\$ 159,722
Cash and cash equivalents – restricted	39,583	41,331
Restricted investments, held-to-maturity, amortized cost	8,272	8,912
Trade receivables, net of allowance for doubtful accounts of \$20,568 and \$18,178, respectively	522,075	518,547
Contract balance – revenue in transit	14,679	12,696
Prepaid expenses	54,515	62,160
Assets held for sale	39,641	41,786
Income tax receivable	5,902	17,026
Other current assets	27,073	27,848
Total current assets	829,500	890,028
Gross property and equipment	3,947,597	3,742,739
Less: accumulated depreciation and amortization	(1,053,027)	(892,019)
Property and equipment, net	2,894,570	2,850,720
Operating lease right-of-use assets	136,953	169,425
Goodwill	2,922,970	2,918,992
Intangible assets, net	1,412,192	1,379,459
Other long-term assets	82,843	73,108
Total assets	\$ 8,279,028	\$ 8,281,732
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 128,731	\$ 99,194
Accrued payroll and purchased transportation	109,398	110,065
Accrued liabilities	95,863	175,222
Claims accruals – current portion	168,012	150,805
Finance lease liabilities and long-term debt – current portion	403,738	377,651
Operating lease liabilities – current portion	65,741	80,101
Total current liabilities	971,483	993,038
Revolving line of credit	235,000	279,000
Finance lease liabilities – less current portion	48,179	57,383
Operating lease liabilities – less current portion	76,266	96,160
Accounts receivable securitization	164,840	204,762
Claims accruals – less current portion	186,317	196,912
Deferred tax liabilities	792,839	771,719
Other long-term liabilities	38,515	14,455
Total liabilities	2,513,439	2,613,429
Commitments and contingencies (Notes 4, 10, and 11)		
Stockholders' equity:		
Preferred stock, par value \$0.01 per share; 10,000 shares authorized; none issued	—	—
Common stock, par value \$0.01 per share; 500,000 shares authorized; 170,162 and 170,688 shares issued and outstanding as of June 30, 2020 and December 31, 2019, respectively.	1,701	1,707
Additional paid-in capital	4,287,293	4,269,043
Retained earnings	1,474,466	1,395,465
Total Knight-Swift stockholders' equity	5,763,460	5,666,215
Noncontrolling interest	2,129	2,088
Total stockholders' equity	5,765,589	5,668,303
Total liabilities and stockholders' equity	\$ 8,279,028	\$ 8,281,732

See accompanying notes to condensed consolidated financial statements (unaudited).

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
Condensed Consolidated Statements of Comprehensive Income (Unaudited)

	Quarter-to-Date June 30,		Year-to-Date June 30,	
	2020	2019	2020	2019
(In thousands, except per share data)				
Revenue:				
Revenue, excluding trucking fuel surcharge	\$ 997,597	\$ 1,122,754	\$ 2,024,692	\$ 2,219,710
Trucking fuel surcharge	63,101	119,329	160,804	226,908
Total revenue	1,060,698	1,242,083	2,185,496	2,446,618
Operating expenses:				
Salaries, wages, and benefits	365,311	380,354	720,144	744,209
Fuel	86,381	151,309	208,236	289,748
Operations and maintenance	66,067	82,443	134,471	162,203
Insurance and claims	45,302	48,796	99,582	98,932
Operating taxes and licenses	20,883	21,560	43,052	43,363
Communications	4,902	4,960	9,776	10,043
Depreciation and amortization of property and equipment	114,601	102,938	224,822	203,875
Amortization of intangibles	11,474	10,692	22,948	21,385
Rental expense	22,372	32,875	47,747	68,420
Purchased transportation	200,107	261,273	425,383	530,622
Impairments	353	2,182	1,255	2,182
Miscellaneous operating expenses	20,778	34,108	43,794	46,744
Total operating expenses	958,531	1,133,490	1,981,210	2,221,726
Operating income	102,167	108,593	204,286	224,892
Other income (expenses):				
Interest income	437	977	1,269	1,993
Interest expense	(4,021)	(7,156)	(10,128)	(14,504)
Other income, net	8,499	3,101	1,992	9,240
Total other income (expenses), net	4,915	(3,078)	(6,867)	(3,271)
Income before income taxes	107,082	105,515	197,419	221,621
Income tax expense	26,815	26,076	51,369	53,999
Net income	80,267	79,439	146,050	167,622
Net income attributable to noncontrolling interest	(78)	(234)	(435)	(479)
Net income attributable to Knight-Swift	\$ 80,189	\$ 79,205	\$ 145,615	\$ 167,143
Earnings per share:				
Basic	\$ 0.47	\$ 0.46	\$ 0.86	\$ 0.97
Diluted	\$ 0.47	\$ 0.46	\$ 0.85	\$ 0.97
Dividends declared per share:				
	\$ 0.08	\$ 0.06	\$ 0.16	\$ 0.12
Weighted average shares outstanding:				
Basic	169,948	172,078	170,283	172,522
Diluted	170,624	172,724	170,958	173,162

See accompanying notes to the condensed consolidated financial statements (unaudited).

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
Condensed Consolidated Statements of Cash Flows (Unaudited)

	Year-to-Date June 30,	
	2020	2019
	(In thousands)	
Cash flows from operating activities:		
Net income	\$ 146,050	\$ 167,622
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property, equipment, and intangibles	247,770	225,260
Gain on sale of property and equipment	(4,724)	(19,267)
Impairments	1,255	2,182
Deferred income taxes	23,112	9,519
Non-cash lease expense	46,493	59,501
Other adjustments to reconcile net income to net cash provided by operating activities	19,229	(2,282)
(Decrease) increase in cash resulting from changes in:		
Trade receivables	(11,440)	50,495
Income tax receivable	11,124	(28,494)
Accounts payable	8,417	(25,165)
Accrued liabilities and claims accrual	(75,069)	(16,910)
Operating lease liabilities	(48,243)	(59,745)
Other assets and liabilities	19,386	96
Net cash provided by operating activities	383,360	362,812
Cash flows from investing activities:		
Proceeds from maturities of held-to-maturity investments	6,950	12,945
Purchases of held-to-maturity investments	(7,852)	(5,847)
Proceeds from sale of property and equipment, including assets held for sale	64,463	103,818
Purchases of property and equipment	(259,641)	(323,722)
Expenditures on assets held for sale	(418)	(7,961)
Net cash and equivalents invested in acquisitions	(46,811)	—
Other cash flows from investing activities	(9,757)	(3,115)
Net cash used in investing activities	(253,066)	(223,882)
Cash flows from financing activities:		
Repayment of finance leases and long-term debt	(31,893)	(36,941)
(Repayments) borrowings on revolving line of credit, net	(44,000)	75,000
Borrowings under accounts receivable securitization	—	90,000
Repayment of accounts receivable securitization	(40,000)	(185,000)
Proceeds from common stock issued	9,892	5,363
Repurchases of the Company's common stock	(34,630)	(86,892)
Dividends paid	(27,673)	(20,952)
Other cash flows from financing activities	(5,467)	(2,600)
Net cash used in financing activities	(173,771)	(162,022)
Net decrease in cash, restricted cash, and equivalents	(43,477)	(23,092)
Cash, restricted cash, and equivalents at beginning of period	202,228	130,976
Cash, restricted cash, and equivalents at end of period	\$ 158,751	\$ 107,884

See accompanying notes to condensed consolidated financial statements (unaudited).

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
Condensed Consolidated Statements of Cash Flows (Unaudited) — Continued

	Year-to-Date June 30,			
	2020	2019		
	(In thousands)			
Supplemental disclosures of cash flow information:				
Cash paid during the period for:				
Interest	\$ 10,455	\$ 14,277		
Income taxes	3,632	72,467		
Non-cash investing and financing transactions:				
Equipment acquired included in accounts payable	\$ 27,463	\$ 50,091		
Equipment sales receivables	3,388	5,677		
Financing provided to independent contractors for equipment sold	2,553	3,204		
Transfers from property and equipment to assets held for sale	37,779	65,264		
Contingent consideration associated with acquisition	18,245	—		
Right-of-use assets obtained in exchange for new operating lease liabilities	1,633	8,643		
Right-of-use assets obtained in exchange for new operating lease liabilities through acquisitions	12,356	—		
Property and equipment obtained in exchange for financing lease liabilities reclassified from operating lease liabilities	48,659	32,153		
Reconciliation of Cash, Restricted Cash, and Equivalents:				
	June 30, 2020	December 31, 2019	June 30, 2019	December 31, 2018
	(In thousands)			
Condensed Consolidated Balance Sheets				
Cash and cash equivalents	\$ 117,760	\$ 159,722	\$ 55,063	\$ 82,486
Cash and cash equivalents – restricted ¹	39,583	41,331	51,602	46,888
Other long-term assets ¹	1,408	1,175	1,219	1,602
Condensed Consolidated Statements of Cash Flows				
Cash, restricted cash, and equivalents	\$ 158,751	\$ 202,228	\$ 107,884	\$ 130,976

¹ Reflects cash and cash equivalents that are primarily restricted for claims payments.

See accompanying notes to condensed consolidated financial statements (unaudited).

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
Condensed Consolidated Statements of Stockholders' Equity (Unaudited)

	Common Stock				Total Knight-Swift Stockholders' Equity	Noncontrolling Interest	Total Stockholders' Equity
	Shares	Par Value	Additional Paid-in Capital	Retained Earnings			
	(In thousands, except per share data)						
Balances – December 31, 2019	170,688	\$ 1,707	\$ 4,269,043	\$ 1,395,465	\$ 5,666,215	\$ 2,088	\$ 5,668,303
Common stock issued to employees	567	5	8,309		8,314		8,314
Common stock issued to the Board	13	—	515		515		515
Common stock issued under ESPP	33	—	1,063		1,063		1,063
Company shares repurchased	(1,139)	(11)		(34,619)	(34,630)		(34,630)
Shares withheld – RSU settlement				(4,500)	(4,500)		(4,500)
Employee stock-based compensation expense			8,363		8,363		8,363
Cash dividends paid and dividends accrued (\$0.08 per share)				(27,495)	(27,495)		(27,495)
Net income attributable to Knight-Swift				145,615	145,615		145,615
Distribution to noncontrolling interest						(394)	(394)
Net income attributable to noncontrolling interest						435	435
Balances – June 30, 2020	170,162	\$ 1,701	\$ 4,287,293	\$ 1,474,466	\$ 5,763,460	\$ 2,129	\$ 5,765,589

	Common Stock				Total Knight-Swift Stockholders' Equity	Noncontrolling Interest	Total Stockholders' Equity
	Shares	Par Value	Additional Paid-in Capital	Retained Earnings			
	(In thousands, except per share data)						
Balances – December 31, 2018	172,844	\$ 1,728	\$ 4,242,369	\$ 1,216,852	\$ 5,460,949	\$ 1,770	\$ 5,462,719
Common stock issued to employees	347	3	3,700		3,703		3,703
Common stock issued to the Board	19	—	531		531		531
Common stock issued under ESPP	42	1	1,128		1,129		1,129
Company shares repurchased	(2,874)	(29)		(86,863)	(86,892)		(86,892)
Shares withheld – RSU settlement				(2,304)	(2,304)		(2,304)
Employee stock-based compensation expense			6,569		6,569		6,569
Cash dividends paid and dividends accrued (\$0.06 per share)				(20,761)	(20,761)		(20,761)
Net income attributable to Knight-Swift				167,143	167,143		167,143
Distribution to noncontrolling interest						(296)	(296)
Net income attributable to noncontrolling interest						479	479
Balances – June 30, 2019	170,378	\$ 1,703	\$ 4,254,297	\$ 1,274,067	\$ 5,530,067	\$ 1,953	\$ 5,532,020

See accompanying notes to condensed consolidated financial statements (unaudited).

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
Condensed Consolidated Statements of Stockholders' Equity (Unaudited) — Continued

	Common Stock		Additional Paid-in Capital	Retained Earnings	Total Knight-Swift Stockholders' Equity	Noncontrolling Interest	Total Stockholders' Equity
	Shares	Par Value					
	(In thousands, except per share data)						
Balances – March 31, 2020	169,776	1,698	4,275,834	1,410,527	5,688,059	2,265	5,690,324
Common stock issued to employees	356	3	5,600		5,603		5,603
Common stock issued to the Board	13	—	515		515		515
Common stock issued under ESPP	17	—	517		517		517
Shares withheld – RSU settlement				(2,529)	(2,529)		(2,529)
Employee stock-based compensation expense			4,827		4,827		4,827
Cash dividends paid and dividends accrued (\$0.08 per share)				(13,721)	(13,721)		(13,721)
Net income attributable to Knight-Swift				80,189	80,189		80,189
Distribution to noncontrolling interest						(214)	(214)
Net income attributable to noncontrolling interest						78	78
Balances – June 30, 2020	170,162	1,701	4,287,293	1,474,466	5,763,460	2,129	5,765,589

	Common Stock		Additional Paid-in Capital	Retained Earnings	Total Knight-Swift Stockholders' Equity	Noncontrolling Interest	Total Stockholders' Equity
	Shares	Par Value					
	(In thousands, except per share data)						
Balances – March 31, 2019	173,066	\$ 1,730	4,248,188	\$ 1,292,838	\$ 5,542,756	\$ 1,867	\$ 5,544,623
Common stock issued to employees	149	1	1,327		1,328		1,328
Common stock issued to the Board	19	—	531		531		531
Common stock issued under ESPP	18	1	562		563		563
Company shares repurchased	(2,874)	(29)		(86,863)	(86,892)		(86,892)
Shares withheld – RSU settlement				(790)	(790)		(790)
Employee stock-based compensation expense			3,689		3,689		3,689
Cash dividends paid and dividends accrued (\$0.06 per share)				(10,323)	(10,323)		(10,323)
Net income attributable to Knight-Swift				79,205	79,205		79,205
Distribution to noncontrolling interest						(148)	(148)
Net income attributable to noncontrolling interest						234	234
Balances – June 30, 2019	170,378	\$ 1,703	\$ 4,254,297	\$ 1,274,067	\$ 5,530,067	\$ 1,953	\$ 5,532,020

See accompanying notes to condensed consolidated financial statements (unaudited).

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 1 — Introduction and Basis of Presentation

Certain acronyms and terms used throughout this Quarterly Report are specific to the Company, commonly used in the trucking industry, or are otherwise frequently used throughout this document. Definitions for these acronyms and terms are provided in the "Glossary of Terms," available in the front of this document.

Description of Business

Knight-Swift is a transportation solutions provider, headquartered in Phoenix, Arizona. During the first half of 2020, the Company operated an average of 18,428 tractors (comprised of 16,327 company tractors and 2,101 independent contractor tractors) and 57,456 trailers within the Trucking segment. Additionally, the Company operated an average of 586 tractors and 10,355 containers in the Intermodal segment. The Company's three reportable segments are Trucking, Logistics, and Intermodal.

Basis of Presentation

The condensed consolidated financial statements and footnotes included in this Quarterly Report include the accounts of Knight-Swift Transportation Holdings Inc. and its subsidiaries and should be read in conjunction with the consolidated financial statements and footnotes included in Knight-Swift's 2019 Annual Report. In management's opinion, these condensed consolidated financial statements were prepared in accordance with GAAP and include all adjustments necessary (consisting of normal recurring adjustments) for the fair statement of the periods presented.

With respect to transactional/durational data, references to years pertain to calendar years. Similarly, references to quarters pertain to calendar quarters.

Changes in Presentation

Changes in presentation associated with adopting accounting pronouncements are included in Note 2.

Seasonality

In the transportation industry, results of operations generally follow a seasonal pattern. Freight volumes in the first quarter are typically lower due to less consumer demand, customers reducing shipments following the holiday season, and inclement weather. At the same time, operating expenses generally increase, and tractor productivity of the Company's fleet, independent contractors, and third-party carriers decreases during the winter months due to decreased fuel efficiency, increased cold weather-related equipment maintenance and repairs, and increased insurance claims and costs attributed to higher accident frequency from harsh weather. These factors typically lead to lower operating profitability, as compared to other parts of the year. Additionally, beginning in the latter half of the third quarter and continuing into the fourth quarter, the Company typically experiences surges pertaining to holiday shopping trends toward delivery of gifts purchased over the Internet, as well as the length of the holiday season (consumer shopping days between Thanksgiving and Christmas). However, cyclical changes in the trucking industry, including imbalances in supply and demand, can override the seasonality faced in the industry.

Impact of COVID-19

During the first half of 2020, COVID-19 became a global pandemic, which triggered a significant downturn in the global economy. The Company continues to operate its business through the COVID-19 pandemic and has taken additional precautions to ensure the safety of its employees, customers, vendors, and the communities in which it operates. During the quarter and year-to-date periods ended June 30, 2020, the Company incurred \$10.0 million and \$12.3 million, respectively, of expenses directly attributable to the pandemic, which were incremental to those incurred prior to the outbreak. These primarily pertained to payroll premiums paid to drivers and shop technicians, additional disinfectants and cleaning supplies, and various other pandemic-specific items. The costs are clearly separable from normal business operations and are not expected to recur once the pandemic subsides.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED

There are various uncertainties that have arisen from the COVID-19 pandemic. While management is continuing to monitor the impact of the pandemic on Knight-Swift, including its employees, customers, independent contractors, stockholders, and other business partners and stakeholders, it is difficult to predict the impact that the pandemic will have on future results of its operations, financial position, and liquidity. This has caused some uncertainties around various accounting estimates. Due to these uncertainties, the Company's accounting estimates may change, as management's assessment of the impacts of the COVID-19 pandemic continues to evolve.

Refer to Part II, Item 1A "Risk Factors" in our Quarterly Report for the quarterly period ended March 31, 2020 for more discussion about potential risks and uncertainties surrounding the COVID-19 pandemic that may impact our business, results of operations, or financial condition.

Note 2 — Recently Adopted Accounting Pronouncements

ASU 2016-13: Financial Instruments – Credit Losses (Topic 326) — Measurements of Credit Losses on Financial Instruments

Summary of the Standard — In June 2016, the FASB issued ASU 2016-13, which, in addition to several clarifying ASUs, established the new ASC Topic 326, *Financial Instruments — Credit Losses* ("CECL"). The new CECL standard amends the FASB's guidance on the impairment of financial instruments. Specifically, it adds the CECL impairment model to GAAP which is based on expected losses rather than incurred losses. This is intended to result in more timely recognition of such losses. Under the new CECL standard, an entity recognizes as an allowance its estimate of lifetime expected credit losses. The new CECL standard is also intended to reduce the complexity of GAAP by decreasing the number of credit impairment models that entities use to account for debt instruments. Further, the new CECL standard makes targeted changes to the impairment model for available-for-sale debt securities and moves the guidance from ASC Topic 320, *Investments — Debt and Equity Securities*, to ASC Subtopic 326-30. For public business entities, the new standard was effective for annual and interim reporting periods beginning after December 15, 2019. For most debt instruments, entities are required to adopt the new CECL standard using a modified retrospective approach, meaning that entities should record a cumulative-effect adjustment to equity as of the beginning of the first reporting period in which the guidance is effective.

Practical Expedient — As permitted under ASU 2016-13 (and related ASUs), management elected to apply the collateral-dependent financial asset practical expedient which allows entities to measure the expected credit losses for the financial asset by comparing the amortized cost basis with the fair value of the collateral at the reporting date, rather than using the fair value of the financial asset.

Current Period Impact of Adoption — The Company adopted ASC Topic 326 on January 1, 2020 using the modified retrospective approach. Upon adoption of the standard management assessed the potential impact of the CECL model on each type of the Company's financial assets and determined that there was no material impact on the Company's financial statements or accounting policies.

ASU 2018-15: Intangibles – Goodwill and Other – Internal Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract

Summary of the Standard — In August 2018, the FASB issued ASU 2018-15, which amended ASC Subtopic 350-40 to address a customer's accounting for implementation costs incurred in a cloud computing arrangement that is a service contract ("Service CCA"). The amendments in ASU 2018-15 align the accounting for costs incurred to implement a Service CCA with previously codified guidance on capitalizing costs associated with developing or obtaining internal-use software.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED

Specifically, the ASU amends ASC Subtopic 350-40 to include in its scope implementation costs incurred with a Service CCA. This addition clarifies that a customer should apply the guidance from ASC Paragraph 350-40-25 to determine which stage the project is in before assessing whether implementation costs should be capitalized in a Service CCA that is considered a service contract. These capitalized items should be recorded within the same balance sheet line item as a prepayment for any fees.

Any capitalized costs from the Service CCA should be expensed over the term of the hosting arrangement, which includes the noncancelable period and any options to extend that are reasonably certain to be exercised and recorded in the same line item as fees associated with the hosting element of the arrangement. The amendments in this ASU were effective for public business entities for fiscal years beginning after December 15, 2019 and could be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption.

Current Period Impact of Adoption — The Company adopted the amendments in ASU 2018-15 on January 1, 2020 and elected to apply the amendments on a prospective basis to implementation costs incurred after the date of adoption. Upon review of the Service CCA's entered into during year-to-date June 30, 2020, management has determined that adoption of the amendments has not had a material impact on the Company's financial statements and related accounting policies.

ASU 2017-04: Intangibles – Goodwill and Other (Topic 350) – Simplifying the Test for Goodwill Impairment

Summary of the Standard — In January 2017, the FASB issued ASU 2017-04, which amends ASC Topic 350 by simplifying the goodwill impairment test. The amendments in this ASU are intended to simplify subsequent measurement of goodwill. The key amendment in the ASU eliminates Step 2 from the goodwill impairment test, in which entities measured a goodwill impairment loss by comparing the implied fair value to the carrying amount of a reporting unit's goodwill. Instead, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value with the carrying amount of a reporting unit and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. The amendments also require companies to disclose the amounts of goodwill allocated to each reporting unit with a zero or negative carrying amount of assets. The amendments were effective for public business entities for fiscal years beginning after December 15, 2019 and should be applied on a prospective basis.

Current Period Impact of Adoption — The Company adopted the amendments in ASU 2017-14 on January 1, 2020 on a prospective basis. Management has updated the Company's accounting policy to incorporate the amendments in the ASU and has included the revised disclosure requirements below.

Refer to Note 7 for disclosures about the Company's goodwill balances.

Accounting Policy Update

Goodwill — Management evaluates goodwill on an annual basis as of June 30th, or more frequently if indicators of impairment exist. The Company assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than the carrying amount. If the Company concludes that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the Company conducts a quantitative goodwill impairment test. Management estimates the fair values of its reporting units using a combination of the income and market approaches. If the carrying amount of a reporting unit exceeds the fair value, then management recognizes an impairment loss of the same amount. This loss is only limited to the total amount of goodwill allocated to that reporting unit.

Other ASUs

There were various other ASUs that became effective during year-to-date June 30, 2020, which did not have a material impact on the Company's results of operations, financial position, cash flows, or disclosures.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED
Note 3 — Recently Issued Accounting Pronouncements

Date Issued	Reference	Description	Adoption Date and Method	Financial Statement Impact
March 2020	2020-04: Reference Rate Reform (Topic 848) – <i>Facilitation of the Effects of Reference Rate Reform on Financial Reporting</i> ¹	The amendments in this Update provide optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments in this ASU apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued due to reference rate reform. The amendments in this ASU are effective for any interim period after March 12, 2020 and should be applied on a prospective basis.	March 2020	No material impact ²
March 2020	2020-03: Codification Improvements to Financial Instruments ¹	The amendments within this ASU updated several sections of the Codification and how various topics and subtopics interacted due to new guidance on financial instruments. This includes addressing issues related to fair value option disclosures, line-of-credit or revolving-debt arrangements and leases among others. The amendments should be applied prospectively and have varying effective dates, which were all in effect for public business entities prior to issuance of the ASU.	March 2020, Prospective	No material impact
February 2020	2020-02: Financial Instruments – Credit Losses (Topic 326) and Leases – (Topic 842) – <i>Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 119 and Update to SEC Section on Effective Date Related to Accounting Standards Update No. 2016-02, Leases (Topic 842)</i> ¹	The amendments in this ASU incorporate discussion from SEC Staff Accounting Bulletin No. 119 about expected implementation practices related to ASC Topic 326. The amendments also codify the SEC Staff's announcement that it would not object to the FASB's update to effective dates for major updates, which were amended within ASU 2019-10.	January 2021, Adoption method varies by amendment	Adopted January 1, 2020, no material impact
January 2020	2020-01: Investments – Equity Securities (Topic 321), Investments – Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815) – <i>Clarifying the Interactions between Topic 321, Topic 323, and Topic 815 (a consensus of the FASB Emerging Issues Task Force)</i>	The amendments clarify that an entity should consider observable transactions when determining to apply or discontinue the equity method for the purposes of applying the measurement alternative. The amendments also clarify that an entity would not consider whether a purchased option would be accounted for under the equity method when applying ASC 815-10-15-141(a).	January 2021, Prospective	Currently under evaluation, but not expected to be material

¹ Adopted during the first quarter of 2020.

² As identified within the 2018 RSA, the lender can trigger an amendment by identifying and deciding upon a replacement for LIBOR. The Company's Term Loan also references LIBOR and management is currently underway with refinancing, as the Term Loan matures in October of 2020.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED

Note 4 — Acquisition

On January 1, 2020, pursuant to a stock purchase agreement (the "SPA") the Company acquired 100.0% of the equity interests of a warehousing-related company (the "Warehousing Co.") with locations throughout the Central US.

The total purchase price consideration of \$66.9 million included \$48.2 million in cash to the sellers at closing, which was funded through cash-on-hand and borrowing on the Revolver on the transaction date. At closing, \$6.8 million of the cash consideration was placed in escrow to secure certain of the sellers' indemnification obligations and remains subject to further adjustments. The purchase price also included contingent consideration consisting of three additional annual payments of up to \$8.1 million each (or \$24.3 million in total), representing the maximum possible annual deferred payments to the sellers based on Warehousing Co.'s earnings before interest and taxes ("EBIT") for each of the calendar years ending December 31, 2020, December 31, 2021, and the annualized six-month period ending June 30, 2022. In order to estimate Warehousing Co.'s future performance, the Company utilized the Monte Carlo simulation method using certain inputs, including Warehousing Co.'s forecasted EBIT, discount rate, dividend yields, expected volatility, and expected stock returns during the above measurement periods. Based on the above inputs, the present value of the total contingent consideration, along with the estimated net working capital adjustment equaled \$18.7 million as of January 1, 2020. During the second quarter of 2020, the net working capital adjustment, was reduced by \$0.4 million based on the actual versus estimated net working capital adjustment as of the transaction date. This adjustment resulted in the total estimated contingent consideration and net working capital adjustment decreasing to \$18.3 million. The total purchase price consideration, as if adjusted at the January 1, 2020 transaction date, is identified in the table below.

The SPA included an election under the Internal Revenue Code Section 338(h)(10). Accordingly, the book and tax basis of the acquired assets and liabilities are the same as of the purchase date. The SPA contains customary representations, warranties, covenants, and indemnification provisions.

The goodwill recognized represents expected synergies from combining the operations of Warehousing Co. with the Company, including enhanced service offerings, as well as other intangible assets that did not meet the criteria for separate recognition. The goodwill is expected to be deductible for tax purposes.

The purchase price allocation for the acquisition is preliminary and has been allocated based on estimated fair values of the assets acquired and liabilities assumed at the acquisition date, pending the completion of the valuation of acquired tangible assets, an independent valuation of certain acquired intangible assets, assessment of lease agreements, assessment of certain liabilities, the calculation of deferred taxes based upon the underlying tax basis of assets acquired and liabilities assumed, and assessment of other tax related items. As the Company obtains more information, the preliminary purchase price allocation disclosed below is subject to change. Any future adjustments to the preliminary purchase price allocation, including changes within identifiable intangible assets or estimation uncertainty impacted by market conditions, may impact future net earnings. The purchase price allocation adjustments can be made through the end of the measurement period, which is not to exceed one year from the acquisition date.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED

The following table summarizes the fair value of the consideration transferred as of the acquisition date:

	January 1, 2020 Opening Balance Sheet as Reported at March 31, 2020	Second Quarter 2020 Adjustments	January 1, 2020 Opening Balance Sheet as Reported at June 30, 2020
	(in thousands)		
<i>Fair value of the consideration transferred</i>	\$ 66,854	\$ (410)	\$ 66,444
Cash and cash equivalents	1,388	—	1,388
Trade and other receivables	3,301	—	3,301
Prepaid expenses	608	—	608
Other current assets	78	—	78
Property and equipment	1,938	—	1,938
Operating lease right-of-use assets	12,356	—	12,356
Identifiable intangible assets ¹	55,681	—	55,681
Deferred tax assets	54	—	54
Other noncurrent assets	404	—	404
<i>Total assets</i>	75,808	—	75,808
Accounts payable	(347)	—	(347)
Accrued liabilities	(644)	—	(644)
Operating lease liabilities – current portion	(4,451)	—	(4,451)
Operating lease liabilities – less current portion	(7,905)	—	(7,905)
<i>Total liabilities</i>	(13,347)	—	(13,347)
<i>Goodwill</i>	\$ 4,393	\$ (410)	\$ 3,983

¹ Includes \$53.8 million in customer relationships, \$0.7 million in noncompete agreements, \$0.6 million in internally developed software, and a \$0.6 million trade name.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED
Note 5 — Restricted Investments, Held-to-Maturity

The following tables present the cost or amortized cost, gross unrealized gains and temporary losses, and estimated fair value of the Company's restricted investments, held-to-maturity:

	June 30, 2020			
	Gross Unrealized			
	Cost or Amortized Cost	Gains	Temporary Losses	Estimated Fair Value
	(In thousands)			
US corporate securities	\$ 8,272	\$ 27	\$ (3)	\$ 8,296
Restricted investments, held-to-maturity	\$ 8,272	\$ 27	\$ (3)	\$ 8,296

	December 31, 2019			
	Gross Unrealized			
	Cost or Amortized Cost	Gains	Temporary Losses	Estimated Fair Value
	(In thousands)			
US corporate securities	\$ 8,912	\$ 4	\$ (1)	\$ 8,915
Restricted investments, held-to-maturity	\$ 8,912	\$ 4	\$ (1)	\$ 8,915

As of June 30, 2020, the contractual maturities of the restricted investments, held-to-maturity, were one year or less. There were three securities and seven securities that were in an unrealized loss position for less than twelve months as of June 30, 2020 and December 31, 2019, respectively. The Company did not recognize any impairment losses related to its held-to-maturity investments during the quarter or year-to-date periods ended June 30, 2020 or 2019, respectively.

Refer to Note 16 for additional information regarding fair value measurements of the Company's investments.

Note 6 — Assets Held for Sale

The Company expects to sell its assets held for sale, which primarily consist of revenue equipment, within the next twelve months. Revenue equipment held for sale totaled \$39.6 million and \$41.8 million as of June 30, 2020 and December 31, 2019, respectively. Net gains on disposals, including disposals of property and equipment classified as assets held for sale, reported in "Miscellaneous operating expenses" in the condensed consolidated statements of comprehensive income, were:

- \$1.7 million and \$7.5 million for the quarter-to-date periods ended June 30, 2020 and 2019, respectively.
- \$4.7 million and \$19.2 million for the year-to-date periods ended June 30, 2020 and 2019, respectively.

The Company recognized impairment losses related to assets held for sale of approximately \$0.4 million during the quarter and year-to-date periods ended June 30, 2020. The Company did not recognize any impairment losses related to assets held for sale during the quarter or year-to-date periods ended June 30, 2019.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED
Note 7 — Goodwill and Other Intangible Assets
Goodwill

The changes in the carrying amount of goodwill were as follows:

	(In thousands)
Goodwill, balance at December 31, 2019	\$ 2,918,992
Adjustments relating to deferred tax assets	(5)
Acquisition ¹	3,983
Goodwill, balance at June 30, 2020	\$ 2,922,970

- ¹ The goodwill associated with the acquisition referenced in Note 4 was allocated to the non-reportable segment, and is net of purchase price accounting adjustments.

The Company did not record any goodwill impairments during the quarter or year-to-date periods ended June 30, 2020 or 2019.

Other Intangible Assets

Other intangible asset balances were as follows:

	June 30, 2020	December 31, 2019
	(In thousands)	
Definite-lived intangible assets ¹		
Gross carrying amount	\$ 894,597	\$ 839,516
Accumulated amortization	(122,905)	(99,957)
Definite-lived intangible assets, net	771,692	739,559
Trade names:		
Gross carrying amount	640,500	639,900
Intangible assets, net	\$ 1,412,192	\$ 1,379,459

- ¹ The major categories of the Company's definite-lived intangible assets include customer relationships, non-compete agreements, internally-developed software, and others.

Identifiable intangible assets subject to amortization have been recorded at fair value. Intangible assets related to acquisitions other than the 2017 Merger are amortized over a weighted-average amortization period of 18.9 years. The Company's customer relationship intangible assets related to the 2017 Merger are being amortized over a weighted average amortization period of 19.9 years.

As of June 30, 2020, management anticipates that the composition and amount of amortization associated with intangible assets will be \$22.9 million for the remainder of 2020, \$45.9 million in 2021, \$45.8 million in 2022, and \$45.2 million for each of the years 2023 and 2024. Actual amounts of amortization expense may differ from estimated amounts due to additional intangible asset acquisitions, impairment of intangible assets, accelerated amortization of intangible assets, and other events.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED

Note 8 — Income Taxes

Effective Tax Rate — The quarter-to-date June 30, 2020 and June 30, 2019 effective tax rates were 25.0% and 24.7%, respectively. The Company recognized a discrete item relating to stock compensation deductions during the quarter ended June 30, 2020. The Company also recognized discrete items relating to stock compensation deductions as well as the partial release of its reserve for uncertain tax positions during the quarter ended June 30, 2019.

The year-to-date June 30, 2020 and June 30, 2019 effective tax rates were 26.0% and 24.4%, respectively. The Company recognized discrete items relating to stock compensation deductions partially offset by unfavorable foreign currency fluctuations for the year-to-date June 30, 2020. The Company also recognized discrete items relating to stock compensation deductions as well as a partial release of its reserve for uncertain tax positions during the year-to-date period ended June 30, 2019.

Valuation Allowance — The Company has not established a valuation allowance as it has been determined that, based upon available evidence, a valuation allowance is not required. Management believes that it is more likely than not that the results of future operations will generate sufficient taxable income to realize the deferred tax assets. All other deferred tax assets are expected to be realized and utilized by continued profitability in future periods.

Unrecognized Tax Benefits — Management believes it is reasonably possible that a decrease of up to \$1.0 million in unrecognized tax benefits relating to federal deductions may be necessary within the next twelve months.

Interest and Penalties — Accrued interest and penalties related to unrecognized tax benefits were approximately \$0.5 million and \$0.4 million as of June 30, 2020 and December 31, 2019, respectively.

Tax Examinations — The Company is currently under examination by the IRS for the 2012 tax year and management does not expect any adjustments that would have a material impact on the Company's effective tax rate. Certain of the Company's subsidiaries are also currently under examination by various state jurisdictions for tax years ranging from 2013 to 2018. At the completion of these examinations, management does not expect any adjustments that would have a material impact on the Company's effective tax rate. Years subsequent to 2014 remain subject to examination.

Note 9 — Accounts Receivable Securitization

The 2018 RSA is a secured borrowing that is collateralized by the Company's eligible receivables, for which the Company is the servicing agent. The Company's receivable originator subsidiaries sell, on a revolving basis, undivided interests in all of their eligible accounts receivable to Swift Receivables Company II, LLC ("SRCII") who in turn sells a variable percentage ownership in those receivables to the various purchasers. The Company's eligible receivables are included in "Trade receivables, net of allowance for doubtful accounts" in the condensed consolidated balance sheets. As of June 30, 2020, the Company's eligible receivables generally have high credit quality, as determined by the obligor's corporate credit rating.

The 2018 RSA is subject to fees, various affirmative and negative covenants, representations and warranties, and default and termination provisions customary for facilities of this type. The Company was in compliance with these covenants as of June 30, 2020. Collections on the underlying receivables by the Company are held for the benefit of SRCII and the various purchasers and are unavailable to satisfy claims of the Company and its subsidiaries.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED

The following table summarizes the key terms of the 2018 RSA (dollars in thousands):

Effective date	July 11, 2018
Final maturity date	July 9, 2021
Borrowing capacity	\$325,000
Accordion option ¹	\$175,000
Unused commitment fee rate ²	20 to 40 basis points
Program fees on outstanding balances ³	one-month LIBOR + 80 to 100 basis points

¹ The accordion option increases the maximum borrowing capacity, subject to participation of the purchasers.

² The 2018 RSA commitment fee rate is based on the percentage of the maximum borrowing capacity utilized.

³ The 2018 RSA program fee is based on the Company's consolidated total net leverage ratio. As identified within the 2018 RSA, the lender can trigger an amendment by identifying and deciding upon a replacement for LIBOR.

Availability under the 2018 RSA is calculated as follows:

	June 30, 2020	December 31, 2019
	(In thousands)	
Borrowing base, based on eligible receivables	\$ 273,800	\$ 299,100
Less: outstanding borrowings ¹	(165,000)	(205,000)
Less: outstanding letters of credit	(68,841)	(70,841)
Availability under accounts receivable securitization facilities	\$ 39,959	\$ 23,259

¹ Outstanding borrowings are included in "Accounts receivable securitization" in the condensed consolidated balance sheets, offset by \$0.2 million of deferred loan costs as of June 30, 2020 and December 31, 2019. Interest accrued on the aggregate principal balance at a rate of 1.1% and 2.6% as of June 30, 2020 and December 31, 2019, respectively.

Program fees and unused commitment fees are recorded in "Interest expense" in the condensed consolidated statements of comprehensive income. The Company incurred accounts receivable securitization program fees of \$0.7 million and \$1.9 million during the quarter-to-date June 30, 2020 and 2019 periods, respectively. The Company incurred accounts receivable securitization program fees of \$2.1 million and \$3.9 million during the year-to-date June 30, 2020 and 2019 periods, respectively.

Refer to Note 16 for information regarding the fair value of the 2018 RSA.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED

Note 10 — Commitments

Purchase Commitments

As of June 30, 2020, the Company had outstanding commitments to purchase revenue equipment of \$317.9 million in the remainder of 2020 (\$224.0 million of which were tractor commitments) and none thereafter. These purchases may be financed through any combination of operating leases, finance leases, debt, proceeds from sales of existing equipment, and cash flows from operations.

As of June 30, 2020, the Company had outstanding commitments to purchase facilities and non-revenue equipment of \$19.2 million in the remainder of 2020, \$1.8 million in the two-year period 2021 through 2022, \$0.2 million in the two-year period 2023 through 2024, and none thereafter. Factors such as costs and opportunities for future terminal expansions may change the amount of such expenditures.

TRP Commitments

Since 2003, Knight has entered into partnership agreements with entities that make privately-negotiated equity investments. In these agreements, Knight committed to invest in return for an ownership percentage. During the first quarter of 2020, Knight entered into a \$20.0 million commitment to invest in the newly formed TRP Capital Partners V, LP with \$16.8 million outstanding as of June 30, 2020. There were no other material changes related to the previously disclosed TRP commitments during the quarter ended June 30, 2020.

Note 11 — Contingencies and Legal Proceedings

Legal Proceedings

Information is provided below regarding the nature, status, and contingent loss amounts, if any, associated with the Company's pending legal matters. There are inherent uncertainties in these legal matters, some of which are beyond management's control, making the ultimate outcomes difficult to predict. Moreover, management's views and estimates related to these matters may change in the future, as new events and circumstances arise and the matters continue to develop.

The Company has made accruals with respect to its legal matters where appropriate, which are included in "Accrued liabilities" in the condensed consolidated balance sheets. The Company has recorded an aggregate accrual of approximately \$27.9 million, relating to the Company's outstanding legal proceedings as of June 30, 2020.

Based on management's present knowledge of the facts and (in certain cases) advice of outside counsel, management does not believe that loss contingencies arising from pending matters are likely to have a material adverse effect on the Company's overall financial position, operating results, or cash flows after taking into account any existing accruals. However, actual outcomes could be material to the Company's financial position, operating results, or cash flows for any particular period.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED

EMPLOYEE COMPENSATION AND PAY PRACTICES MATTERS			
CRST Expedited			
The plaintiff alleges tortious interference with contract and unjust enrichment related to non-competition agreements entered into with certain of its drivers.			
Plaintiff(s)	Defendant(s)	Date instituted	Court or agency currently pending in
CRST Expedited, Inc.	Swift Transportation Co. of Arizona LLC.	March 20, 2017	United States District Court for the Northern District of Iowa
Recent Developments and Current Status			
In July 2019, a jury issued an adverse verdict in this lawsuit. The court issued a decision granting in part and denying in part certain motions related to the jury's verdict. Both parties have appealed the court's decision. The likelihood that a loss has been incurred is probable and estimable, and the loss has accordingly been accrued as of June 30, 2020.			
California Wage, Meal, and Rest Class Actions			
The plaintiffs generally allege one or more of the following: that the Company 1) failed to pay the California minimum wage; 2) failed to provide proper meal and rest periods; 3) failed to timely pay wages upon separation from employment; 4) failed to pay for all hours worked; 5) failed to pay overtime; 6) failed to properly reimburse work-related expenses; and 7) failed to provide accurate wage statements.			
Plaintiff(s)	Defendant(s)	Date instituted	Court or agency currently pending in
John Burnell ¹	Swift Transportation Co., Inc	March 22, 2010	United States District Court for the Central District of California
James R. Rudsell ¹	Swift Transportation Co. of Arizona, LLC and Swift Transportation Company	April 5, 2012	United States District Court for the Central District of California
Recent Developments and Current Status			
In April 2019, the parties reached settlement of this matter. In January 2020, the court granted final approval of the settlement. The plaintiff appealed the court's decision granting final approval of the settlement. The likelihood that a loss has been incurred is probable and estimable, and the loss has accordingly been accrued as of June 30, 2020.			
Arizona Minimum Wage Class Action			
The plaintiffs generally allege one or more of the following: 1) failure to pay minimum wage for the first day of orientation; 2) failure to pay minimum wage for time spent studying; 3) failure to pay minimum wage for 16 hours per day; and 4) failure to pay minimum wage for the first eight hours of sleeper berth time.			
Plaintiff(s)	Defendant(s)	Date instituted	Court or agency currently pending in
Pamela Julian ¹	Swift Transportation Co., Inc. and Swift Transportation Co. of Arizona LLC	December 29, 2015	United States District Court for the District of Arizona
Recent Developments and Current Status			
In December 2019, the court awarded damages for failure to pay minimum wage for 16 hours per day. The likelihood that a loss has been incurred is probable and estimable, and the loss has accordingly been accrued as of June 30, 2020.			

¹ Individually and on behalf of all others similarly situated.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED

INDEPENDENT CONTRACTOR MATTERS			
<i>Ninth Circuit Independent Contractor Misclassification Class Action</i>			
The putative class alleges that Swift misclassified independent contractors as independent contractors, instead of employees, in violation of the Fair Labor Standards Act and various state laws. The lawsuit also raises certain related issues with respect to the lease agreements that certain independent contractors have entered into with Interstate Equipment Leasing, LLC. The putative class seeks unpaid wages, liquidated damages, interest, other costs, and attorneys' fees.			
Plaintiff(s)	Defendant(s)	Date instituted	Court or agency currently pending in
Joseph Sheer, Virginia Van Dusen, Jose Motolinia, Vickii Schwalm, Peter Wood ¹	Swift Transportation Co., Inc., Interstate Equipment Leasing, Inc., Jerry Moyes, and Chad Killebrew	December 22, 2009	Unites States District Court of Arizona and Ninth Circuit Court of Appeals
Recent Developments and Current Status			
In January 2020, the court granted final approval of the settlement in this matter. In March 2020, the Company paid the settlement amount approved by the court. As of June 30, 2020, the Company has a reserve accrued for anticipated costs associated with finalizing this matter.			

¹ Individually and on behalf of all others similarly situated.

Self Insurance

Automobile Liability, General Liability, and Excess Liability — Effective November 1, 2019, the Company has \$130.0 million in excess auto liability ("AL") coverage. For prior years, Swift and Knight maintained separately varying excess AL and general liability limits. During prior policy periods, Swift AL claims were subject to a \$10.0 million self-insured retention ("SIR") per occurrence and Knight AL claims were subject to a \$1.0 million to \$3.0 million SIR per occurrence. Additionally, Knight carries a \$2.5 million aggregate deductible for any loss or losses within the \$5.0 million excess of \$5.0 million layer of coverage. Effective March 1, 2020, Knight and Swift retain the same \$10.0 million SIR per occurrence.

Cargo Damage and Loss — The Company is insured against cargo damage and loss with liability limits of \$2.0 million per truck or trailer with a \$10.0 million limit per occurrence.

Workers' Compensation and Employers' Liability — The Company is self-insured for workers' compensation coverage. Swift maintains statutory coverage limits, subject to a \$5.0 million SIR for each accident or disease. Effective March 1, 2019, Knight maintains statutory coverage limits, subject to a \$2.0 million SIR for each accident or disease. Prior to March 1, 2019, the Knight SIR was \$1.0 million per occurrence.

Medical — Knight maintains primary and excess coverage for employee medical expenses, with a \$0.3 million self-insured retention per claimant. Through December 31, 2019, Swift was fully insured on its medical benefits (subject to contributed premiums). Effective January 1, 2020, Swift provides primary and excess coverage for employee medical expenses, with an SIR of \$0.5 million per claimant to all employees.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED
Note 12 — Share Repurchase Plan

On May 31, 2019, the Company announced that the Board approved the repurchase of up to \$250.0 million worth of the Company's outstanding common stock (the "2019 Knight-Swift Share Repurchase Plan"). With the adoption of the 2019 Knight-Swift Share Repurchase Plan, the Company terminated the \$250.0 million repurchase plan previously approved by the Board in June 2018 (the "2018 Knight-Swift Share Repurchase Plan"). There was approximately \$0.2 million remaining under the 2018 Knight-Swift Share Repurchase Plan upon termination.

The following table presents the Company's repurchases of its common stock under the respective share repurchase plans, excluding advisory fees:

Share Repurchase Plan		Quarter-to-Date June 30, 2020		Year-to-Date June 30, 2020	
Board Approval Date	Authorized Amount	Shares	Amount	Shares	Amount
(in thousands)					
May 30, 2019 ¹	\$250,000	—	\$ —	1,139	\$ 34,630
		—	\$ —	1,139	\$ 34,630

Share Repurchase Plan		Quarter-to-Date June 30, 2019		Year-to-Date June 30, 2019	
Board Approval Date	Authorized Amount	Shares	Amount	Shares	Amount
(in thousands)					
June 1, 2018	\$250,000	2,315	\$ 70,500	2,315	\$ 70,500
May 30, 2019 ¹	\$250,000	559	16,392	559	16,392
		2,874	\$ 86,892	2,874	\$ 86,892

¹ \$199.0 million and \$233.6 million remained available under the 2019 Knight-Swift Share Repurchase Plan as of June 30, 2020 and December 31, 2019, respectively.

Note 13 — Weighted Average Shares Outstanding

Earnings per share, basic and diluted, as presented in the condensed consolidated statements of comprehensive income, are calculated by dividing net income attributable to Knight-Swift by the respective weighted average common shares outstanding during the period.

The following table reconciles basic weighted average shares outstanding to diluted weighted average shares outstanding:

	Quarter-to-Date June 30,		Year-to-Date June 30,	
	2020	2019	2020	2019
(in thousands)				
Basic weighted average common shares outstanding	169,948	172,078	170,283	172,522
Dilutive effect of equity awards	676	646	675	640
Diluted weighted average common shares outstanding	170,624	172,724	170,958	173,162
Anti-dilutive shares excluded from diluted earnings per share ¹	365	916	329	933

¹ Shares were excluded from the dilutive-effect calculation because the outstanding awards' exercise prices were greater than the average market price of the Company's common stock for the periods presented.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED
Note 14 — Related Party Transactions

The following table presents Knight-Swift's transactions with companies controlled by and/or affiliated with its related parties:

	Quarter-to-Date June 30,				Year-to-Date June 30,			
	2020		2019		2020		2019	
	Provided by Knight-Swift	Received by Knight-Swift	Provided by Knight-Swift	Received by Knight-Swift	Provided by Knight-Swift	Received by Knight-Swift	Provided by Knight-Swift	Received by Knight-Swift
(In thousands)								
Freight Services:								
Central Freight Lines ¹	\$ 1,020	\$ —	\$ 3,843	\$ —	\$ 7,836	\$ —	\$ 6,959	\$ —
SME Industries ¹	28	—	62	—	28	—	217	—
Total	<u>\$ 1,048</u>	<u>\$ —</u>	<u>\$ 3,905</u>	<u>\$ —</u>	<u>\$ 7,864</u>	<u>\$ —</u>	<u>\$ 7,176</u>	<u>\$ —</u>
Facility and Equipment Leases:								
Central Freight Lines ¹	\$ 23	\$ 93	\$ 78	\$ 92	\$ 23	\$ 185	\$ 322	\$ 185
Other Affiliates ¹	4	36	5	—	9	109	9	—
Total	<u>\$ 27</u>	<u>\$ 129</u>	<u>\$ 83</u>	<u>\$ 92</u>	<u>\$ 32</u>	<u>\$ 294</u>	<u>\$ 331</u>	<u>\$ 185</u>
Other Services:								
Central Freight Lines ¹	\$ —	\$ —	\$ 542	\$ —	\$ 15	\$ —	\$ 542	\$ —
DPF Mobile ¹	—	19	—	54	—	31	—	98
Other Affiliates ¹	10	—	12	614	19	—	22	1,232
Total	<u>\$ 10</u>	<u>\$ 19</u>	<u>\$ 554</u>	<u>\$ 668</u>	<u>\$ 34</u>	<u>\$ 31</u>	<u>\$ 564</u>	<u>\$ 1,330</u>

¹ Entities affiliated with former Board member Jerry Moyes include Central Freight Lines, SME Industries, Compensi Services, and DPF Mobile. "Other affiliates" includes entities that are associated with various board members and executives and require approval by the Board prior to completing transactions. Transactions with these entities generally include freight services, facility and equipment leases, equipment sales, and other services.

- **Freight Services Provided by Knight-Swift** — The Company charges each of these companies for transportation services.
- **Freight Services Received by Knight-Swift** — Transportation services received from Central Freight represent less-than-truckload freight services rendered to haul parts and equipment to Company shop locations.
- **Other Services Provided by Knight-Swift** — Other services provided by the Company to the identified related parties include equipment sales and miscellaneous services.
- **Other Services Received by Knight-Swift** — Consulting fees, diesel particulate filter cleaning, sales of various parts and tractor accessories, and certain third-party payroll and employee benefits administration services from the identified related parties are included in other services received by the Company.

Receivables and payables pertaining to related party transactions were:

	June 30, 2020		December 31, 2019	
	Receivable	Payable	Receivable	Payable
(In thousands)				
Central Freight Lines	\$ 3,303	\$ —	\$ 2,872	\$ —
SME Industries	22	—	17	—
DPF Mobile	—	—	—	2
Other Affiliates	1	2	—	—
Total	<u>\$ 3,326</u>	<u>\$ 2</u>	<u>\$ 2,889</u>	<u>\$ 2</u>

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED

Note 15 — Information by Segment and Geography

Segment Information

The Company has three reportable segments: Trucking, Logistics, and Intermodal, as well as the non-reportable segments, discussed below. Based on how economic factors affect the nature, amount, timing, and uncertainty of revenue or cash flows, the Company disaggregates revenues by reportable segment for the purposes of applying the ASC Topic 606 guidance.

The Company's twenty operating segments are structured around the types of transportation service offerings provided to our customers, as well as the equipment utilized. In addition, the operating segments may be further distinguished by the Company's respective brands. The Company aggregated these various operating segments into the three reportable segments discussed below based on similarities with both their qualitative and economic characteristics.

Trucking

The Trucking reportable segment is comprised of nine trucking operating segments that provide similar transportation services to our customers utilizing similar transportation equipment over both irregular (one-way movement) and/or dedicated routes. The Trucking reportable segment consists of irregular route and dedicated, refrigerated, expedited, flatbed, and cross-border operations.

Logistics

The Logistics reportable segment is comprised of five logistics operating segments that provide similar transportation services to our customers and primarily consist of brokerage and other freight management services utilizing third-party transportation providers and their equipment.

Intermodal

The Intermodal reportable segment is comprised of two intermodal operating segments that provide similar transportation services to our customers. These transportation services include arranging the movement of customers' freight through third-party intermodal rail services on the Company's trailing equipment (trailers on flat cars and rail containers), as well as drayage services to transport loads between the railheads and customer locations.

Non-reportable

The non-reportable segments include four operating segments that consist of support services provided to the Company's customers and independent contractors (including repair and maintenance shop services, equipment leasing, warranty services, and insurance), trailer parts manufacturing, warehousing, and certain driving academy activities, as well as certain corporate expenses (such as legal settlements and accruals, certain impairments, and amortization of intangibles related to the 2017 Merger and various acquisitions).

Intersegment Eliminations

Certain operating segments provide transportation and related services for other affiliates outside of their reportable segments. For certain operating segments, such services are billed at cost, and no profit is earned. For the other operating segments, revenues for such services are based on negotiated rates, and are reflected as revenues of the billing segment. These rates are adjusted from time to time, based on market conditions. Such intersegment revenues and expenses are eliminated in Knight-Swift's consolidated results.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED

The following tables present the Company's financial information by segment:

	Quarter-to-Date June 30,		Year-to-Date June 30,	
	2020	2019	2020	2019
Revenue:	(In thousands)			
Trucking	\$ 879,369	\$ 1,020,027	\$ 1,798,430	\$ 1,993,272
Logistics	70,104	82,929	149,302	171,881
Intermodal	82,820	118,195	177,551	234,562
Subtotal	\$ 1,032,293	\$ 1,221,151	\$ 2,125,283	\$ 2,399,715
Non-reportable segments	45,289	29,597	91,531	67,361
Intersegment eliminations	(16,884)	(8,665)	(31,318)	(20,458)
Total revenue	\$ 1,060,698	\$ 1,242,083	\$ 2,185,496	\$ 2,446,618

	Quarter-to-Date June 30,		Year-to-Date June 30,	
	2020	2019	2020	2019
Operating income (loss):	(In thousands)			
Trucking	\$ 107,788	\$ 125,772	\$ 215,122	\$ 240,947
Logistics	3,038	5,021	6,757	12,304
Intermodal	(4,475)	4,192	(7,212)	6,553
Subtotal	\$ 106,351	\$ 134,985	\$ 214,667	\$ 259,804
Non-reportable segments	(4,184)	(26,392)	(10,381)	(34,912)
Operating income	\$ 102,167	\$ 108,593	\$ 204,286	\$ 224,892

	Quarter-to-Date June 30,		Year-to-Date June 30,	
	2020	2019	2020	2019
Depreciation and amortization of property and equipment:	(In thousands)			
Trucking	\$ 97,555	\$ 86,842	\$ 191,103	\$ 171,352
Logistics	207	159	414	314
Intermodal	3,606	3,303	7,094	6,663
Subtotal	\$ 101,368	\$ 90,304	\$ 198,611	\$ 178,329
Non-reportable segments	13,233	12,634	26,211	25,546
Depreciation and amortization of property and equipment	\$ 114,601	\$ 102,938	\$ 224,822	\$ 203,875

Geographical Information

In the aggregate, total revenue from the Company's foreign operations was less than 5.0% of consolidated total revenue for the quarter and year-to-date periods ended June 30, 2020 and 2019. Additionally, long-lived assets on the Company's foreign subsidiary balance sheets were less than 5.0% of consolidated total assets as of June 30, 2020 and December 31, 2019.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED

Note 16 — Fair Value Measurement

ASC Topic 820, *Fair Value Measurements and Disclosures*, requires that the Company disclose estimated fair values for its financial instruments. The estimated fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for the asset or liability. Fair value estimates are made at a specific point in time and are based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Changes in assumptions could significantly affect these estimates. Because the fair value is estimated as of June 30, 2020 and December 31, 2019, the amounts that will actually be realized or paid at settlement or maturity of the instruments in the future could be significantly different.

The estimated fair values of the Company's financial instruments represent management's best estimates of the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. The estimated fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the estimated fair value measurement reflects management's own judgments about the assumptions that market participants would use in pricing the asset or liability. These judgments are developed by the Company based on the best information available under the circumstances.

The following summary presents a description of the methods and assumptions used to estimate the fair value of each class of financial instrument.

Restricted Investments, Held-to-Maturity — The estimated fair value of the Company's restricted investments, held-to-maturity, is based on quoted prices in active markets that are readily and regularly obtainable. See Note 5 for additional disclosures regarding restricted investments, held-to-maturity.

Transportation Resource Partners — The estimated fair value of the Company's investments with Transportation Resource Partners are privately negotiated equity investments. The carrying amount of these investments approximates the fair value.

Equity Securities — The estimated fair value of the Company's investments in equity securities is based on quoted prices in active markets that are readily and regularly obtainable.

Debt Instruments and Leases — For notes payable under the Revolver and the Term Loan, fair value approximates the carrying value due to the variable interest rate. The carrying value of the 2018 RSA approximates fair value, as the underlying receivables are short-term in nature and only eligible receivables (such as those with high credit ratings) are qualified to secure the borrowed amounts. For finance and operating lease liabilities, the carrying value approximates the fair value, as the Company's finance and operating lease liabilities are structured to amortize in a manner similar to the depreciation of the underlying assets.

Contingent Consideration — The estimated fair value of the Company's contingent consideration owed to Warehousing Co.'s seller is calculated using a Monte Carlo simulation model based on the acquiree's earnings before interest and taxes.

Other — Cash and cash equivalents, restricted cash, net accounts receivable, income tax refund receivable, and accounts payable represent financial instruments for which the carrying amount approximates fair value, as they are short-term in nature. These instruments are accordingly excluded from the disclosures below. All remaining balance sheet amounts excluded from the below are not considered financial instruments, subject to this disclosure.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED

The following table presents the carrying amounts and estimated fair values of the Company's major categories of financial assets and liabilities:

	June 30, 2020		December 31, 2019	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
(In thousands)				
Financial Assets:				
Restricted investments, held-to-maturity ¹	\$ 8,272	\$ 8,296	\$ 8,912	\$ 8,915
TRP Investments	36,018	36,018	30,878	30,878
Investments in equity securities ²	17,436	17,436	8,722	8,722
Financial Liabilities:				
Term Loan, due October 2020 ³	\$ 364,942	\$ 365,000	\$ 364,825	\$ 365,000
2018 RSA, due July 2021 ⁴	164,840	165,000	204,762	205,000
Revolver, due October 2022	235,000	235,000	279,000	279,000
Contingent consideration associated with acquisition ⁵	17,570	17,570	—	—

¹ Refer to Note 5 for the differences between the carrying amounts and estimated fair values of the Company's restricted investments, held-to-maturity.

² The investments are carried at fair value and are included in "Other long-term assets" on the condensed consolidated balance sheets.

³ The carrying amount of the Term Loan is included in "Finance lease liabilities and long-term debt – current portion," on the condensed consolidated balance sheets and is net of \$0.1 million and \$0.2 million in deferred loan costs as of June 30, 2020 and December 31, 2019, respectively.

⁴ The carrying amount of the 2018 RSA is included in "Accounts receivable securitization," on the condensed consolidated balance sheets and is net of \$0.2 million in deferred loan costs as of June 30, 2020 and December 31, 2019.

⁵ The carrying amount of the contingent consideration associated with the acquisition is included in both the "Accrued liabilities" and "Other long-term liabilities" line items on the condensed consolidated balance sheets.

Recurring Fair Value Measurements (Assets) — The following table depicts the level in the fair value hierarchy of the inputs used to estimate fair value of assets measured on a recurring basis as of June 30, 2020 and December 31, 2019:

	Estimated Fair Value	Fair Value Measurements at Reporting Date Using:								
		Level 1 Inputs		Level 2 Inputs		Level 3 Inputs		Total Gain (Loss)		
		(In thousands)								
As of June 30, 2020										
Investments in equity securities ¹	\$	17,436	\$	17,436	\$	—	\$	—	\$	2,314
As of December 31, 2019										
Investments in equity securities ¹	\$	8,722	\$	8,722	\$	—	\$	—	\$	(184)

¹ Total unrealized gains (losses) for these investments are included within "Other (expense) income, net" within the condensed consolidated statements of comprehensive income for the quarter and year-to-date periods ended June 30, 2020. The Company did not sell any equity investments during the quarter and year-to-date periods ended June 30, 2020 or 2019 and therefore did not realize any losses on these investments.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED

Recurring Fair Value Measurements (Liabilities) — The following table depicts the level in the fair value hierarchy of the inputs used to estimate the fair value of liabilities measured on a recurring basis as of June 30, 2020:

	Estimated Fair Value	Fair Value Measurements at Reporting Date Using:					Total Gain (Loss)
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs			
		(In thousands)					
As of June 30, 2020							
Contingent consideration associated with acquisition ¹	\$ 17,570	\$ —	\$ —	\$ 17,570	\$ —		

¹ There were no material adjustments to the contingent consideration made during the quarter and year-to-date periods ended June 30, 2020.

As of December 31, 2019, there were no major categories of liabilities on the condensed consolidated balance sheets estimated at fair value that were measured on a recurring basis.

Nonrecurring Fair Value Measurements (Assets) — The following table depicts the level in the fair value hierarchy of the inputs used to estimate fair value of assets measured on a nonrecurring basis as of June 30, 2020 and December 31, 2019:

	Estimated Fair Value	Fair Value Measurements at Reporting Date Using:				
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Loss	
		(In thousands)				
As of June 30, 2020						
Equipment ¹	\$ 5,099	\$ —	\$ 5,099	\$ —	\$ (1,255)	
As of December 31, 2019						
Leasehold improvements ²	\$ —	\$ —	\$ —	\$ —	\$ (2,182)	
Equipment ³	1,380	—	1,380	—	(870)	
Software ⁴	—	—	—	—	(434)	

¹ Reflects the non-cash impairment of certain tractors (within the Trucking segment) and certain legacy trailers (within the non-reportable segments) as a result of a softer used equipment market during the second quarter of 2020, as well as impairment charges of trailer tracking equipment (within the Trucking segment) during the first quarter of 2020.

² During the second quarter of 2019, the Company incurred an impairment of leasehold improvements related to the early termination of a lease on one of its operating properties. This impairment was recorded in the Trucking segment.

³ During the fourth quarter of 2019, the Company incurred impairment charges which were associated with certain revenue equipment technology, warehousing equipment no longer in use, and certain Swift legacy trailer models as a result of a softer used equipment market. These impairments were allocated between the Logistics and non-reportable segments based on each segment's use of the assets.

⁴ During the fourth quarter of 2019, the Company incurred impairment charges related to discontinued use of software systems. These impairments were allocated between the Logistics and non-reportable segments based on each segment's use of the assets.

Nonrecurring Fair Value Measurements (Liabilities) — As of June 30, 2020 and December 31, 2019, the Company had no major categories of liabilities estimated at fair value that were measured on a nonrecurring basis.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report contains certain statements that may be considered "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Section 27A of the Securities Act of 1933, as amended. All statements, other than statements of historical or current fact, are statements that could be deemed forward-looking statements, including without limitation:

- any projections of or guidance regarding earnings, earnings per share, revenues, cash flows, dividends, capital expenditures, or other financial items,
- any statement of plans, strategies, and objectives of management for future operations,
- any statements concerning proposed acquisition plans, new services, or developments,
- any statements regarding future economic conditions or performance, and
- any statements of belief and any statements of assumptions underlying any of the foregoing.

In this Quarterly Report, forward-looking statements include, but are not limited to, statements we make concerning:

- the ability of our infrastructure to support future growth, whether we grow organically or through potential acquisitions,
- the impacts of the COVID-19 global pandemic,
- the future impact of acquisitions, including achievement of anticipated synergies,
- the flexibility of our model to adapt to market conditions,
- our ability to recruit and retain qualified driving associates,
- future safety performance,
- future performance of our segments or businesses,
- our ability to gain market share,
- the ability, desire, and effects of expanding our logistics, brokerage, and intermodal operations,
- future equipment prices, our equipment purchasing or leasing plans, and our equipment turnover (including expected tractor trade-ins),
- our ability to sublease equipment to independent contractors,
- the impact of pending legal proceedings,
- the expected freight environment, including freight demand and volumes,
- economic conditions and growth, including future inflation, consumer spending, supply chain conditions, and US Gross Domestic Product ("GDP") changes,
- future pricing terms from vendors and suppliers,
- expected liquidity and methods for achieving sufficient liquidity,
- future fuel prices and the expected impact of fuel efficiency initiatives,
- future expenses and our ability to control costs,
- future operating profitability,
- future third-party service provider relationships and availability,
- future contracted pay rates with independent contractors and compensation arrangements with driving associates,
- our expected need or desire to incur indebtedness,

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED

- future capital expenditures and expected sources of liquidity, capital allocation, capital structure, capital requirements, and growth strategies and opportunities,
- expected capital expenditures,
- future mix of owned versus leased revenue equipment,
- future asset utilization,
- future return on capital,
- future share repurchases and dividends,
- future tax rates,
- future trucking industry capacity and balance between industry demand and capacity,
- future rates,
- future depreciation and amortization,
- expected tractor and trailer fleet age,
- future investment in and deployment of new or updated technology,
- political conditions and regulations, including trade regulation, quotas, duties, or tariffs, and any future changes to the foregoing,
- future insurance claims, premiums, and retention limits,
- future purchased transportation expense, and
- others.

Such statements may be identified by their use of terms or phrases such as "believe," "may," "could," "will," "would," "should," "expects," "estimates," "designed," "likely," "foresee," "goals," "seek," "target," "forecast," "projects," "anticipates," "plans," "intends," "hopes," "strategy," "objective," "continue," "outlook," and similar terms and phrases. Forward-looking statements are based on currently available operating, financial, and competitive information. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, which could cause future events and actual results to materially differ from those set forth in, contemplated by, or underlying the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in Part I, Item 1A "Risk Factors" in our 2019 Annual Report, Part II, Item 1A "Risk Factors" in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, and various disclosures in our press releases, stockholder reports, and other filings with the SEC.

All such forward-looking statements speak only as of the date of this Quarterly Report. You are cautioned not to place undue reliance on such forward-looking statements. We expressly disclaim any obligation or undertaking to publicly release any updates or revisions to any forward-looking statements contained herein, to reflect any change in our expectations with regard thereto, or any change in the events, conditions, or circumstances on which any such statement is based.

Reference to Glossary of Terms

Certain acronyms and terms used throughout this Quarterly Report are specific to our company, commonly used in our industry, or are otherwise frequently used throughout our document. Definitions for these acronyms and terms are provided in the "Glossary of Terms," available in the front of this document.

Reference to Annual Report

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements (unaudited) and footnotes included in this Quarterly Report, as well as the consolidated financial statements and footnotes included in our 2019 Annual Report.

Executive Summary

Impact of COVID-19

During the second quarter and first half of 2020, we incurred approximately \$10.0 million and \$12.3 million, respectively, of expenses directly attributable to the pandemic, which were incremental to those incurred prior to the outbreak. These primarily pertained to payroll premiums paid to our drivers and shop technicians, as well as additional disinfectants and cleaning supplies, and various other pandemic-specific items. The costs are clearly separable from our normal business operations and are not expected to recur once the pandemic subsides.

Refer to Note 1 in Part I, Item 1 of this Quarterly Report for further discussion around the impact of COVID-19 on our company. Refer to Part II, Item 1A "Risk Factors" in our Quarterly Report for the quarterly period ended March 31, 2020 for more discussion about potential risks and uncertainties surrounding the COVID-19 pandemic that may impact our business, results of operations, or financial condition.

Company Overview

Knight-Swift Transportation Holdings Inc. is North America's largest truckload carrier and a provider of transportation solutions, headquartered in Phoenix, Arizona. The Company provides multiple truckload transportation, intermodal, and logistics services using a nationwide network of business units and terminals in the US and Mexico to serve customers throughout North America. In addition to its truckload services, Knight-Swift also contracts with third-party capacity providers to provide a broad range of shipping solutions to its customers while creating quality driving jobs for our driving associates and successful business opportunities for independent contractors. Our three reportable segments are Trucking, Logistics, and Intermodal. Additionally, we have various non-reportable segments. Refer to Note 15 in Part I, Item 1 of this Quarterly Report for descriptions of our segments.

Our objective is to operate our business with industry-leading margins and growth while providing safe, high-quality, cost-effective solutions for our customers.

Revenue

- Our trucking services include irregular route and dedicated, refrigerated, expedited, flatbed, and cross-border transportation of various products, goods, and materials for our diverse customer base. We primarily generate revenue by transporting freight for our customers through our Trucking segment.
- Our logistics and intermodal operations provide a multitude of shipping solutions, including additional sources of truckload capacity and alternative transportation modes, by utilizing our vast network of third-party capacity providers and rail providers, as well as certain logistics and freight management services. Revenue in our logistics and intermodal operations is generated through our Logistics and Intermodal segments.
- Our non-reportable segments include support services provided to our customers and independent contractors (including repair and maintenance shop services, equipment leasing, warranty services, and insurance), trailer parts manufacturing, warehousing, and certain driving academy activities, as well as certain corporate expenses (such as legal settlements and accruals, certain impairments, and amortization of intangibles related to the 2017 Merger and various acquisitions).
- In addition to the revenues earned from our customers for the trucking and non-trucking services discussed above, we also earn fuel surcharge revenue from our customers through our fuel surcharge program, which serves to recover a majority of our fuel costs. This applies only to loaded miles and typically does not offset non-paid empty miles, idle time, and out-of-route miles driven. Fuel surcharge programs involve a computation based on the change in national or regional fuel prices. These programs may update as often as weekly, but typically require a specified minimum change in fuel cost to prompt a change in fuel surcharge revenue. Therefore, many of these programs have a time lag between when fuel costs change and when the change is reflected in fuel surcharge revenue for our Trucking segment.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED

Expenses — Our most significant expenses vary with miles traveled and include fuel, driving associate-related expenses (such as wages and benefits), and services purchased from independent contractors and other transportation providers (such as railroads, drayage providers, and other trucking companies). Maintenance and tire expenses, as well as the cost of insurance and claims generally vary with the miles we travel, but also have a controllable component based on safety improvements, fleet age, efficiency, and other factors. Our primary fixed costs are depreciation and lease expense for revenue equipment and terminals, amortization of intangible assets, interest expense, and non-driver employee compensation.

Operating Statistics — We measure our consolidated and segment results through certain operating statistics, which are discussed under "Results of Operations — Segment Review — Operating Statistics," below. Our results are affected by various economic, industry, operational, regulatory, and other factors, which are set forth in Part I, Item 1A "Risk Factors" in our 2019 Annual Report, Part II, Item 1A "Risk Factors" in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, and various disclosures in our press releases, stockholder reports, and other filings with the SEC.

Consolidated Key Financial Highlights and Operating Metrics

	Quarter-to-Date June 30,		Year-to-Date June 30,	
	2020	2019	2020	2019
GAAP financial data:				
	(Dollars in thousands, except per share data)			
Total revenue	\$ 1,060,698	\$ 1,242,083	\$ 2,185,496	\$ 2,446,618
Revenue, excluding trucking fuel surcharge	\$ 997,597	\$ 1,122,754	\$ 2,024,692	\$ 2,219,710
Net income attributable to Knight-Swift	\$ 80,189	\$ 79,205	\$ 145,615	\$ 167,143
Earnings per diluted share	\$ 0.47	\$ 0.46	\$ 0.85	\$ 0.97
Operating ratio	90.4 %	91.3 %	90.7 %	90.8 %
Non-GAAP financial data:				
Adjusted Net Income Attributable to Knight-Swift ¹	\$ 96,498	\$ 100,627	\$ 172,703	\$ 196,808
Adjusted EPS ¹	\$ 0.57	\$ 0.58	\$ 1.01	\$ 1.14
Adjusted Operating Ratio ¹	87.6 %	87.8 %	88.1 %	88.1 %
Revenue equipment:				
Average tractors (Trucking segment only) ²	18,393	18,985	18,428	18,959
Average trailers ³	57,269	58,263	57,456	56,902
Average containers	10,853	9,863	10,355	9,864

1 Adjusted Net Income Attributable to Knight-Swift, Adjusted EPS, and Adjusted Operating Ratio are non-GAAP financial measures and should not be considered alternatives, or superior to, the most directly comparable GAAP financial measures. However, management believes that presentation of these non-GAAP financial measures provides useful information to investors regarding the Company's results of operations. Adjusted Net Income Attributable to Knight-Swift, Adjusted EPS, and Adjusted Operating Ratio are reconciled to the most directly comparable GAAP financial measures under "Non-GAAP Financial Measures," below.

2 The average age of our company-owned tractor fleet was 2.1 years as of June 30, 2020 and 2019.

3 The average age of our trailer fleet was 7.6 years and 7.3 years as of June 30, 2020 and 2019, respectively.

[Market Trends and Company Performance](#)

Trends and Outlook — Our operational discipline, agility, and cost-control culture enabled us to execute through the unprecedented challenges presented by the COVID-19 pandemic, which introduced a new source of volatility throughout the global markets during the first half of 2020. Our diversified customer base, networks, and unique brands positioned us to navigate a disrupted freight environment of unpredictable shipping volumes, shifts in pricing, and continued challenges in driver sourcing.

The national unemployment rate was 11.1%¹ as of June 30, 2020 after the COVID-19 pandemic resulted in higher unemployment rates in the beginning of the quarter, which began to decline in May and June as economic activities resumed. A more pronounced reduction in trained drivers (primarily due to social distancing measures across the nation), ongoing competition for experienced hires, increased safety regulations, and various alternative sources of income to potential drivers are all hampering driver sourcing efforts throughout the industry.

During the second quarter of 2020, the US gross domestic product, which is the broadest measure of goods and services produced across the economy, decreased by 32.9%², per preliminary third-party forecasts. This may result in an expected annualized growth rate of approximately -5.0% to -6.0%³ for full-year 2020, as third-party forecasts are predicting an economic rebound in the latter half of this year. The second quarter 2020 US employment cost index rose 2.7%¹ and 0.5%¹ on a year-over-year and sequential basis, respectively.

From a freight market perspective, demand in April was weak, but gradually strengthened throughout the quarter, and remained strong in July. We are encouraged by the continued strength in freight demand in July; however, demand may be difficult to predict for the back half of the year. We believe supply has and will continue to exit the market as evidenced by significantly lower class 8 truck orders, a weak used equipment market, and lower transportation employment levels.

Looking across our portfolio of brands and freight networks, some of our operating segments performed consistently throughout the quarter, while others experienced more volatility in results. Our Trucking segment improved its Adjusted Operating Ratio to 85.5% in the second quarter of 2020, as strong cost controls and lower fuel prices overcame a 6.5% decrease in average revenue per tractor and a \$5.8 million (or \$0.03 of earnings per diluted share, after taxes) decline in gain on sales of used equipment. Our Logistics segment produced an Adjusted Operating Ratio of 95.5% in the second quarter of 2020, primarily driven by a gross margin of 15.7% within our brokerage business. Consistent with port industry trends, load volumes within our Intermodal segment continued to be pressured and decreased by 23.9% in the second quarter of 2020, as compared to the same quarter last year, while margins worsened.

We anticipate that depreciation and amortization expense will increase and rental expense will correspondingly decrease, as a percentage of revenue excluding trucking fuel surcharge, as we intend to purchase, rather than lease, a majority of our revenue equipment in 2020. With significant tightening in the insurance markets, we may also experience changes in premiums and retention limits in 2020. While fuel expense is generally offset by fuel surcharge revenue, our fuel expense, net of fuel surcharge revenue may increase in the future.

We continue to maintain our leverage ratio within our targeted range and remain committed to a strong capital structure, which we believe will position us for long-term success and enable us to pursue further opportunities for organic growth, growth through acquisitions, and other capital allocation opportunities. We do not foresee material liquidity constraints or any issues with our ongoing ability to meet our debt covenants.

¹ Source: bls.gov

² Source: bea.gov

³ Source: kiplinger.com

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED

Comparison Between the Quarters Ended June 30, 2020 and 2019 — The \$1.0 million increase in net income attributable to Knight-Swift to \$80.2 million during the quarter ended June 30, 2020 from \$79.2 million during the same period last year includes the following:

- **Contributor** — \$22.2 million decrease in operating loss from our non-reportable segments. Operating results within the non-reportable segments improved in the second quarter of 2020, which included additional income earned from warehousing activities, as compared to the second quarter of 2019, when we incurred \$15.5 million in costs associated with a jury verdict.
- **Contributor** — \$5.4 million increase in "Other income, net" primarily related to an increase in gains recognized within our portfolio of investments.
- **Offset** — \$18.0 million decrease in operating income within our Trucking Segment, which was primarily due to a 6.5% decrease in average revenue per tractor and a \$5.8 million reduction in gain on sales of revenue equipment, as well as \$9.9 million in incremental expenses related to the COVID-19 pandemic.
- **Offset** — \$8.7 million change from operating income in the second quarter of 2019 to operating loss in the second quarter of 2020 in our Intermodal Segment due to continued market pressures, including the impact of the COVID-19 pandemic on port volumes.

Comparison Between Year-to-Date June 30, 2020 and 2019 — The \$21.5 million decrease in net income attributable to Knight-Swift to \$145.6 million during year-to-date June 30, 2020 from \$167.1 million during the same period last year includes the following:

- **Contributor** — \$25.8 million decrease in operating income within our Trucking Segment, which was primarily due to a \$14.5 million reduction in gain on sales of revenue equipment, a 4.6% decrease in average revenue per tractor, as well as \$12.1 million in COVID-19 related incremental expenses.
- **Contributor** — \$13.8 million change from operating income in the first half of 2019 to operating loss in the first half of 2020 in our Intermodal Segment due to continued market pressures, including the impact of the COVID-19 pandemic on port volumes.
- **Contributor** — \$5.5 million decrease in operating income within our Logistics Segment which was primarily due to a 4.1% decrease in revenue per load.
- **Offset** — \$24.5 million decrease in operating loss from our non-reportable segments primarily due to the \$15.5 million jury verdict recognized in the first half of 2019 and additional income earned from warehousing activities in the first half of 2020.

See additional discussion of our operating results within "Results of Operations — Consolidated Operating and Other Expenses" below.

Liquidity and Capital — During the first half of the year, we generated \$383.4 million in operating cash flows, reduced our operating lease liabilities by \$48.2 million, used \$195.2 million for capital expenditures (net of equipment sales proceeds), and returned \$27.7 million to our stockholders in the form of quarterly dividends. We also repurchased \$34.6 million worth of our common stock at an average price of \$30.41 per share (all within the first quarter of 2020).

We ended the quarter with \$117.8 million in unrestricted cash and cash equivalents, \$235.0 million outstanding on the Revolver, \$365.0 million face value outstanding on the Term Loan, and \$5.8 billion of stockholders' equity.

We continue to maintain our leverage ratio within our targeted range and remain committed to a strong capital structure, which we believe will position us for long-term success and enable us to pursue further opportunities for organic growth, growth through acquisitions, and other capital allocation opportunities. We do not foresee material liquidity constraints or any issues with our ongoing ability to meet our debt covenants.

See discussion under "Liquidity and Capital Resources" and "Off-Balance Sheet Arrangements" for additional information.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED

Results of Operations — Segment Review

The Company has three reportable segments: Trucking, Logistics, and Intermodal, as well as certain non-reportable segments. Refer to Note 15 to the condensed consolidated financial statements, included in Part I, Item 1 of this Quarterly Report for descriptions of the operations of these reportable segments.

Consolidating Tables for Total Revenue and Operating Income (Loss)

	Quarter-to-Date June 30,		Year-to-Date June 30,	
	2020	2019	2020	2019
Revenue:	(In thousands)			
Trucking	\$ 879,369	\$ 1,020,027	\$ 1,798,430	\$ 1,993,272
Logistics	70,104	82,929	149,302	171,881
Intermodal	82,820	118,195	177,551	234,562
Subtotal	\$ 1,032,293	\$ 1,221,151	\$ 2,125,283	\$ 2,399,715
Non-reportable segments	45,289	29,597	91,531	67,361
Intersegment eliminations	(16,884)	(8,665)	(31,318)	(20,458)
Total revenue	\$ 1,060,698	\$ 1,242,083	\$ 2,185,496	\$ 2,446,618

	Quarter-to-Date June 30,		Year-to-Date June 30,	
	2020	2019	2020	2019
Operating income (loss):	(In thousands)			
Trucking	\$ 107,788	\$ 125,772	\$ 215,122	\$ 240,947
Logistics	3,038	5,021	6,757	12,304
Intermodal	(4,475)	4,192	(7,212)	6,553
Subtotal	\$ 106,351	\$ 134,985	\$ 214,667	\$ 259,804
Non-reportable segments	(4,184)	(26,392)	(10,381)	(34,912)
Operating income	\$ 102,167	\$ 108,593	\$ 204,286	\$ 224,892

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED
Operating Statistics

Our chief operating decision makers monitor the GAAP results of our reportable segments, as supplemented by certain non-GAAP information. Refer to "Non-GAAP Financial Measures" below for more details. Additionally, we use a number of primary indicators to monitor our revenue and expense performance and efficiency.

Operating Statistic	Relevant Segment(s)	Description
Average Revenue per Tractor	Trucking	Measures productivity and represents revenue (excluding fuel surcharge and intersegment transactions) divided by average tractor count
Total Miles per Tractor	Trucking	Total miles (including loaded and empty miles) a tractor travels on average
Average Length of Haul	Trucking	Average miles traveled with loaded trailer cargo per order
Non-paid Empty Miles Percentage	Trucking	Percentage of miles without trailer cargo
Average Tractors	Trucking, Intermodal	Average tractors in operation during the period including company tractors and tractors provided by independent contractors
Average Trailers	Trucking	Average trailers in operation during the period
Average Revenue per Load	Logistics, Intermodal	Total revenue (excluding intersegment transactions) divided by load count
Gross Margin Percentage	Logistics (Brokerage only)	Brokerage gross margin (revenue, excluding intersegment transactions, less purchased transportation expense, excluding intersegment transactions) as a percentage of brokerage revenue, excluding intersegment transactions
Average Containers	Intermodal	Average containers in operation during the period
GAAP Operating Ratio	Trucking, Logistics, Intermodal	Measures operating efficiency and is widely used in our industry as an assessment of management's effectiveness in controlling all categories of operating expenses. Calculated as operating expenses as a percentage of total revenue, or the inverse of operating margin.
Non-GAAP Adjusted Operating Ratio	Trucking, Logistics, Intermodal	Measures operating efficiency and is widely used in our industry as an assessment of management's effectiveness in controlling all categories of operating expenses. Consolidated and segment Adjusted Operating Ratios are reconciled to their corresponding GAAP operating ratios under "Non-GAAP Financial Measures," below.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED
Segment Review
Trucking Segment

We generate revenue in the Trucking segment primarily through irregular route, dedicated, refrigerated, flatbed, expedited, and cross-border service offerings. Generally, we are paid a predetermined rate per mile or per load for our trucking services. Additional revenues are generated by charging for tractor and trailer detention, loading and unloading activities, dedicated services, and other specialized services, as well as through the collection of fuel surcharge revenue to mitigate the impact of increases in the cost of fuel. The main factors that affect the revenue generated by our Trucking segment are rate per mile from our customers, the percentage of miles for which we are compensated, and the number of loaded miles we generate with our equipment.

The most significant expenses in the Trucking segment are primarily variable and include fuel and fuel taxes, driving associate-related expenses (such as wages, benefits, training, and recruitment), and costs associated with independent contractors primarily included in "Purchased transportation" in the condensed consolidated statements of comprehensive income. Maintenance expense (which includes costs for replacement tires for our revenue equipment) and insurance and claims expenses have both fixed and variable components. These expenses generally vary with the miles we travel, but also have a controllable component based on safety, fleet age, efficiency, and other factors. The main fixed costs in the Trucking segment are depreciation and rent expenses from leasing and acquiring revenue equipment and terminals, as well as compensating our non-driver employees.

	Quarter-to-Date June 30,		Year-to-Date June 30,		QTD 2020 vs. QTD 2019	YTD 2020 vs. YTD 2019				
	2020	2019	2020	2019						
	(Dollars in thousands, except per tractor data)									
Total revenue	\$	879,369	\$	1,020,027	\$	1,798,430	\$	1,993,272	(13.8 %)	(9.8 %)
Revenue, excluding fuel surcharge and intersegment transactions	\$	816,033	\$	900,648	\$	1,637,117	\$	1,766,278	(9.4 %)	(7.3 %)
GAAP: Operating income	\$	107,788	\$	125,772	\$	215,122	\$	240,947	(14.3 %)	(10.7 %)
Non-GAAP: Adjusted Operating Income ¹	\$	118,166	\$	128,303	\$	228,971	\$	243,827	(7.9 %)	(6.1 %)
Average revenue per tractor ²	\$	44,366	\$	47,440	\$	88,839	\$	93,163	(6.5 %)	(4.6 %)
GAAP: Operating ratio ²		87.7 %		87.7 %		88.0 %		87.9 %	— bps	10 bps
Non-GAAP: Adjusted Operating Ratio ^{1 2}		85.5 %		85.8 %		86.0 %		86.2 %	(30 bps)	(20 bps)
Non-paid empty miles percentage ²		13.8 %		12.9 %		13.3 %		12.9 %	90 bps	40 bps
Average length of haul (miles) ²		420		429		424		429	(2.1 %)	(1.2 %)
Total miles per tractor ²		22,741		23,656		45,307		46,181	(3.9 %)	(1.9 %)
Average tractors ^{2 3}		18,393		18,985		18,428		18,959	(3.1 %)	(2.8 %)
Average trailers ²		57,269		58,263		57,456		56,902	(1.7 %)	1.0 %

1 Refer to "Non-GAAP Financial Measures" below.

2 Defined under "Operating Statistics," above.

3 Includes 16,315 and 16,491 average company-owned tractors for the second quarter of 2020 and 2019, respectively.

Includes 16,327 and 16,352 average company-owned tractors for the year-to-date June 30, 2020 and 2019 periods, respectively.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED

Comparison Between the Quarters Ended June 30, 2020 and 2019 — Operating Ratio was 87.7% in the second quarters of 2020 and 2019. We improved the Adjusted Operating Ratio within this segment to 85.5% in the second quarter of 2020 from 85.8% in the second quarter of 2019, despite a \$5.8 million reduction in gain on sales of revenue equipment. We continued to see improvement in our dedicated and refrigerated operating segments during the quarter. Average revenue per tractor decreased by 6.5%, driven by a 3.9% decrease in miles per tractor. Revenue per loaded mile, excluding fuel surcharge and intersegment transactions, was flat sequentially and decreased 1.7% year-over-year. We expect rate per mile to inflect positively year-over-year in the third quarter.

Comparison Between Year-to-Date June 30, 2020 and 2019 — Operating Ratio was 88.0% in the first half of 2020 compared to 87.9% in the first half of 2019. We improved the Adjusted Operating Ratio within this segment to 86.0% in the first half of 2020 from 86.2% in the first half 2019, despite a \$14.5 million reduction in gain on sales of revenue equipment. Average revenue per tractor decreased by 4.6%, driven by a 1.9% decrease in miles per tractor. Revenue per loaded mile, excluding fuel surcharge and intersegment transactions, decreased 2.4% when comparing the first halves of 2020 and 2019.

Logistics Segment

The Logistics segment is less asset-intensive than the Trucking segment and is dependent upon capable non-driver employees, modern and effective information technology, and third-party capacity providers. Logistics revenue is primarily generated by its brokerage operations. We generate additional revenue by offering specialized logistics solutions (including, but not limited to, origin management, surge volume, disaster relief, special projects, and other logistic needs). Logistics revenue is mainly affected by the rates we obtain from customers, the freight volumes we ship through third-party capacity providers, and our ability to secure third-party capacity providers to transport customer freight.

The most significant expense in the Logistics segment is the (primarily) variable cost of purchased transportation that we pay to third-party capacity providers, included in "Purchased transportation" in the condensed consolidated statements of comprehensive income. Variability in this expense depends on truckload capacity, availability of third-party capacity providers, rates charged to customers, current freight demand, and customer shipping needs. Fixed Logistics operating expenses primarily include non-driver employee compensation and benefits recorded in "Salaries, wages, and benefits" and depreciation and amortization expense recorded in "Depreciation and amortization of property and equipment" in the condensed consolidated statements of comprehensive income.

	Quarter-to-Date June 30,		Year-to-Date June 30,		QTD 2020 vs. QTD 2019	YTD 2020 vs. YTD 2019				
	2020	2019	2020	2019						
	(Dollars in thousands, except per load data)									
Total revenue	\$	70,104	\$	82,929	\$	149,302	\$	171,881	(15.5 %)	(13.1 %)
Revenue, excluding intersegment transactions	\$	67,066	\$	80,304	\$	143,823	\$	167,495	(16.5 %)	(14.1 %)
Operating income	\$	3,038	\$	5,021	\$	6,757	\$	12,304	(39.5 %)	(45.1 %)
Revenue per load – Brokerage only ¹	\$	1,408	\$	1,475	\$	1,392	\$	1,452	(4.5 %)	(4.1 %)
Gross margin percentage – Brokerage only ¹		15.7 %		16.2 %		15.1 %		17.0 %	(50 bps)	(190 bps)
GAAP: Operating ratio ¹		95.7 %		93.9 %		95.5 %		92.8 %	180 bps	270 bps
Non-GAAP: Adjusted Operating Ratio ^{1 2}		95.5 %		93.7 %		95.3 %		92.7 %	180 bps	260 bps

¹ Defined under "Operating Statistics," above.

² Refer to "Non-GAAP Financial Measures" below.

Comparison Between the Quarters Ended June 30, 2020 and 2019 — Operating Ratio was 95.7% in the second quarter of 2020 compared to 93.9% in the second quarter of 2019. Adjusted Operating Ratio in the Logistics segment (which primarily consists of our brokerage services) increased to 95.5% in the second quarter of 2020 from 93.7% in the second quarter of 2019.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED

Brokerage-only — With recent tightening of capacity, brokerage gross margin decreased to 15.7% in the second quarter of 2020 from 16.2% in the second quarter of 2019. Margins were strong to begin the quarter and subsequently compressed, as the truckload market improved throughout the second quarter of 2020. A 10.1% decrease in brokerage load volumes and a 4.5% decrease in brokerage revenue per load resulted in a 14.2% decrease in brokerage revenue, excluding intersegment transactions. Our power-only service offering experienced 73.8% year-over-year growth in load volumes and represented 17.3% of our total brokerage load volumes in the second quarter of 2020.

Comparison Between Year-to-Date June 30, 2020 and 2019 — Operating Ratio was 95.5% in the first half of 2020 compared to 92.8% in the first half of 2019. Adjusted Operating Ratio in the Logistics segment (which primarily consists of our brokerage services) increased to 95.3% in the first half of 2020 from 92.7% in the first half of 2019.

Brokerage-only — Brokerage gross margin decreased to 15.1% in the first half of 2020 from 17.0% in the first half of 2019. An 8.2% decrease in brokerage load volumes and a 4.1% decrease in brokerage revenue per load resulted in a 12.0% decrease in brokerage revenue, excluding intersegment transactions.

Intermodal Segment

The Intermodal segment complements our regional operating model, allows us to better serve customers in longer haul lanes, and reduces our investment in fixed assets. Through the Intermodal segment, we generate revenue by moving freight over the rail in our containers and other trailing equipment, combined with revenue for drayage to transport loads between railheads and customer locations. The most significant expense in the Intermodal segment is the cost of purchased transportation that we pay to third-party capacity providers (including rail providers), which is primarily variable and included in "Purchased transportation" in the condensed consolidated statements of comprehensive income. Purchased transportation varies as it relates to rail capacity, freight demand, and customer shipping needs. The main fixed costs in the Intermodal segment are depreciation of our company tractors related to drayage, containers, and chassis, as well as non-driver employee compensation and benefits.

	Quarter-to-Date June 30,		Year-to-Date June 30,		QTD 2020 vs.	YTD 2020 vs.
	2020	2019	2020	2019	QTD 2019	YTD 2019
	(Dollars in thousands, except per load data)				Increase (Decrease)	
Total revenue	\$ 82,820	\$ 118,195	\$ 177,551	\$ 234,562	(29.9 %)	(24.3 %)
Revenue, excluding intersegment transactions	\$ 82,699	\$ 117,727	\$ 177,321	\$ 233,404	(29.8 %)	(24.0 %)
GAAP: Operating (loss) income	\$ (4,475)	\$ 4,192	\$ (7,212)	\$ 6,553	(206.8 %)	(210.1 %)
Non-GAAP: Adjusted Operating (Loss) Income	\$ (4,410)	\$ 4,192	\$ (7,099)	\$ 6,553	(205.2 %)	(208.3 %)
Average revenue per load ¹	\$ 2,249	\$ 2,438	\$ 2,283	\$ 2,447	(7.8 %)	(6.7 %)
GAAP: Operating ratio ¹	105.4 %	96.5 %	104.1 %	97.2 %	890 bps	690 bps
Non-GAAP: Adjusted Operating Ratio ^{1,2}	105.3 %	96.4 %	104.0 %	97.2 %	890 bps	680 bps
Load count	36,769	48,290	77,658	95,399	(23.9 %)	(18.6 %)
Average tractors ^{1,3}	571	651	586	672	(12.3 %)	(12.8 %)
Average containers ¹	10,853	9,863	10,355	9,864	10.0 %	5.0 %

1 Defined under "Operating Statistics," above.

2 Refer to "Non-GAAP Financial Measures" below.

3 Includes 510 and 572 company-owned tractors for the second quarter of 2020 and 2019, respectively.

Includes 523 and 592 company-owned tractors for the year-to-date June 30, 2020 and 2019 periods, respectively.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED

Comparison Between the Quarters Ended June 30, 2020 and 2019 — Operating Ratio was 105.4% in the second quarter of 2020 compared to 96.5% in the second quarter of 2019. During the second quarter of 2020, our Intermodal segment produced an Adjusted Operating Ratio of 105.3%, compared to 96.4% during the second quarter of 2019. Continued market pressures, including the impact of the COVID-19 pandemic on port volumes, contributed to a 29.8% decrease in revenue, excluding intersegment transactions, as load counts decreased 23.9% and revenue per load decreased 7.8%. We continue to develop our Intermodal network and cost structure and expect to see improved results in the back half of the year.

Comparison Between Year-to-Date June 30, 2020 and 2019 — Operating Ratio was 104.1% in the first half of 2020 compared to 97.2% in the first half of 2019. During the first half of 2020, our Intermodal segment produced an Adjusted Operating Ratio of 104.0%, compared to 97.2% during the first half of 2019. Continued market pressures, including the impact of the COVID-19 pandemic on port volumes, contributed to a 24.0% decrease in revenue, excluding intersegment transactions, as load counts decreased 18.6% and revenue per load decreased 6.7%.

Non-reportable Segments

The non-reportable segments include support services provided to our customers and independent contractors (including repair and maintenance shop services, equipment leasing, warranty services, and insurance), trailer parts manufacturing, warehousing, and certain driving academy activities, as well as certain corporate expenses (such as legal settlements and accruals, certain impairments, and \$11.2 million in quarterly amortization of intangibles related to the 2017 Merger and various acquisitions).

	Quarter-to-Date June 30,		Year-to-Date June 30,		QTD 2020 vs.	YTD 2020 vs.
	2020	2019	2020	2019	QTD 2019	YTD 2019
	(Dollars in thousands)				Increase (Decrease)	
Total revenue	\$ 45,289	\$ 29,597	\$ 91,531	\$ 67,361	53.0 %	35.9 %
Operating loss	\$ (4,184)	\$ (26,392)	\$ (10,381)	\$ (34,912)	(84.1 %)	(70.3 %)

Comparison Between the Quarters Ended June 30, 2020 and 2019 — Operating results within the non-reportable segments improved in the second quarter of 2020, which included additional income earned from warehousing activities, as compared to the second quarter of 2019, when we incurred \$15.5 million in costs associated with a jury verdict.

Comparison Between Year-to-Date June 30, 2020 and 2019 — Operating results within the non-reportable segments improved in the first half of 2020, which included additional income earned from warehousing activities, as compared to the first half of 2019, when we incurred \$15.5 million in costs associated with a jury verdict.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED

Results of Operations — Consolidated Operating and Other Expenses

Consolidated Operating Expenses

The following tables present certain operating expenses from our condensed consolidated statements of comprehensive income, including each operating expense as a percentage of total revenue and as a percentage of revenue, excluding trucking fuel surcharge. Trucking fuel surcharge revenue can be volatile and is primarily dependent upon the cost of fuel, rather than operating expenses unrelated to fuel. Therefore, we believe that revenue, excluding trucking fuel surcharge is a better measure for analyzing many of our expenses and operating metrics.

	Quarter-to-Date June 30,		Year-to-Date June 30,		QTD 2020 vs.	YTD 2020 vs.
	2020	2019	2020	2019	QTD 2019	YTD 2019
	(Dollars in thousands)				Increase (Decrease)	
Salaries, wages, and benefits	\$ 365,311	\$ 380,354	\$ 720,144	\$ 744,209	(4.0 %)	(3.2 %)
% of total revenue	34.4 %	30.6 %	33.0 %	30.4 %	380 bps	260 bps
% of revenue, excluding trucking fuel surcharge	36.6 %	33.9 %	35.6 %	33.5 %	270 bps	210 bps

Salaries, wages, and benefits expense is primarily affected by the total number of miles driven by company driving associates, the rate per mile we pay our company driving associates, and employee benefits, including healthcare, workers' compensation, and other benefits. To a lesser extent, non-driver employee headcount, compensation, and benefits affect this expense. Driving associate wages represent the largest component of salaries, wages, and benefits expense.

Several ongoing market factors have reduced the pool of available driving associates, contributing to a challenging driver sourcing market, which we believe will continue. Having a sufficient number of qualified driving associates is a significant headwind, although we continue to seek ways to attract and retain qualified driving associates, including heavily investing in our recruiting efforts, our driving academies, and technology and terminals that improve the experience of driving associates. We expect driving associate pay to remain inflationary, which could result in additional driving associate pay increases in the future.

- **Comparison Between the Quarters Ended June 30, 2020 and 2019** — The \$15.0 million decrease within consolidated salaries, wages and benefits was primarily attributed to a decrease in miles driven by company drivers, favorable developments within workers' compensation expense, as well as lower medical insurance costs. These decreases were partially offset by \$7.8 million in incremental payroll premiums paid to our company driving associates and shop technicians in response to the COVID-19 pandemic. The COVID-19 expenses were clearly separable from our normal business operations and are not expected to recur once the pandemic subsides.
- **Comparison Between Year-to-Date June 30, 2020 and 2019** — The \$24.1 million decrease within consolidated salaries, wages and benefits was primarily attributed to a decrease in miles driven by company drivers, favorable developments within workers' compensation expense, as well as lower medical insurance costs. These decreases were partially offset by \$9.0 million in incremental payroll premiums paid to our company driving associates and shop technicians in response to the COVID-19 pandemic. The COVID-19 expenses were clearly separable from our normal business operations and are not expected to recur once the pandemic subsides.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED

	Quarter-to-Date June 30,		Year-to-Date June 30,		QTD 2020 vs.	YTD 2020 vs.
	2020	2019	2020	2019	QTD 2019	YTD 2019
	(Dollars in thousands)				Increase (Decrease)	
Fuel	\$ 86,381	\$ 151,309	\$ 208,236	\$ 289,748	(42.9 %)	(28.1 %)
% of total revenue	8.1 %	12.2 %	9.5 %	11.8 %	(410 bps)	(230 bps)
% of revenue, excluding trucking fuel surcharge	8.7 %	13.5 %	10.3 %	13.1 %	(480 bps)	(280 bps)

Fuel expense consists primarily of diesel fuel expense for our company-owned tractors and fuel taxes. The primary factors affecting our fuel expense are the cost of diesel fuel, the fuel economy of our equipment, and the miles driven by company driving associates.

Our fuel surcharge programs help to offset increases in fuel prices, but apply only to loaded miles and typically do not offset non-paid empty miles, idle time, or out-of-route miles driven. Typical fuel surcharge programs involve a computation based on the change in national or regional fuel prices. These programs may update as often as weekly, but typically require a specified minimum change in fuel cost to prompt a change in fuel surcharge revenue for our Trucking segment. Therefore, many of these programs have a time lag between when fuel costs change and when the change is reflected in fuel surcharge revenue. Due to this time lag, our fuel expense, net of fuel surcharge, negatively impacts our operating income during periods of sharply rising fuel costs and positively impacts our operating income during periods of falling fuel costs. We continue to utilize our fuel efficiency initiatives such as trailer blades, idle-control, management of tractor speeds, fleet updates for more fuel-efficient engines, management of fuel procurement, and driving associate training programs that we believe contribute to controlling our fuel expense.

- Comparison Between the Quarters Ended June 30, 2020 and 2019 — The \$64.9 million decrease in consolidated fuel expense is primarily due to a decrease in average DOE fuel prices to \$2.44 per gallon for the second quarter of 2020 from \$3.12 per gallon for the second quarter of 2019 and a 3.3% decrease in the total miles driven by company driving associates.
- Comparison Between Year-to-Date June 30, 2020 and 2019 — The \$81.5 million decrease in consolidated fuel expense is primarily due to a decrease in average DOE fuel prices to \$2.67 per gallon for year-to-date June 30, 2020 from \$3.07 per gallon for year-to-date June 30, 2019 and a 0.4% decrease in miles driven by company driving associates.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED

	Quarter-to-Date June 30,		Year-to-Date June 30,		QTD 2020 vs.	YTD 2020 vs.
	2020	2019	2020	2019	QTD 2019	YTD 2019
	(Dollars in thousands)				Increase (Decrease)	
Operations and maintenance	\$ 66,067	\$ 82,443	\$ 134,471	\$ 162,203	(19.9 %)	(17.1 %)
% of total revenue	6.2 %	6.6 %	6.2 %	6.6 %	(40 bps)	(40 bps)
% of revenue, excluding trucking fuel surcharge	6.6 %	7.3 %	6.6 %	7.3 %	(70 bps)	(70 bps)

Operations and maintenance expense consists of direct operating expenses, equipment maintenance, and tire expense. Operations and maintenance expenses are affected by the age of our company-owned fleet of tractors and trailers. We expect the driver market to remain competitive throughout 2020, which could increase future driving associate development and recruiting costs and negatively affect our operations and maintenance expense. We expect to continue refreshing our tractor fleet in the coming quarters, and anticipate that maintenance costs will gradually decrease as we reduce the average age of our fleet.

The second quarter decrease of \$16.4 million and year-to-date decrease of \$27.7 million in consolidated operations and maintenance expense was attributed to reduced maintenance expense associated with refreshing our fleet with newer equipment and the decreases in miles driven by company driving associates noted above.

	Quarter-to-Date June 30,		Year-to-Date June 30,		QTD 2020 vs.	YTD 2020 vs.
	2020	2019	2020	2019	QTD 2019	YTD 2019
	(Dollars in thousands)				Increase (Decrease)	
Insurance and claims	\$ 45,302	\$ 48,796	\$ 99,582	\$ 98,932	(7.2 %)	0.7 %
% of total revenue	4.3 %	3.9 %	4.6 %	4.0 %	40 bps	60 bps
% of revenue, excluding trucking fuel surcharge	4.5 %	4.3 %	4.9 %	4.5 %	20 bps	40 bps

Insurance and claims expense consists of premiums for liability, physical damage, and cargo, and will vary based upon the frequency and severity of claims, as well as our level of self-insurance, and premium expense. In recent years, insurance carriers have raised premiums for many businesses, including transportation companies, and as a result, our insurance and claims expense could increase in the future, or we could raise our self-insured retention limits when our policies are renewed or replaced. Insurance and claims expense also varies based on the number of miles driven by company driving associates and independent contractors, the frequency and severity of accidents, trends in development factors used in actuarial accruals, and developments in large, prior-year claims. In future periods, our higher self-insured retention limits, as well as a tightening of excess insurance markets, may cause our consolidated insurance and claims expense to fluctuate more.

- Comparison Between the Quarters Ended June 30, 2020 and 2019 — Consolidated insurance and claims expense decreased by \$3.5 million for the second quarter of 2020, as compared to the same period last year. This decrease was primarily due to a decrease in total miles driven year-over-year, improvements within our current year experience as a result of lower frequency and severity of claims, and positive development with certain prior year losses.
- Comparison Between Year-to-Date June 30, 2020 and 2019 — Consolidated insurance and claims expense increased by \$0.7 million for year-to-date June 30, 2020, as compared to the same period last year. This increase was primarily due to negative development within certain prior year losses recognized during the first quarter which were partially offset by improvements within our current year experience as a result of lower frequency and severity in claims, as well as a decrease in total miles driven year-over-year.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED

	Quarter-to-Date June 30,		Year-to-Date June 30,		QTD 2020 vs.	YTD 2020 vs.
	2020	2019	2020	2019	QTD 2019	YTD 2019
	(Dollars in thousands)				Increase (Decrease)	
Operating taxes and licenses	\$ 20,883	\$ 21,560	\$ 43,052	\$ 43,363	(3.1 %)	(0.7 %)
% of total revenue	2.0 %	1.7 %	2.0 %	1.8 %	30 bps	20 bps
% of revenue, excluding trucking fuel surcharge	2.1 %	1.9 %	2.1 %	2.0 %	20 bps	10 bps

Operating taxes and licenses include state franchise taxes, state and federal highway use taxes, property taxes, vehicle license and registration fees, fuel and mileage taxes, among others. The expense is impacted by changes in the tax rates and registration fees associated with our tractor fleet and regional operating facilities.

- Comparison Between the Quarters Ended June 30, 2020 and 2019 — Consolidated operating taxes and licenses decreased by \$0.7 million for the second quarter of 2020 as compared to the same period last year. The decrease was primarily due to a decrease in total company miles driven.
- Comparison Between Year-to-Date June 30, 2020 and 2019 — Operating taxes and licenses decreased by \$0.3 million, but remained relatively flat as a percentage of revenue, excluding trucking fuel surcharge.

	Quarter-to-Date June 30,		Year-to-Date June 30,		QTD 2020 vs.	YTD 2020 vs.
	2020	2019	2020	2019	QTD 2019	YTD 2019
	(Dollars in thousands)				Increase (Decrease)	
Communications	\$ 4,902	\$ 4,960	\$ 9,776	\$ 10,043	(1.2 %)	(2.7 %)
% of total revenue	0.5 %	0.4 %	0.4 %	0.4 %	10 bps	— bps
% of revenue, excluding trucking fuel surcharge	0.5 %	0.4 %	0.5 %	0.5 %	10 bps	— bps

Communications expense is comprised of costs associated with our tractor and trailer tracking systems, information technology systems, and phone systems.

Consolidated communications expense remained flat as a percentage of revenue, excluding trucking fuel surcharge for the second quarter of 2020 and first half of 2020, as compared to the same periods last year.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED

	Quarter-to-Date June 30,		Year-to-Date June 30,		QTD 2020 vs.	YTD 2020 vs.
	2020	2019	2020	2019	QTD 2019	YTD 2019
	(Dollars in thousands)				Increase (Decrease)	
Depreciation and amortization of property and equipment	\$ 114,601	\$ 102,938	\$ 224,822	\$ 203,875	11.3 %	10.3 %
% of total revenue	10.8 %	8.3 %	10.3 %	8.3 %	250 bps	200 bps
% of revenue, excluding trucking fuel surcharge	11.5 %	9.2 %	11.1 %	9.2 %	230 bps	190 bps

Depreciation relates primarily to our owned tractors, trailers, buildings, electronic logging devices, other communication units, and other similar assets. Changes to this fixed cost are generally attributed to increases or decreases to company-owned equipment, the relative percentage of owned versus leased equipment, and fluctuations in new equipment purchase prices, which have historically been precipitated in part by new or proposed federal and state regulations. Depreciation can also be affected by the cost of used equipment that we sell or trade and the replacement of older used equipment. Management periodically reviews the condition, average age, and reasonableness of estimated useful lives and salvage values of our equipment and considers such factors in light of our experience with similar assets, used equipment market conditions, and prevailing industry practice.

Consolidated depreciation and amortization of property and equipment increased by \$11.7 million in the second quarter of 2020 and \$20.9 million in the first half of 2020, when compared to the same periods last year. These increases were primarily related to the increase in owned versus leased equipment.

We expect consolidated depreciation and amortization of property and equipment to increase both in total and as a percentage of consolidated revenue, excluding trucking fuel surcharge, as we currently do not plan to use operating leases as a primary means of funding our equipment purchases in the remainder of 2020.

	Quarter-to-Date June 30,		Year-to-Date June 30,		QTD 2020 vs.	YTD 2020 vs.
	2020	2019	2020	2019	QTD 2019	YTD 2019
	(Dollars in thousands)				Increase (Decrease)	
Amortization of intangibles	\$ 11,474	\$ 10,692	\$ 22,948	\$ 21,385	7.3 %	7.3 %
% of total revenue	1.1 %	0.9 %	1.1 %	0.9 %	20 bps	20 bps
% of revenue, excluding trucking fuel surcharge	1.2 %	1.0 %	1.1 %	1.0 %	20 bps	10 bps

Amortization of intangibles relates to intangible assets identified with the 2017 Merger and other acquisitions. See Note 7 in Part I, Item 1, of this Quarterly Report for further details regarding the Company's intangible assets. The increases of \$0.8 million for the second quarter and \$1.6 million for the first half of 2020, when compared to the same periods last year, were attributed to an acquisition completed on January 1, 2020. See Note 4 in Part I, Item 1, of this Quarterly Report for more details regarding details of our acquisitions.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED

	Quarter-to-Date June 30,		Year-to-Date June 30,		QTD 2020 vs. QTD 2019	YTD 2020 vs. YTD 2019
	2020	2019	2020	2019		
	(Dollars in thousands)					
					Increase (Decrease)	
Rental expense	\$ 22,372	\$ 32,875	\$ 47,747	\$ 68,420	(31.9 %)	(30.2 %)
% of total revenue	2.1 %	2.6 %	2.2 %	2.8 %	(50 bps)	(60 bps)
% of revenue, excluding trucking fuel surcharge	2.2 %	2.9 %	2.4 %	3.1 %	(70 bps)	(70 bps)

Rental expense consists primarily of payments for tractors and trailers financed with operating leases. The primary factors affecting the expense are the size of our revenue equipment fleet and the relative percentage of owned versus leased equipment.

Consolidated rental expense decreased by \$10.5 million and \$20.7 million for the second quarter and first half of 2020, as compared to the same periods last year. This was primarily due to increasing our ratio of owned versus leased equipment.

We expect consolidated rental expense to continue to decrease both in total and as a percentage of consolidated revenue, excluding trucking fuel surcharge, as we currently do not plan to use operating leases as a primary means of funding our equipment purchases in the remainder of 2020.

	Quarter-to-Date June 30,		Year-to-Date June 30,		QTD 2020 vs. QTD 2019	YTD 2020 vs. YTD 2019
	2020	2019	2020	2019		
	(Dollars in thousands)				Increase (Decrease)	
Purchased transportation	\$ 200,107	\$ 261,273	\$ 425,383	\$ 530,622	(23.4 %)	(19.8 %)
% of total revenue	18.9 %	21.0 %	19.5 %	21.7 %	(210 bps)	(220 bps)
% of revenue, excluding trucking fuel surcharge	20.1 %	23.3 %	21.0 %	23.9 %	(320 bps)	(290 bps)

Purchased transportation expense is comprised of payments to independent contractors in our trucking operations, as well as payments to third-party capacity providers related to logistics, freight management, and non-trucking services in our logistics and intermodal businesses. Purchased transportation is generally affected by capacity in the market as well as changes in fuel prices. As capacity tightens, our payments to third-party capacity providers and to independent contractors tend to increase. Additionally, as fuel prices increase, payments to third-party capacity providers and independent contractors increase.

We expect purchased transportation will increase as a percentage of revenue if we grow our logistics and intermodal businesses. The increase could be partially offset if independent contractors exit the market due to regulatory changes.

Consolidated purchased transportation expense decreased by \$61.2 million for the second quarter of 2020 and \$105.2 million for the first half of 2020, as compared to the same periods last year. This was primarily due to a decrease in miles driven by independent contractors of 23.0% and 22.7% for the second quarter and first half of 2020, respectively and lower fuel reimbursement expenses to independent contractors due to fewer miles and the lower fuel prices discussed above. In addition, experienced lower purchased transportation expense from third-party carrier activities in our Logistics and Intermodal segments.

	Quarter-to-Date June 30,		Year-to-Date June 30,		QTD 2020 vs. QTD 2019	YTD 2020 vs. YTD 2019
	2020	2019	2020	2019		
	(Dollars in thousands)				Increase (Decrease)	
Impairments	\$ 353	\$ 2,182	\$ 1,255	\$ 2,182	(83.8 %)	(42.5 %)

In 2020, we incurred impairment charges associated with revenue equipment held for sale and trailer tracking systems (within our Trucking and non-reportable segments). In 2019, we incurred impairment charges of leasehold improvements (within the Trucking segment) from the early termination of a lease of one of our operating properties.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED

	Quarter-to-Date June 30,		Year-to-Date June 30,		QTD 2020 vs.	YTD 2020 vs.
	2020	2019	2020	2019	QTD 2019	YTD 2019
	(Dollars in thousands)				Increase (Decrease)	
Miscellaneous operating expenses	\$ 20,778	\$ 34,108	\$ 43,794	\$ 46,744	(39.1 %)	(6.3 %)

Miscellaneous operating expenses primarily consist of legal and professional services fees, general and administrative expenses, other costs, as well as net gain on sales of equipment.

- **Comparison Between the Quarters Ended June 30, 2020 and 2019** — The \$13.3 million decrease in net consolidated miscellaneous operating expenses was primarily due to a decrease in legal expenses as we incurred \$15.5 million in incremental costs associated with an unfavorable verdict in the second quarter of 2019, which were partially offset by a \$5.8 million reduction in gain on sales of equipment.
- **Comparison Between Year-to-Date June 30, 2020 and 2019** — The \$3.0 million decrease in net consolidated miscellaneous operating expenses is primarily due to the decrease in legal expenses noted above, which were partially offset by a \$14.5 million reduction in gain on sales of equipment.

Consolidated Other Expenses, net

	Quarter-to-Date June 30,		Year-to-Date June 30,		QTD 2020 vs.	YTD 2020 vs.
	2020	2019	2020	2019	QTD 2019	YTD 2019
	(Dollars in thousands)				Increase (Decrease)	
Interest expense	\$ 4,021	\$ 7,156	\$ 10,128	\$ 14,504	(43.8 %)	(30.2 %)
Other (income), net	(8,499)	(3,101)	(1,992)	(9,240)	174.1 %	(78.4 %)
Income tax expense	26,815	26,076	51,369	53,999	2.8 %	(4.9 %)

Interest expense — Interest expense is comprised of debt and finance lease interest expense as well as amortization of deferred loan costs. The quarter and year-to-date decreases in interest expense were primarily due to lower overall interest rates.

Other (income), net — Other (income), net is primarily comprised of unrealized (gains) and losses from our various equity investments, including our TRP investments accounted for under the equity method, as well as certain other non-operating income and expense items that may arise outside of the normal course of business.

- **Comparison Between the Quarters Ended June 30, 2020 and 2019** — The \$5.4 million favorable change between the second quarter of 2020 and 2019 is primarily attributed to unrealized gains from our various equity investments.
- **Comparison Between Year-to-Date June 30, 2020 and 2019** — The \$7.2 million unfavorable change between the first half of 2020 and the first half of 2019 is primarily attributed to unrealized losses from our investments in TRP.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED

Income tax expense — In addition to the discussion below, Note 8 in Part I, Item 1 of this Quarterly Report provides further analysis related to income taxes.

- *Comparison Between the Quarters Ended June 30, 2020 and 2019* — The \$0.7 million increase in consolidated income tax expense was primarily due to an increase in pre-tax earnings, partially offset by an increase in stock compensation deductions recognized as a discrete item in the second quarter of 2020, as compared to the second quarter of 2019. During the second quarter of 2019, we recognized discrete items related to a partial release of our reserve for uncertain tax positions and a decrease in stock compensation deductions. All of these factors resulted in an effective tax rate of 25.0% for the second quarter of 2020 and 24.7% for the second quarter of 2019.
- *Comparison Between Year-to-Date June 30, 2020 and 2019* — The \$2.6 million decrease in consolidated income tax expense was primarily due to a decrease in pre-tax earnings, an increase in stock compensation deductions, and an increase in unfavorable foreign currency fluctuations recognized as discrete items. During the first half of 2019, we also recognized discrete items related to a reduction in our reserve for uncertain tax positions and a decrease in stock compensation deductions. All of these factors resulted in an effective tax rate of 26.0% for the first half of 2020 and 24.4% for the first half of 2019.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED

Non-GAAP Financial Measures

The terms "Adjusted Net Income Attributable to Knight-Swift," "Adjusted EPS," "Adjusted Operating Income," and "Adjusted Operating Ratio," as we define them, are not presented in accordance with GAAP. These financial measures supplement our GAAP results in evaluating certain aspects of our business. We believe that using these measures improves comparability in analyzing our performance because they remove the impact of items from our operating results that, in our opinion, do not reflect our core operating performance. Management and the Board focus on Adjusted Net Income Attributable to Knight-Swift, Adjusted EPS, Adjusted Operating Income, and Adjusted Operating Ratio as key measures of our performance, all of which are reconciled to the most comparable GAAP financial measures and further discussed below. We believe our presentation of these non-GAAP financial measures is useful because it provides investors and securities analysts the same information that we use internally for purposes of assessing our core operating performance.

Adjusted Net Income Attributable to Knight-Swift, Adjusted EPS, Adjusted Operating Income, and Adjusted Operating Ratio are not substitutes for their comparable GAAP financial measures, such as net income, cash flows from operating activities, operating income, or other measures prescribed by GAAP. There are limitations to using non-GAAP financial measures. Although we believe that they improve comparability in analyzing our period to period performance, they could limit comparability to other companies in our industry if those companies define these measures differently. Because of these limitations, our non-GAAP financial measures should not be considered measures of income generated by our business or discretionary cash available to us to invest in the growth of our business. Management compensates for these limitations by primarily relying on GAAP results and using non-GAAP financial measures on a supplemental basis.

Pursuant to the requirements of Regulation G, the following tables reconcile GAAP consolidated net income attributable to Knight-Swift to non-GAAP consolidated Adjusted Net Income attributable to Knight-Swift, GAAP consolidated earnings per diluted share to non-GAAP consolidated Adjusted EPS, GAAP consolidated operating ratio to non-GAAP consolidated Adjusted Operating Ratio, GAAP reportable segment operating income to non-GAAP reportable segment Adjusted Operating Income, and GAAP reportable segment operating ratio to non-GAAP reportable segment Adjusted Operating Ratio.

Non-GAAP Reconciliation:

Consolidated Adjusted Net Income Attributable to Knight-Swift and Adjusted EPS

	Quarter-to-Date June 30,		Year-to-Date June 30,	
	2020	2019	2020	2019
	(In thousands)			
GAAP: Net income attributable to Knight-Swift	\$ 80,189	\$ 79,205	\$ 145,615	\$ 167,143
Adjusted for:				
Income tax expense attributable to Knight-Swift	26,815	26,076	51,369	53,999
Income before income taxes attributable to Knight-Swift	107,004	105,281	196,984	221,142
Amortization of intangibles ¹	11,474	10,692	22,948	21,385
Impairments ²	353	2,182	1,255	2,182
Legal accruals ³	—	15,500	—	15,500
COVID-19 incremental costs ⁴	9,966	—	12,259	—
Adjusted income before income taxes	128,797	133,655	233,446	260,209
Provision for income tax expense at effective rate	(32,299)	(33,028)	(60,743)	(63,401)
Non-GAAP: Adjusted Net Income Attributable to Knight-Swift	\$ 96,498	\$ 100,627	\$ 172,703	\$ 196,808

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED

Note: Since the numbers reflected in the table below are calculated on a per share basis, they may not foot due to rounding.

	Quarter-to-Date June 30,		Year-to-Date June 30,	
	2020	2019	2020	2019
GAAP: Earnings per diluted share	\$ 0.47	\$ 0.46	\$ 0.85	\$ 0.97
Adjusted for:				
Income tax expense attributable to Knight-Swift	0.16	0.15	0.30	0.31
Income before income taxes attributable to Knight-Swift	0.63	0.61	1.15	1.28
Amortization of intangibles ¹	0.07	0.06	0.13	0.12
Impairments ²	—	0.01	0.01	0.01
Legal accruals ³	—	0.09	—	0.09
COVID-19 incremental costs ⁴	0.06	—	0.07	—
Adjusted income before income taxes	0.75	0.77	1.37	1.50
Provision for income tax expense at effective rate	(0.19)	(0.19)	(0.36)	(0.37)
Non-GAAP: Adjusted EPS	\$ 0.57	\$ 0.58	\$ 1.01	\$ 1.14

1 "Amortization of intangibles" reflects the non-cash amortization expense relating to intangible assets identified in the 2017 Merger and other acquisitions. Refer to Note 4 in Part I, Item 1 of this Quarterly Report for additional details regarding the acquisition.

2 "Impairments" reflects the non-cash impairment of certain tractors (within the Trucking segment) and certain legacy trailers (within the non-reportable segments) as a result of a softer used equipment market during the second quarter of 2020, as well as impairment charges of trailer tracking equipment (within the Trucking segment) during the first quarter of 2020. In the second quarter of 2019, we incurred a non-cash impairment of leasehold improvements (within the Trucking segment) which were incurred during the early termination of a lease related to one of our operating properties.

3 "Legal accruals" reflects costs incurred in the second quarter of 2019 associated with a jury verdict issued, which is included in "Miscellaneous operating expenses" in the condensed consolidated statements of comprehensive income.

4 "COVID-19 incremental costs" reflects costs incurred during 2020 that were directly attributable to the pandemic and were incremental to those incurred prior to the outbreak. These include payroll premiums paid to our drivers and shop technicians, additional disinfectants and cleaning supplies, and various other pandemic-specific items. The costs are clearly separable from our normal business operations and are not expected to recur once the pandemic subsides.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED
Non-GAAP Reconciliation: Consolidated Adjusted Operating Income and Adjusted Operating Ratio

	Quarter-to-Date June 30,		Year-to-Date June 30,	
	2020	2019	2020	2019
GAAP Presentation				
	(Dollars in thousands)			
Total revenue	\$ 1,060,698	\$ 1,242,083	\$ 2,185,496	\$ 2,446,618
Total operating expenses	(958,531)	(1,133,490)	(1,981,210)	(2,221,726)
Operating income	\$ 102,167	\$ 108,593	\$ 204,286	\$ 224,892
Operating ratio	90.4 %	91.3 %	90.7 %	90.8 %
Non-GAAP Presentation				
Total revenue	\$ 1,060,698	\$ 1,242,083	\$ 2,185,496	\$ 2,446,618
Trucking fuel surcharge	(63,101)	(119,329)	(160,804)	(226,908)
Revenue, excluding trucking fuel surcharge	997,597	1,122,754	2,024,692	2,219,710
Total operating expenses	958,531	1,133,490	1,981,210	2,221,726
Adjusted for:				
Trucking fuel surcharge	(63,101)	(119,329)	(160,804)	(226,908)
Amortization of intangibles ¹	(11,474)	(10,692)	(22,948)	(21,385)
Impairments ²	(353)	(2,182)	(1,255)	(2,182)
Legal accruals ³	—	(15,500)	—	(15,500)
COVID-19 incremental costs ⁴	(9,966)	—	(12,259)	—
Adjusted Operating Expenses	873,637	985,787	1,783,944	1,955,751
Adjusted Operating Income	\$ 123,960	\$ 136,967	\$ 240,748	\$ 263,959
Adjusted Operating Ratio	87.6 %	87.8 %	88.1 %	88.1 %

1 See Non-GAAP Reconciliation: Consolidated Adjusted Net Income Attributable to Knight-Swift footnote 1.

2 See Non-GAAP Reconciliation: Consolidated Adjusted Net Income Attributable to Knight-Swift footnote 2.

3 See Non-GAAP Reconciliation: Consolidated Adjusted Net Income Attributable to Knight-Swift footnote 3.

4 See Non-GAAP Reconciliation: Consolidated Adjusted Net Income Attributable to Knight-Swift footnote 4.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED
Non-GAAP Reconciliation: Reportable Segment Adjusted Operating Income and Adjusted Operating Ratio
Trucking Segment

	Quarter-to-Date June 30,		Year-to-Date June 30,	
	2020	2019	2020	2019
GAAP Presentation				
	(Dollars in thousands)			
Total revenue	\$ 879,369	\$ 1,020,027	\$ 1,798,430	\$ 1,993,272
Total operating expenses	(771,581)	(894,255)	(1,583,308)	(1,752,325)
Operating income	\$ 107,788	\$ 125,772	\$ 215,122	\$ 240,947
Operating ratio	87.7 %	87.7 %	88.0 %	87.9 %
Non-GAAP Presentation				
Total revenue	\$ 879,369	\$ 1,020,027	\$ 1,798,430	\$ 1,993,272
Fuel surcharge	(63,101)	(119,329)	(160,804)	(226,908)
Intersegment transactions	(235)	(50)	(509)	(86)
Revenue, excluding fuel surcharge and intersegment transactions	816,033	900,648	1,637,117	1,766,278
Total operating expenses	771,581	894,255	1,583,308	1,752,325
Adjusted for:				
Fuel surcharge	(63,101)	(119,329)	(160,804)	(226,908)
Intersegment transactions	(235)	(50)	(509)	(86)
Amortization of intangibles ¹	(324)	(349)	(648)	(698)
Impairments ²	(153)	(2,182)	(1,055)	(2,182)
COVID-19 incremental costs ³	(9,901)	—	(12,146)	—
Adjusted Operating Expenses	697,867	772,345	1,408,146	1,522,451
Adjusted Operating Income	\$ 118,166	\$ 128,303	\$ 228,971	\$ 243,827
Adjusted Operating Ratio	85.5 %	85.8 %	86.0 %	86.2 %

1 "Amortization of intangibles" reflects the non-cash amortization expense relating to intangible assets identified in historical Knight acquisitions.

2 See Non-GAAP Reconciliation: Consolidated Adjusted Net Income Attributable to Knight-Swift footnote 2.

3 See Non-GAAP Reconciliation: Consolidated Adjusted Net Income Attributable to Knight-Swift footnote 4.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED
Logistics Segment

	Quarter-to-Date June 30,		Year-to-Date June 30,	
	2020	2019	2020	2019
GAAP Presentation				
	(Dollars in thousands)			
Total revenue	\$ 70,104	\$ 82,929	\$ 149,302	\$ 171,881
Total operating expenses	(67,066)	(77,908)	(142,545)	(159,577)
Operating income	\$ 3,038	\$ 5,021	\$ 6,757	\$ 12,304
Operating ratio	95.7 %	93.9 %	95.5 %	92.8 %
Non-GAAP Presentation				
Total revenue	\$ 70,104	\$ 82,929	\$ 149,302	\$ 171,881
Intersegment transactions	(3,038)	(2,625)	(5,479)	(4,386)
Revenue, excluding intersegment transactions	67,066	80,304	143,823	167,495
Total operating expenses	67,066	77,908	142,545	159,577
Adjusted for:				
Intersegment transactions	(3,038)	(2,625)	(5,479)	(4,386)
Adjusted Operating Expenses	64,028	75,283	137,066	155,191
Adjusted Operating Income	\$ 3,038	\$ 5,021	\$ 6,757	\$ 12,304
Adjusted Operating Ratio	95.5 %	93.7 %	95.3 %	92.7 %

Intermodal Segment

	Quarter-to-Date June 30,		Year-to-Date June 30,	
	2020	2019	2020	2019
GAAP Presentation				
	(Dollars in thousands)			
Total revenue	\$ 82,820	\$ 118,195	\$ 177,551	\$ 234,562
Total operating expenses	(87,295)	(114,003)	(184,763)	(228,009)
Operating (loss) income	\$ (4,475)	\$ 4,192	\$ (7,212)	\$ 6,553
Operating ratio	105.4 %	96.5 %	104.1 %	97.2 %
Non-GAAP Presentation				
Total revenue	\$ 82,820	\$ 118,195	\$ 177,551	\$ 234,562
Intersegment transactions	(121)	(468)	(230)	(1,158)
Revenue, excluding intersegment transactions	82,699	117,727	177,321	233,404
Total operating expenses	87,295	114,003	184,763	228,009
Adjusted for:				
Intersegment transactions	(121)	(468)	(230)	(1,158)
COVID-19 incremental costs ¹	(65)	—	(113)	—
Adjusted Operating Expenses	87,109	113,535	184,420	226,851
Adjusted Operating (Loss) Income	\$ (4,410)	\$ 4,192	\$ (7,099)	\$ 6,553
Adjusted Operating Ratio	105.3 %	96.4 %	104.0 %	97.2 %

¹ See Non-GAAP Reconciliation: Consolidated Adjusted Net Income Attributable to Knight-Swift footnote 4.

Liquidity and Capital Resources

Sources of Liquidity

Our primary sources of liquidity are funds provided by operations and the following:

Source	June 30, 2020 (In thousands)
Cash and cash equivalents, excluding restricted cash	\$ 117,760
Availability under Revolver, due October 2022 ¹	533,906
Availability under 2018 RSA, due July 2021 ²	39,959
Total unrestricted liquidity	\$ 691,625
Cash and cash equivalents – restricted ³	40,991
Restricted investments, held-to-maturity, amortized cost ³	8,272
Total liquidity, including restricted cash and restricted investments	\$ 740,888

1 As of June 30, 2020, we had \$235.0 million in borrowings under our \$800.0 million Revolver. We additionally had \$31.1 million in outstanding letters of credit (discussed below), leaving \$533.9 million available under the Revolver.

2 Based on eligible receivables at June 30, 2020, our borrowing base for the 2018 RSA was \$273.8 million, while outstanding borrowings were \$165.0 million. We additionally had \$68.8 million in outstanding letters of credit (discussed below), leaving \$40.0 million available under the 2018 RSA. Refer to Note 9 in Part I, Item 1 of this Quarterly Report for more information regarding the 2018 RSA.

3 Restricted cash and restricted investments are primarily held by our captive insurance companies for claims payments. "Cash and cash equivalents – restricted" consists of \$39.6 million, included in "Cash and cash equivalents — restricted" in the condensed consolidated balance sheet and held by Mohave and Red Rock for claims payments. The remaining \$1.4 million is included in "Other long-term assets" and is held in escrow accounts to meet statutory requirements.

Uses of Liquidity

Our business requires substantial amounts of cash for operating activities, including salaries and wages paid to our employees, contract payments to independent contractors, insurance and claims payments, tax payments, and others. We also use large amounts of cash and credit for the following activities:

Capital Expenditures — When justified by customer demand, as well as our liquidity and our ability to generate acceptable returns, we make substantial cash capital expenditures to maintain a modern company tractor fleet, refresh our trailer fleet, fund replacement of our revenue equipment fleet, and, to a lesser extent, fund upgrades to our terminals and technology in our logistics service offerings. We expect that net capital expenditures from the aforementioned projects will be in the range of \$500.0 – \$525.0 million for the full-year 2020. We believe we have ample flexibility with our trade cycle and purchase agreements to alter our current plans if economic or other conditions warrant.

Over the long-term, we will continue to have significant capital requirements, which may require us to seek additional borrowing, lease financing, or equity capital. The availability of financing or equity capital will depend upon our financial condition and results of operations as well as prevailing market conditions. If such additional borrowing, lease financing, or equity capital is not available at the time we need it, then we may need to borrow more under the Revolver (if not then fully drawn), extend the maturity of then-outstanding debt, rely on alternative financing arrangements, engage in asset sales, limit our fleet size, or operate our revenue equipment for longer periods.

There can be no assurance that we will be able to obtain additional debt under our existing financial arrangements to satisfy our ongoing capital requirements. However, we believe the combination of our expected cash flows, financing available through operating and finance leases, available funds under the 2018 RSA, and availability under the Revolver will be sufficient to fund our expected capital expenditures for at least the next twelve months.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED

Principal and Interest Payments — As of June 30, 2020, we had debt and finance lease obligations of \$851.8 million, which are discussed under "Material Debt Agreements," below. Certain cash flows from operations are committed to minimum payments of principal and interest on our debt and lease obligations. Additionally, when our financial position allows, we periodically make voluntary prepayments on our outstanding debt balances.

Letters of Credit — Pursuant to the terms of the 2017 Debt Agreement and the 2018 RSA, our lenders may issue standby letters of credit on our behalf. When we have letters of credit outstanding, the availability under the Revolver or 2018 RSA is reduced accordingly. Standby letters of credit are typically issued for the benefit of regulatory authorities, insurance companies and state departments of insurance for the purpose of satisfying certain collateral requirements, primarily related to our automobile, workers' compensation, and general insurance liabilities.

Share Repurchases — From time to time, and depending on free cash flow availability, debt levels, common stock prices, general economic and market conditions, as well as Board approval, we may repurchase shares of our outstanding common stock. As of June 30, 2020, the Company had \$199.0 million remaining under the 2019 Knight-Swift Share Repurchase Plan. Additional details are discussed in Note 12 in Part I, Item 1 of this Quarterly Report.

Working Capital

As of June 30, 2020 and December 31, 2019, we had working capital deficits of \$142.0 million and \$103.0 million, respectively. The deficits were primarily due to the Term Loan maturing on October 2, 2020. We intend to refinance the Term Loan prior to its maturity.

Material Debt Agreements

As of June 30, 2020, we had \$851.8 million in material debt obligations at the following carrying values:

- \$364.9 million: Term Loan, due October 2020, net of \$0.1 million in deferred loan costs
- \$164.8 million: 2018 RSA outstanding borrowings, due July 2021, net of \$0.2 million in deferred loan costs
- \$87.1 million: Finance lease obligations
- \$235.0 million: Revolver, due October 2022

As of December 31, 2019, we had \$918.8 million in material debt obligations at the following carrying values:

- \$364.8 million: Term Loan, due October 2020, net of \$0.2 million in deferred loan costs
- \$204.8 million: 2018 RSA outstanding borrowings, due July 2021, net of \$0.2 million in deferred loan costs
- \$70.2 million: Finance lease obligations
- \$279.0 million: Revolver, due October 2022.

Cash Flow Analysis

	Year-to-Date June 30,		Change
	2020	2019	
	(In thousands)		
Net cash provided by operating activities	\$ 383,360	\$ 362,812	\$ 20,548
Net cash used in investing activities	(253,066)	(223,882)	(29,184)
Net cash used in financing activities	(173,771)	(162,022)	(11,749)

Net Cash Provided by Operating Activities

Comparison Between Year-to-Date June 30, 2020 and 2019 — The \$20.5 million increase in net cash provided by operating activities was primarily due to a \$68.8 million decrease in cash paid for income taxes, net of refunds, and various changes within our working capital. This was all partially offset by a \$93.4 million cash settlement paid during the first quarter of 2020, associated with pre-2017 Merger legal matters that were previously accrued and disclosed by Swift.

Net Cash Used in Investing Activities

Comparison Between Year-to-Date June 30, 2020 and 2019 — The \$29.2 million increase in net cash used in investing activities was due to a \$46.8 million increase in net cash used for acquisitions and was partially offset by a \$24.7 million decrease in net capital expenditures.

Net Cash Used in Financing Activities

Comparison Between Year-to-Date June 30, 2020 and 2019 — Net cash used in financing activities increased by \$11.7 million, primarily due to a \$59.0 million decrease in net repayments of our debt obligations. This was partially offset by a \$52.3 million decrease in cash used to repurchase shares of our common stock.

Contractual Obligations

"Liquidity and Capital Resources," above, includes details regarding changes in our contractual obligations table during the year-to-date June 30, 2020 period. Aside from these items, there were no material changes to the contractual obligations table, which was included in our 2019 Annual Report.

Off Balance Sheet Arrangements

Information about our off balance sheet arrangements is included in Note 10 of the notes to our condensed consolidated financial statements, included in Part I, Item 1 of this Quarterly Report, which is incorporated by reference herein. See also "Contractual Obligations," above.

Seasonality

Discussion regarding the impact of seasonality on our business is included in Note 1 in the notes to the condensed consolidated financial statements, included in Part I, Item 1 of this Quarterly Report, incorporated by reference herein.

Inflation

Inflation can have an impact on our operating costs. A prolonged period of inflation could cause interest rates, fuel, wages, and other costs to increase, which would adversely affect our results of operations unless freight rates correspondingly increased. Consistent with trends in the trucking industry overall, we continue to experience inflationary pressures with respect to driver wages, as compared to prior years.

Recently Issued Accounting Pronouncements

See Part I, Item 1 of this Quarterly Report, which is incorporated herein by reference, for the impact of recently issued accounting pronouncements on the Company's condensed consolidated financial statements, as follows:

- Note 2 for accounting pronouncements adopted during year-to-date June 30, 2020.
- Note 3 for accounting pronouncements issued during year-to-date June 30, 2020.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

We have exposure from variable interest rates, primarily related to our 2017 Debt Agreement and 2018 RSA. These variable interest rates are impacted by changes in short-term interest rates. We primarily manage interest rate exposure through a mix of variable rate debt (weighted average rate of 1.1% as of June 30, 2020) and fixed rate equipment lease financing. Assuming the level of borrowings as of June 30, 2020, a hypothetical one percentage point increase in interest rates would increase our annual interest expense by \$7.7 million.

Commodity Price Risk

We have commodity exposure with respect to fuel used in company-owned tractors. Increases in fuel prices would continue to raise our operating costs, even after applying fuel surcharge revenue. Historically, we have been able to recover a majority of fuel price increases from our customers in the form of fuel surcharges. The weekly average of diesel price per gallon in the US decreased to \$2.44 for the second quarter of 2020 from an average of \$3.12 in the second quarter of 2019. The weekly average diesel price per gallon in the US decreased to an average of \$2.67 for year-to-date June 30, 2020 from an average of \$3.07 for year-to-date June 30, 2019. We cannot predict the extent or speed of potential changes in fuel price levels in the future, the degree to which the lag effect of our fuel surcharge programs will impact us as a result of the timing and magnitude of such changes, or the extent to which effective fuel surcharges can be maintained and collected to offset such increases. We generally have not used derivative financial instruments to hedge our fuel price exposure in the past, but continue to evaluate this possibility. To mitigate the impact of rising fuel costs, we contract with some of our fuel suppliers to buy fuel at a fixed price or within banded pricing for a specified period, usually not exceeding twelve months. However, these purchase commitments only cover a small portion of our fuel consumption. Accordingly, fuel price fluctuations may still negatively impact us.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We have established disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) to ensure that material information relating to us, including our consolidated subsidiaries, is made known to the officers who certify our financial reports and to other members of senior management and the Board. Our management, with the participation of our principal executive officer and principal financial officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures. Based on this evaluation, as of the end of the period covered by this Quarterly Report on Form 10-Q our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures are effective to ensure that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is (1) recorded, processed, summarized, and reported within the time periods specified in the SEC rules and forms, and (2) accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended June 30, 2020, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. We base our internal control over financial reporting on the criteria set forth in the 2013 COSO Internal Control: Integrated Framework.

We have confidence in our disclosure controls and procedures and internal control over financial reporting. Nevertheless, our management, including our principal executive officer and principal financial officer, does not expect that our disclosure controls and procedures and internal control over financial reporting will prevent all errors, misstatements, or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information about our legal proceedings is included in Note 11 of the notes to our condensed consolidated financial statements, included in Part I, Item 1, of this Quarterly Report for the period ended June 30, 2020, and is incorporated by reference herein. Based on management's present knowledge of the facts and (in certain cases) advice of outside counsel, management does not believe that loss contingencies arising from pending matters are likely to have a material adverse effect on the Company's overall financial position, operating results, or cash flows after taking into account any existing accruals. However, actual outcomes could be material to the Company's financial position, operating results, or cash flows for any particular period.

ITEM 1A. RISK FACTORS

While we attempt to identify, manage, and mitigate risks and uncertainties associated with our business, some level of risk and uncertainty will always be present. Our 2019 Annual Report and our Quarterly Report for the quarterly period ended March 31, 2020, in the section entitled "Item 1A. Risk Factors," describes some of the risks and uncertainties associated with our business.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value that May Yet be Purchased Under the Plans or Programs ¹
April 1, 2020 to April 30, 2020	—	\$ —	—	\$ 198,977,224
May 1, 2020 to May 31, 2020	—	\$ —	—	\$ 198,977,224
June 1, 2020 to June 30, 2020	—	\$ —	—	\$ 198,977,224
Total	—	\$ —	—	\$ 198,977,224

¹ On May 31, 2019, the Company announced that the Board approved the \$250.0 million 2019 Knight-Swift Share Repurchase Plan. There is no expiration date associated with the 2019 Knight-Swift Share Repurchase Plan.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
ITEM 6. EXHIBITS

Exhibit Number	Description	Page or Method of Filing
2.1*	Agreement and Plan of Merger, dated as of April 9, 2017, by and among Swift Transportation Company, Bishop Merger Sub, Inc., and Knight Transportation, Inc.	Incorporated by reference to Exhibit 2.1 of Form 8-K filed on April 13, 2017
3.1	Fourth Amended and Restated Certificate of Incorporation of Knight-Swift Transportation Holdings Inc.	Filed herewith
3.2	Second Amended and Restated By-laws of Knight-Swift Transportation Holdings Inc.	Incorporated by reference to Exhibit 3.2 of Form 8-K filed on November 15, 2018
10.1**	Form of RSU Award Notice	Filed herewith
31.1	Certification pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, by David A. Jackson, the Company's Chief Executive Officer (principal executive officer).	Filed herewith
31.2	Certification pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, by Adam W. Miller, the Company's Chief Financial Officer (principal financial officer).	Filed herewith
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by David A. Jackson, the Company's Chief Executive Officer.	Furnished herewith
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by Adam W. Miller, the Company's Chief Financial Officer.	Furnished herewith
101.INS	Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document	
101.SCH	XBRL Taxonomy Extension Schema Document	Filed herewith
101.CAL	XBRL Taxonomy Calculation Linkbase Document	Filed herewith
101.LAB	XBRL Taxonomy Label Linkbase Document	Filed herewith
101.PRE	XBRL Taxonomy Presentation Linkbase Document	Filed herewith
101.DEF	XBRL Taxonomy Extension Definition Document	Filed herewith
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)	Filed herewith

* Schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company agrees to supplementally furnish to the SEC a copy of any omitted schedule upon request by the SEC.

** Management contract or compensatory plan, contract, or arrangement.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

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 hereunto duly authorized.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

Date: August 5, 2020

/s/ David A. Jackson

David A. Jackson

Chief Executive Officer and President, in his capacity as
such and on behalf of the registrant

Date: August 5, 2020

/s/ Adam W. Miller

Adam W. Miller

Chief Financial Officer, in his capacity as such and on
behalf of the registrant

**FOURTH AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF**

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

Knight-Swift Transportation Holdings Inc., a corporation organized and existing under the laws of the State of Delaware (the “Corporation”), does hereby certify as follows:

1. The name of the Corporation is Knight-Swift Transportation Holdings Inc. The Corporation was originally incorporated under the name Swift Holdings Corp.
2. The Corporation filed its original Certification of Incorporation (as amended or restated to date, the “Certificate”) under the name Swift Holdings Corp. with the Secretary of State of the State of Delaware on May 20, 2010.
3. The Corporation filed its First Amended and Restated Certificate of Incorporation with the Secretary of State of the State of Delaware on December 20, 2010. The Corporation filed its Second Amended and Restated Certificate of Incorporation with the Secretary of State of the State of Delaware on September 8, 2017. The Corporation filed its Third Restated Certificate of Incorporation with the Secretary of State of the State of Delaware on November 13, 2018 (the “Restated Certificate of Incorporation”).
4. This Fourth Amended and Restated Certificate of Incorporation (this “Fourth Amended and Restated Certificate of Incorporation”), which restates, integrates and further amends the Restated Certificate of Incorporation was duly adopted by the Board of Directors of the Corporation and the Corporation’s stockholders in accordance with Sections 242 and 245 of the General Corporation Law of the State of Delaware (the “DGCL”).
5. The date of filing of this Fourth Amended and Restated Certificate of Incorporation is June 4, 2020.
6. This Fourth Amended and Restated Certificate of Incorporation shall read in its entirety as follows:

FIRST: The name of the corporation is KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC. (the “Corporation”).

SECOND: The address of the registered office of the Corporation in the State of Delaware is 1209 Orange Street, in the City of Wilmington, County of New Castle, 19801. The name of its registered agent at that address is National Registered Agents, Inc.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the DGCL, as set forth in Title 8 of the Delaware Code.

FOURTH:

(a) Authorized Capital Stock. The total number of shares of stock which the Corporation shall have authority to issue is 510,000,000 shares of capital stock, consisting of (i) 500,000,000 shares of Class A common stock, par value \$0.01 per share (“Common Stock”), and (ii) 10,000,000 shares of preferred stock, par value \$0.01 per share (“Preferred Stock”).

(b) Common Stock. The powers, preferences and rights, and the qualifications, limitations and restrictions of the Common Stock are as follows:

(1) Voting. Except as otherwise required by the DGCL or as provided by or pursuant to the provisions of this Fourth Amended and Restated Certificate of Incorporation, each holder of Common Stock shall be entitled to one (1) vote for each share of Common Stock held of record by such holder.

(2) No Cumulative Voting. The holders of shares of Common Stock shall not have cumulative voting rights.

(3) Dividends. Subject to the rights of the holders of any one or more series of Preferred Stock, and subject to any other provisions of this Fourth Amended and Restated Certificate of Incorporation, holders of shares of Common Stock shall be entitled to receive such dividends and other distributions in cash, stock or property of the Corporation when, as and if declared thereon by the Board of Directors from time to time out of assets or funds of the Corporation legally available therefor.

(4) Liquidation, Dissolution, etc. In the event of any liquidation, dissolution or winding up (either voluntary or involuntary) of the Corporation, the holders of shares of Common Stock shall be entitled to receive the assets and funds of the Corporation available for distribution after payments to creditors and to the holders of any one or more series of Preferred Stock of the Corporation that may at the time be outstanding, in proportion to the number of shares held by them, respectively.

(5) No Preemptive or Subscription Rights. No holder of shares of Common Stock shall be entitled to preemptive or subscription rights.

(d) Preferred Stock. The Board of Directors is hereby expressly authorized to provide for the issuance of all or any shares of the Preferred Stock in one or more classes or series, and to fix for each such class or series such voting powers, full or limited, or no voting powers, and such designations, preferences and relative, participating, optional or other special rights and such qualifications, limitations or restrictions thereof, as shall be stated and expressed in the resolution or resolutions adopted by the Board of Directors providing for the issuance of such class or series, including, without limitation, the authority to provide that any such class or series may be (i) subject to redemption at such time or times and at such price or prices; (ii) entitled to receive dividends (which may be cumulative or non-cumulative) at such rates, on such conditions, and at such times, and payable in preference to, or in such relation to, the dividends payable on any other class or classes or any other series; (iii) entitled to such rights upon the dissolution of, or upon any distribution of the assets of, the Corporation; or (iv) convertible into, or exchangeable for, shares of any other class or classes of stock, or of any

other series of the same or any other class or classes of stock, of the Corporation at such price or prices or at such rates of exchange and with such adjustments; all as may be stated in such resolution or resolutions.

FIFTH: The following provisions are inserted for the management of the business and the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of its directors and stockholders.

(a) The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors.

(b) The size of the Board of Directors shall be fixed from time to time by resolution of the Board of Directors. Election of directors need not be by written ballot unless the By-Laws so provide.

(c) The directors, other than those who may be elected by the holders of any one or more series of Preferred Stock then outstanding, shall, until the 2023 annual meeting of stockholders, be classified, with respect to the time for which they severally hold office, into three classes designated Class I, Class II and Class III. Beginning with the 2021 annual meeting of stockholders, other than those who may be elected by holders of any one or more series of Preferred Stock then outstanding, the terms of the directors shall be as follows: (i) at the 2021 annual meeting of stockholders, the directors whose terms expire at that meeting (the Class I directors), or such directors' successors, shall be elected to hold office for a two-year term expiring at the 2023 annual meeting of stockholders; (ii) at the 2022 annual meeting of stockholders, the directors whose terms expire at that meeting (the Class II directors), or such directors' successors, shall be elected to hold office for a one-year term expiring at the 2023 annual meeting of stockholders; and (iii) at the 2023 annual meeting of stockholders and at each annual meeting of stockholders thereafter, all directors shall be elected for a one-year term expiring at the next annual meeting of stockholders after their election, with each director to hold office until his or her successor is elected and qualified, or until such director's earlier death, resignation or removal. The division of directors into classes shall terminate at the 2023 annual meeting of stockholders, and all directors elected at the 2023 annual meeting of stockholders and thereafter shall be elected in accordance with clause (c)(iii) above. Subject to the rights, if any, of the holders of any one or more series of Preferred Stock then outstanding, until the 2023 annual meeting of stockholders, a director may be removed from office, only for cause, by the affirmative vote of the holders of at least a majority in voting power of the issued and outstanding capital stock of the Corporation entitled to vote in the election of directors. Advance notice of stockholder nominations for the election of directors shall be given in the manner provided in the By-Laws of the Corporation.

(d) Subject to the terms of any one or more series of Preferred Stock, any vacancy on the Board of Directors that results from an increase in the number of directors may be filled by a majority of the Board of Directors then in office, provided that a quorum is present, and any other vacancy occurring on the Board of Directors may be filled by a majority of the Board of Directors then in office, even if less than a quorum, or by a sole remaining director. Notwithstanding the foregoing provisions of this Article FIFTH, whenever the holders of any

one or more series of Preferred Stock issued by the Corporation shall have the right, voting separately by class or series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of this Fourth Amended and Restated Certificate of Incorporation applicable thereto.

(e) Subject to the requirements of applicable law, the Corporation shall have the power to issue and sell all or any part of any shares of any class of stock herein or hereafter authorized to such persons, and for such consideration, as the Board of Directors shall from time to time, in its discretion, determine, regardless of whether greater consideration could be received upon the issue or sale of the same number of shares of another class, and as otherwise permitted by law. Subject to the requirements of applicable law, the Corporation shall have the power to purchase any shares of any class of stock herein or hereafter authorized from such persons, and for such consideration, as the Board of Directors shall from time to time, in its discretion, determine, regardless of whether less consideration could be paid upon the purchase of the same number of shares of another class, and as otherwise permitted by law.

(f) In addition to the powers and authority hereinbefore or by statute expressly conferred upon them, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, subject, nevertheless, to the provisions of the DGCL and this Fourth Amended and Restated Certificate of Incorporation.

SIXTH: Any action required to be taken at a meeting of the stockholders of the Corporation, or any action that may be taken at a meeting of the stockholders, may be taken without a meeting if a consent in writing setting forth the action so taken shall be signed by all of the stockholders entitled to vote with respect to the subject matter thereof. This consent shall have the same effect as a unanimous vote of stockholders and may be stated as such in any document.

SEVENTH: No director shall be personally liable to the Corporation or any of its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the DGCL as the same exists or may hereafter be amended. If the DGCL is amended hereafter to authorize the further elimination or limitation of the liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent authorized by the DGCL, as so amended. Any repeal or modification of this Article SEVENTH shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification with respect to acts or omissions occurring prior to such repeal or modification.

EIGHTH: The Corporation shall indemnify its directors and officers to the fullest extent authorized or permitted by law, as now or hereafter in effect, and such right to indemnification shall continue as to a person who has ceased to be a director or officer of the Corporation and shall inure to the benefit of his or her heirs, executors and personal and legal representatives; provided, however, that, except for proceedings to enforce rights to indemnification, the Corporation shall not be obligated to indemnify any director or officer (or his or her heirs, executors or personal or legal representatives) in connection with a proceeding

(or part thereof) initiated by such person unless such proceeding (or part thereof) was authorized or consented to by the Board of Directors. The right to indemnification conferred by this Article EIGHTH shall include the right to be paid by the Corporation the expenses incurred in defending or otherwise participating in any proceeding in advance of its final disposition. The Corporation may, to the extent authorized from time to time by the Board of Directors, provide rights to indemnification and to the advancement of expenses to employees and agents of the Corporation similar to those conferred in this Article EIGHTH to directors and officers of the Corporation.

The Corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was or has agreed to become a director, officer, employee or agent of the Corporation against any liability asserted against him or her and incurred by him or her or on his or her behalf in such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against such liability.

The rights to indemnification and to the advance of expenses conferred in this Article EIGHTH shall not be exclusive of any other right any person may have or hereafter acquire under this Fourth Amended and Restated Certificate of Incorporation, the By-Laws of the Corporation, any statute, agreement, vote of stockholders or disinterested directors, or otherwise.

Any repeal or modification of this Article EIGHTH shall not adversely affect any rights to indemnification and to the advancement of expenses of a director or officer of the Corporation existing at the time of such repeal or modification with respect to any acts or omissions occurring prior to such repeal or modification.

NINTH: Subject to the rights of the holders of any one or more series of Preferred Stock, special meetings of the stockholders, unless otherwise prescribed by statute, may be called at any time by (i) the Board of Directors or (ii) the Chairman of the Board of Directors, the Chief Executive Officer of the Corporation or the lead independent director (if any). The Board of Directors shall call a special meeting upon written notice to the Secretary of the Corporation by stockholders representing, as of the close of business on the day immediately preceding the date of delivery of such notice to the Corporation, or if applicable, as of any record date set by the Board of Directors in connection with a solicitation by a stockholder seeking to request the Board of Directors to call such a meeting, at least 20% of all of the votes entitled to be cast by holders of all of the outstanding shares of Common Stock on any issue or business to be considered at such meeting (the “Requisite Percentage”). Any special meeting so requested by stockholders shall be held at such place, date and time as may be fixed from time to time by resolution of the Board of Directors, provided such special meeting shall be held not later than the 90th day after receipt by the Secretary of the Corporation of the requisite notice for such meeting, and provided further that the Board of Directors shall not be required to call a special meeting upon stockholder request if the Board of Directors calls an annual or special meeting of stockholders to be held not later than ninety (90) days after the date on which valid stockholder requests for a special meeting submitted by the Requisite Percentage of stockholders in accordance with this Article NINTH have been delivered to the Secretary of the Corporation (the “Delivery Date”) and the purpose(s) of such meeting include the purpose(s) specified by the Requisite Percentage of stockholders in their request for a special meeting, which included the

purpose(s) specified by the Requisite Percentage of stockholders in their request for a special meeting, with such determination being made in good faith by the Board of Directors. For business or a proposal to be properly brought before a special meeting of stockholders by stockholders, the stockholders must have given notice thereof in writing to the Secretary of the Corporation, setting forth, as to each matter the stockholders propose to bring before a special meeting of stockholders, evidence that such stockholders owned such shares representing, and are entitled to cast, not less than 20% of the votes entitled to be cast on such issue or business to be considered at such meeting, and shall otherwise comply with any notice and other requirements set forth in the By-Laws. Only such business shall be conducted as shall have been properly brought before the special meeting as provided in this Article NINTH, and set forth in the notice of meeting.

TENTH: Meetings of stockholders may be held within or without the State of Delaware, as the ByLaws may provide. The books of the Corporation may be kept (subject to any provision contained in the DGCL) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the ByLaws of the Corporation.

ELEVENTH: In furtherance and not in limitation of the powers conferred upon it by the laws of the State of Delaware, the Board of Directors shall have the power to adopt, amend, alter or repeal the Corporation's ByLaws, except as otherwise stated in the ByLaws.

TWELFTH: Unless the Corporation otherwise consents to an alternative forum in writing, the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Corporation, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director or officer of the Corporation to the Corporation or the Corporation's stockholders, (iii) any action asserting a claim against the Corporation arising pursuant to any provision of the DGCL or the Corporation's Certificate of Incorporation or ByLaws or (iv) any action asserting a claim against the Corporation governed by the internal affairs doctrine. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Article TWELFTH.

THIRTEENTH: The Corporation reserves the right to amend, alter, change, or repeal any provision contained in this Fourth Amended and Restated Certificate of Incorporation but only in the manner now or hereafter prescribed in this Fourth Amended and Restated Certificate of Incorporation the Corporation's ByLaws or the DGCL, and all rights herein conferred upon stockholders are granted subject to such reservation.

IN WITNESS WHEREOF, the Corporation has caused this Fourth Amended and Restated Certificate of Incorporation to be executed as of the first date set forth above.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

By: /s/ David A. Jackson

Name: David A. Jackson

Title: President and Chief Executive Officer

Dear /\$ParticipantName\$/:

1. Grant of Restricted Stock Units. The Grant entitles you to receive a maximum of $\$AwardsGranted\%$ shares of the Company's voting Class A common stock (the "Stock"), par value \$0.01 per share (the "Stock Award") to be issued when and as provided by this Agreement. Under this Grant, you will be issued that number of shares of Stock, not to exceed the total Stock Award, that become vested based on the vesting schedule set forth in Section 2. Stock will be issued to you within 30 days of your Vesting Date, as reflected in the schedule set forth below. No fractional shares of Stock will be issued. No shares of Stock will be issued to you for any portion of the Stock Award that is not vested. Except as set forth in this Agreement, this Grant may not be settled in cash. In no event will you be issued more shares than your Stock Award, but the number of shares of your Stock Award is subject to automatic adjustment for stock dividends, stock splits, reverse stock splits, reorganizations, or reclassifications, as provided in Section 6.2 of the Plan.

/\$VestingSchedule\$/

Your Stock Award will become fully vested and non-forfeitable upon your death or disability (as such term is defined in the Plan), or at such time as your Vested Amount equals the amount of the Stock Award specified in the introductory paragraph. Your Stock Award will also become fully vested and non-forfeitable if: (i) you retire after you are 65 years of age or older; or (ii) you retire with the approval of the Committee before the age of 65.

If you experience a Separation from Service from the Company for any reason, the portion of your Stock Award that is not vested, and any related declared and accrued but undistributed Dividend Equivalent (as defined in Section 5, below), will be automatically forfeited. For purposes of this Agreement, "Separation from Service" means (i) the termination of your employment with the Company with or without cause by you or the Company; or (ii) a permanent reduction in the level of bona fide services you provide to the Company to an amount less than fifty percent (50%) of the average level of bona fide services you provided to the Company in the preceding thirty-six months (calculated in accordance with Treas. Reg. § 1.409A1-(h)(1)(ii)).

3. Book Entry Form. The Stock will be issued to you in book entry form (non-certificated). Stock will be treated as issued and outstanding only as it is actually issued. No Stock will be issued to you until you have accrued a Vested Amount on the respective Vesting Date. Any Stock issued may be subject to other limitations as either the Plan or the law may require.

4. No Voting Rights. You have no voting rights until your Stock is issued to you. A Restricted Stock Unit has no voting rights.

5. Dividend Equivalents. Until Stock is issued to you, you will receive no dividends. However, you will accrue a Dividend Equivalent for the number of shares of Stock that constitutes your Stock Award. For each share of Stock subject to your Stock Award, the Company will accrue on its books, from the Grant Date until paid, an amount equal to the dividends that would have been paid on those shares of Stock, if the Stock had been issued and outstanding from the Grant Date (the "Dividend Equivalent"). As your Stock Award vests, you will be paid by the Company, simultaneously, cash in an amount equal to the Dividend Equivalent you have accrued through the date the vested Stock is issued to you. Any Dividend Equivalent attributable to any portion of a Stock Award that is forfeited will also be forfeited, when your Stock is forfeited. Your Dividend Equivalent will be paid to you not later than the date your Stock is issued to you. You have no right to elect to defer payment of any Dividend Equivalent.

6. Termination Date of Grant. Subject to the limitations of Section 15 and except as otherwise provided herein, this Grant shall terminate upon the earlier of the date of your Separation from Service or the date your Vested Amount equals the amount of the Stock Award in the introductory paragraph.

7. Tax Treatment. As the Stock Award vests, you will recognize ordinary income for the value of the Stock issued to you. The value of the Stock is the fair market value, which is based on the closing market price the day the Stock vests. If the day of vesting falls on a

weekend or on a holiday, the fair market value of the Stock will be based on the closing market price of the business day immediately prior to the day of vesting. By accepting the Grant, you accept responsibility for any income tax withholding or other taxes imposed on you by virtue of the issuance of the Grant. The Company has the right to reduce the total number of shares of Stock and the Dividend Equivalent distributed to you by the amount of any federal or state taxes (including, without limitation, FICA, FUTA, and Medicare) the Company is obligated to withhold and pay, and you hereby authorize the Company to reduce the number of shares of Stock and Dividend Equivalent payable to you by the amount of any federal or state tax the Company is required to withhold and pay. The Committee through a resolution adopted on the Grant Date has authorized the Company to withhold a portion of your Stock to pay the taxes attributable to your vested Stock Award.

8. Non-Compete and Non-Solicitation Agreement.

(a) This Grant has been made to you because you have been retained by the Company in a position of trust and confidence and to induce you to continue to contribute to the results of the Company's operations. In consideration for the issuance of this Grant (and the Company's agreement to allow you to become a shareholder of the Company), you agree that you will not directly compete with the Company for six (6) months after your Separation from Service (the "Non-Compete Period"), without first obtaining the Company's prior written consent, which consent the Company may, in its reasonable discretion, withhold. For this purpose, you will be considered to be directly competing with the Company if you are engaged in any of the activities described in clauses (b)(i), (ii) or (iii) below. The consideration for this six (6) month non-compete agreement is the issuance of this Grant.

(b) You will be considered as directly competing with the Company if at any time during the Non-Compete Period you: (i) are employed by, contract with, or obtain an interest as an owner, shareholder, partner, limited partner or member in, any business or corporation that competes directly with the Company (as such direct competition is defined below), but excluding an investment of one percent (1%) or less in any publicly traded company; (ii) on your own behalf, or on behalf of any other person with whom you may be employed, you solicit or divert from the Company the business of any person who is either a customer of the Company during your employment or is identified in the Company's confidential business records as a potential customer of the Company; or (iii) solicit, divert or encourage any person who is an employee of the Company to leave employment and to become employed by a person who directly competes with the Company. For purposes of this Section 8, you (x) will be considered to be in direct competition with the Company and (y) a person, business or corporation will be considered a direct competitor of the Company, if either you or it is engaged in a truckload business (dry van, refrigerated, brokerage, drayage, intermodal, logistics, or any combination thereof) that conducts significant operations in the same traffic lanes in which the Company operates, or in which the Company has internally identified as a planned area of operation or expansion of its business as of the date of your Separation from Service.

(c) By accepting this Grant, you agree that the foregoing non-competition provisions are reasonable and that you are being compensated for your agreement not to compete.

(d) The Company shall have the right to extend the Non-Compete Period for up to an additional twelve (12) months beyond the completion of your initial Non-Compete Period (the “Extended Non-Compete Period”). If the Company elects to extend the Non-Compete Period, it will notify you in writing of such fact not later than the thirtieth (30th) day prior to the expiration of the initial Non-Compete Period. By accepting this Grant, you agree to accept and abide by the Company’s election. If the Company elects to extend the Non-Compete Period, you agree not to work for any direct competitor of the Company (as defined in Section 8(b)) during the Extended Non-Compete Period, and the Company agrees to pay you, during the Extended Non-Compete Period, an amount equal to your monthly base salary or monthly base consulting fee, as applicable, in effect as of the date of your Separation from Service. Payment for any partial month will be prorated. Payment of your base salary or consulting fee during the Extended Non-Compete Period will be made at the same times and in the same amounts that such amounts were paid to you while you were in the service of the Company. If the Company elects to extend the Non-Compete Period, any monies you earn from any other work, whether as an employee or as an independent contractor, will reduce, dollar for dollar, the amount that the Company is obligated to pay you. Payments made by the Company under this Section 8(d) are made for the extension of the non-compete covenant and do not render you either an employee of, or a consultant to, the Company.

9. Compliance with Securities Laws; Share Restrictions.

(a) So long as you are serving as an employee of the Company, you may not sell any shares of the Stock except in accordance with all applicable federal and state securities laws and the applicable policies of the Company regarding the sale, ownership and retention of the Company’s securities by insiders, executives, and employees. The Company has filed a registration statement with the United States Securities and Exchange Commission (the “SEC”) covering the Grant (and the Stock subject to the Grant) issued pursuant to the Plan. So long as that registration statement is in effect, Stock issued pursuant to the Plan will not be restricted as to transfer. The Company does not provide any assurance that any registration statement will continue to be maintained in effect with respect to the Stock. If for any reason, a registration statement is not in effect with respect to the Stock, the Stock may not be sold or transferred except in compliance with applicable securities laws.

(b) This Grant is subject to any claw-back policy adopted by the Company for incentive-based compensation (the “Clawback Policy”), as required by Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The Clawback Policy, as it exists from time to time, is incorporated by reference into this Agreement. If there is any conflict between the provisions of this Agreement and the Clawback Policy, the Clawback Policy shall control.

10. Risks. By accepting this Grant, you acknowledge that the value of the Stock may be adversely affected by changes in the United States’ economy; changes in the Company’s profitability, financial condition, business or properties; a reduction in the Company’s growth rate; competition from other truckload carriers; and other risk factors that are described more particularly in the Company’s most recent Annual Report on Form 10-K and in its reports on

Forms 10-Q and 8-K. The Company does not promise you that the value of the Stock will rise or that the Company will continue to grow or be profitable.

11. Access to Information. With respect to this Grant, you acknowledge that you have reviewed a copy of the Plan available at <http://investor.knight-swift.com/corporate-governance/equity>, and that the Company has delivered to you, or has provided to you through on-line access, for your examination copies of its reports filed on Forms 8-K, 10-Q and 10-K and any proxy or shareholder information materials filed with the SEC and available through EDGAR. These materials may also be accessed on the Company's website at <http://investor.knight-swiftinc.com>. A copy of these materials will be provided to you if you request them in writing from the Company.

12. Successors. This Agreement is binding on you, your spouse and any successors or assigns.

13. Arbitration of Disputes. We agree that the Federal Arbitration Act shall apply to and govern the arbitration provisions of this Agreement. Any disputes between or among us with respect to the terms of this Agreement or the rights of either of us under this Agreement, shall be subject to the arbitration procedures specified in the Revised Arizona Arbitration Act ("RAAA"), but only to the extent not inconsistent with the Federal Arbitration Act. Arbitration will occur in Phoenix, Arizona. Judgment on any arbitration award may be entered in any court having jurisdiction. A single arbitrator shall have the power to render a maximum award of \$500,000. If you or we assert a claim in excess of \$500,000, the matter may be heard by a single arbitrator, but either of us may request that the arbitration be heard by a panel of three arbitrators and, if so requested, the arbitration decision shall be made by a majority of the three arbitrators. In the event that the selected arbitrator(s) finds any term or clause in this Agreement to be invalid, unenforceable, or illegal, the same will not have any impact, whatsoever, on other terms or clauses in the Agreement or the entire Agreement. The Company shall pay the costs of arbitration, but if the Company is the prevailing party in the arbitration, the Company shall have the right to recover from you all costs of arbitration. EACH OF THE PARTIES EXPRESSLY AGREES TO ARBITRATION AND WAIVES ANY RIGHT TO TRIAL BY JURY ANY PARTY MAY HAVE. In consideration of this Grant, you agree not to bring any class action or any arbitration class action against the Company. Nothing in this Agreement limits or restricts any self-help remedy, including, without limitation, any right of offset a party may have. The person prevailing in any arbitration is entitled to payment of all legal fees and costs and all costs of arbitration, regardless of whether such costs are recoverable under applicable law. In the event of any conflict between the arbitration procedures specified in this Agreement and the RAAA, this Agreement shall control.

14. WAIVER OF CERTAIN CLAIMS. BY EXECUTING THIS AGREEMENT AND ACCEPTING THIS GRANT, YOU AGREE THAT ANY CLAIM YOU MAY HAVE AGAINST THE COMPANY WITH RESPECT TO THIS GRANT OR THE STOCK SUBJECT TO THE GRANT (OTHER THAN A CLAIM FOR THE CONTRACTUAL BREACH OF THIS AGREEMENT OR THE PLAN, WHICH MUST BE BROUGHT WITHIN ONE YEAR OF THE DATE SUCH BREACH OCCURS) MUST BE ASSERTED NOT LATER THAN ONE YEAR FOLLOWING THE DATE OF THIS GRANT, AND THAT NO CLAIMS (OTHER

THAN FOR BREACH OF CONTRACT) MAY BE BROUGHT AFTER THAT PERIOD. YOU VOLUNTARILY AND KNOWINGLY WAIVE ANY LONGER STATUTE OF LIMITATIONS IN CONSIDERATION OF THIS GRANT. IN ADDITION, YOU AND THE COMPANY AGREE THAT ANY CLAIM MADE UNDER THIS AGREEMENT OR THE PLAN, OR ARISING FROM OR IN CONNECTION WITH ANY STOCK GRANTED PURSUANT TO THIS AGREEMENT OR THE PLAN, SHALL BE LIMITED TO ACTUAL ECONOMIC DAMAGES, AND THE RECOVERY OF ATTORNEYS' FEES AND COSTS OF COURT. TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO RESCISSION OR ANY RIGHT TO CLAIM OR RECOVER TREBLE DAMAGES, PUNITIVE DAMAGES, OR EXEMPLARY DAMAGES, WHETHER SUCH RIGHTS ARE GRANTED BY STATUTE OR UNDER COMMON LAW, IS HEREBY WAIVED AND RELEASED. EACH PARTY AGREES AND ACKNOWLEDGES THAT THE WAIVER AND RELEASE OF SUCH RIGHTS IS VOLUNTARY AND KNOWING AND THAT EACH PARTY HAS RECEIVED, UNDER THIS AGREEMENT, FULL AND ADEQUATE CONSIDERATION FOR SUCH WAIVER.

15. Survival. The provisions of Sections 8, 9, and 12 through 20 shall survive the termination of this Grant and of this Agreement.

16. Rights Non-Transferable. Neither this Agreement nor your rights hereunder are transferable, except by Last Will and Testament, Revocable Trust or Testamentary Trust, or by the law of descent and distribution.

17. Administration. The Committee shall have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules. All actions taken and all interpretations and determinations made by the Committee in good faith shall be final and binding upon you, the Company and all other interested persons. No member of the Committee shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or this Grant.

18. Construction. It is the intent of the Company and you that the Stock subject to this Grant is to be treated as "nonvested shares" within the meaning of Financial Accounting Standards Board ASC Topic 718, and the Stock is subject to being earned by you only if you continue to provide the Company with your services until this Grant terminates.

19. Governing Law. This Agreement is subject to, and is to be construed in accordance with, the laws of the State of Delaware.

20. Acceptance. You are required by the on-line system to accept or reject the Grant and this Agreement. If you fail to affirmatively accept or reject through the on-line system within five (5) business days after receipt of this Grant, then by continuing to serve as a director of, in employment with, or as a consultant for the Company, you will be deemed to have accepted and agreed to the terms and conditions set forth in this Agreement and deemed to have acknowledged receipt of a copy of the Plan.

Sincerely,

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC., a Delaware corporation
By:

Adam Miller, CFO

RULE 13a-14(a)/15d-14(a) CERTIFICATION

I, David A. Jackson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Knight-Swift Transportation Holdings Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2020

/s/ David A. Jackson

David A. Jackson

Chief Executive Officer (principal executive officer)

RULE 13a-14(a)/15d-14(a) CERTIFICATION

I, Adam W. Miller, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Knight-Swift Transportation Holdings Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2020

/s/ Adam W. Miller

Adam W. Miller
Chief Financial Officer
(principal financial officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Knight-Swift Transportation Holdings Inc. (the "Company") on Form 10-Q for the quarterly period ended June 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David A. Jackson, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

a Delaware corporation

Date: August 5, 2020

By: /s/ David A. Jackson

David A. Jackson

Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Knight-Swift Transportation Holdings Inc. and will be retained by Knight-Swift Transportation Holdings Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Knight-Swift Transportation Holdings Inc. (the "Company") on Form 10-Q for the quarterly period ended June 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Adam W. Miller, Chief Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

a Delaware corporation

Date: August 5, 2020

By: /s/ Adam W. Miller

Adam W. Miller

Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Knight-Swift Transportation Holdings Inc. and will be retained by Knight-Swift Transportation Holdings Inc. and furnished to the Securities and Exchange Commission or its staff upon request.