

**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 **March 31, 2021**  
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** **20-5589597**  
(State or other jurisdiction of incorporation or organization) (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 | <input checked="" type="checkbox"/> | Accelerated Filer         | <input type="checkbox"/> |
| Non-accelerated Filer   | <input type="checkbox"/>            | Smaller Reporting Company | <input type="checkbox"/> |
|                         |                                     | Emerging Growth Company   | <input type="checkbox"/> |

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 165,510,658 shares of the registrant's common stock outstanding as of April 28, 2021.

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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                                                                                                                                                                      |
|------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Knight-Swift/the Company/Management/We/Us/Our</b> | Unless otherwise indicated or the context otherwise requires, these terms represent Knight-Swift Transportation Holdings Inc. and its subsidiaries.                             |
| <b>2017 Merger</b>                                   | The September 8, 2017 merger of Knight and Swift, pursuant to which we became Knight-Swift Transportation Holdings Inc.                                                         |
| <b>2017 Debt Agreement</b>                           | The Company's Credit Agreement, entered into on September 29, 2017, as amended on October 2, 2020, consisting of the Revolver and Term Loan, which are defined below.           |
| <b>2018 RSA</b>                                      | 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. |
| <b>2021 RSA</b>                                      | Fifth Amendment to the Amended and Restated Receivables Sales Agreement, entered into on April 23, 2021 by Swift Receivables Company II, LLC with unrelated financial entities. |
| <b>Annual Report</b>                                 | Annual Report on Form 10-K                                                                                                                                                      |
| <b>ASC</b>                                           | Accounting Standards Codification                                                                                                                                               |
| <b>ASU</b>                                           | Accounting Standards Update                                                                                                                                                     |
| <b>Board</b>                                         | Knight-Swift's Board of Directors                                                                                                                                               |
| <b>COVID-19</b>                                      | Viral strain of a coronavirus which led the World Health Organization to declare a global pandemic in March 2020.                                                               |
| <b>DOE</b>                                           | United States Department of Energy                                                                                                                                              |
| <b>EPS</b>                                           | Earnings Per Share                                                                                                                                                              |
| <b>ESPP</b>                                          | Knight-Swift Transportation Holdings Inc. Amended and Restated 2012 Employee Stock Purchase Plan                                                                                |
| <b>GAAP</b>                                          | United States Generally Accepted Accounting Principles                                                                                                                          |
| <b>Knight</b>                                        | Unless otherwise indicated or the context otherwise requires, this term represents Knight Transportation, Inc. and its subsidiaries prior to the 2017 Merger.                   |
| <b>LIBOR</b>                                         | London InterBank Offered Rate                                                                                                                                                   |
| <b>Quarterly Report</b>                              | Quarterly Report on Form 10-Q                                                                                                                                                   |
| <b>QTD</b>                                           | Quarter-to-date                                                                                                                                                                 |
| <b>Revolver</b>                                      | Revolving line of credit under the 2017 Debt Agreement                                                                                                                          |
| <b>RSU</b>                                           | Restricted Stock Unit                                                                                                                                                           |
| <b>SEC</b>                                           | United States Securities and Exchange Commission                                                                                                                                |
| <b>Swift</b>                                         | Unless otherwise indicated or the context otherwise requires, this term represents Swift Transportation Company and its subsidiaries prior to the 2017 Merger.                  |
| <b>Term Loan</b>                                     | The Company's term loan under the 2017 Debt Agreement                                                                                                                           |
| <b>TRP</b>                                           | Transportation Resource Partners                                                                                                                                                |
| <b>US</b>                                            | The United States of America                                                                                                                                                    |
| <b>YTD</b>                                           | Year-to-date                                                                                                                                                                    |

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

|                                                                                                                                                                                  | March 31, 2021                        | December 31, 2020 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|-------------------|
|                                                                                                                                                                                  | (In thousands, except per share data) |                   |
| <b>ASSETS</b>                                                                                                                                                                    |                                       |                   |
| Current assets:                                                                                                                                                                  |                                       |                   |
| Cash and cash equivalents                                                                                                                                                        | \$ 194,650                            | \$ 156,699        |
| Cash and cash equivalents – restricted                                                                                                                                           | 47,867                                | 39,328            |
| Restricted investments, held-to-maturity, amortized cost                                                                                                                         | 8,954                                 | 9,001             |
| Trade receivables, net of allowance for doubtful accounts of \$21,797 and \$22,093, respectively                                                                                 | 584,011                               | 578,479           |
| Contract balance – revenue in transit                                                                                                                                            | 20,104                                | 14,560            |
| Prepaid expenses                                                                                                                                                                 | 66,278                                | 71,649            |
| Assets held for sale                                                                                                                                                             | 20,835                                | 29,756            |
| Income tax receivable                                                                                                                                                            | 31                                    | 2,903             |
| Other current assets                                                                                                                                                             | 21,015                                | 20,988            |
| Total current assets                                                                                                                                                             | 963,745                               | 923,363           |
| Gross property and equipment                                                                                                                                                     | 4,286,833                             | 4,223,348         |
| Less: accumulated depreciation and amortization                                                                                                                                  | (1,311,189)                           | (1,230,696)       |
| Property and equipment, net                                                                                                                                                      | 2,975,644                             | 2,992,652         |
| Operating lease right-of-use-assets                                                                                                                                              | 95,658                                | 113,296           |
| Goodwill                                                                                                                                                                         | 2,958,709                             | 2,922,964         |
| Intangible assets, net                                                                                                                                                           | 1,393,346                             | 1,389,245         |
| Other long-term assets                                                                                                                                                           | 132,373                               | 126,482           |
| Total assets                                                                                                                                                                     | \$ 8,519,475                          | \$ 8,468,002      |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                                                                                                                      |                                       |                   |
| Current liabilities:                                                                                                                                                             |                                       |                   |
| Accounts payable                                                                                                                                                                 | \$ 126,918                            | \$ 101,001        |
| Accrued payroll and purchased transportation                                                                                                                                     | 182,106                               | 160,888           |
| Accrued liabilities                                                                                                                                                              | 143,168                               | 88,894            |
| Claims accruals – current portion                                                                                                                                                | 174,678                               | 174,928           |
| Finance lease liabilities and long-term debt – current portion                                                                                                                   | 85,035                                | 52,583            |
| Operating lease liabilities – current portion                                                                                                                                    | 37,577                                | 47,496            |
| Accounts receivable securitization – current portion                                                                                                                             | 198,957                               | 213,918           |
| Total current liabilities                                                                                                                                                        | 948,439                               | 839,708           |
| Revolving line of credit                                                                                                                                                         | 115,000                               | 210,000           |
| Long-term debt – less current portion                                                                                                                                            | 299,063                               | 298,907           |
| Finance lease liabilities – less current portion                                                                                                                                 | 127,341                               | 138,243           |
| Operating lease liabilities – less current portion                                                                                                                               | 62,549                                | 69,852            |
| Claims accruals – less current portion                                                                                                                                           | 174,766                               | 174,814           |
| Deferred tax liabilities                                                                                                                                                         | 797,019                               | 815,941           |
| Other long-term liabilities                                                                                                                                                      | 45,960                                | 48,497            |
| Total liabilities                                                                                                                                                                | 2,570,137                             | 2,595,962         |
| Commitments and contingencies (Notes 3, 9, and 10)                                                                                                                               |                                       |                   |
| 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; 165,488 and 166,553 shares issued and outstanding as of March 31, 2021 and December 31, 2020, respectively. | 1,655                                 | 1,665             |
| Additional paid-in capital                                                                                                                                                       | 4,309,792                             | 4,301,424         |
| Retained earnings                                                                                                                                                                | 1,625,397                             | 1,566,759         |
| Total Knight-Swift stockholders' equity                                                                                                                                          | 5,936,844                             | 5,869,848         |
| Noncontrolling interest                                                                                                                                                          | 12,494                                | 2,192             |
| Total stockholders' equity                                                                                                                                                       | 5,949,338                             | 5,872,040         |
| Total liabilities and stockholders' equity                                                                                                                                       | \$ 8,519,475                          | \$ 8,468,002      |

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



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

|                                                         | Quarter Ended March 31,               |              |
|---------------------------------------------------------|---------------------------------------|--------------|
|                                                         | 2021                                  | 2020         |
|                                                         | (In thousands, except per share data) |              |
| <b>Revenue:</b>                                         |                                       |              |
| Revenue, excluding trucking fuel surcharge              | \$ 1,133,105                          | \$ 1,027,095 |
| Trucking fuel surcharge                                 | 89,909                                | 97,703       |
| Total revenue                                           | 1,223,014                             | 1,124,798    |
| <b>Operating expenses:</b>                              |                                       |              |
| Salaries, wages, and benefits                           | 370,370                               | 354,833      |
| Fuel                                                    | 118,236                               | 121,855      |
| Operations and maintenance                              | 68,070                                | 68,404       |
| Insurance and claims                                    | 55,643                                | 54,280       |
| Operating taxes and licenses                            | 22,048                                | 22,169       |
| Communications                                          | 5,037                                 | 4,874        |
| Depreciation and amortization of property and equipment | 119,915                               | 110,221      |
| Amortization of intangibles                             | 11,749                                | 11,474       |
| Rental expense                                          | 16,864                                | 25,375       |
| Purchased transportation                                | 258,230                               | 225,276      |
| Impairments                                             | —                                     | 902          |
| Miscellaneous operating expenses                        | 14,593                                | 23,016       |
| Total operating expenses                                | 1,060,755                             | 1,022,679    |
| Operating income                                        | 162,259                               | 102,119      |
| <b>Other (expenses) income:</b>                         |                                       |              |
| Interest income                                         | 294                                   | 832          |
| Interest expense                                        | (3,486)                               | (6,107)      |
| Other income (expenses), net                            | 16,105                                | (6,507)      |
| Total other (expenses) income, net                      | 12,913                                | (11,782)     |
| Income before income taxes                              | 175,172                               | 90,337       |
| Income tax expense                                      | 45,329                                | 24,554       |
| Net income                                              | 129,843                               | 65,783       |
| Net income attributable to noncontrolling interest      | (53)                                  | (357)        |
| Net income attributable to Knight-Swift                 | \$ 129,790                            | \$ 65,426    |
| <b>Earnings per share:</b>                              |                                       |              |
| Basic                                                   | \$ 0.77                               | \$ 0.38      |
| Diluted                                                 | \$ 0.77                               | \$ 0.38      |
| <b>Dividends declared per share:</b>                    | \$ 0.08                               | \$ 0.08      |
| <b>Weighted average shares outstanding:</b>             |                                       |              |
| Basic                                                   | 167,478                               | 170,617      |
| Diluted                                                 | 168,374                               | 171,282      |

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

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

|                                                                                        | Quarter Ended March 31, |            |
|----------------------------------------------------------------------------------------|-------------------------|------------|
|                                                                                        | 2021                    | 2020       |
|                                                                                        | (In thousands)          |            |
| <b>Cash flows from operating activities:</b>                                           |                         |            |
| Net income                                                                             | \$ 129,843              | \$ 65,783  |
| Adjustments to reconcile net income to net cash provided by operating activities:      |                         |            |
| Depreciation and amortization of property, equipment, and intangibles                  | 131,664                 | 121,695    |
| Gain on sale of property and equipment                                                 | (10,537)                | (3,005)    |
| Impairments                                                                            | —                       | 902        |
| Deferred income taxes                                                                  | (18,920)                | 15,330     |
| Non-cash lease expense                                                                 | 15,589                  | 24,202     |
| Other adjustments to reconcile net income to net cash provided by operating activities | (6,522)                 | 14,065     |
| Increase (decrease) in cash resulting from changes in:                                 |                         |            |
| Trade receivables                                                                      | (11,586)                | (5,268)    |
| Income tax receivable                                                                  | 2,872                   | 4,380      |
| Accounts payable                                                                       | 12,534                  | 31,084     |
| Accrued liabilities and claims accrual                                                 | 70,975                  | (93,193)   |
| Operating lease liabilities                                                            | (15,174)                | (25,414)   |
| Other assets and liabilities                                                           | 5,375                   | 4,782      |
| Net cash provided by operating activities                                              | 306,113                 | 155,343    |
| <b>Cash flows from investing activities:</b>                                           |                         |            |
| Proceeds from maturities of held-to-maturity investments                               | 500                     | 4,350      |
| Purchases of held-to-maturity investments                                              | (512)                   | (4,301)    |
| Proceeds from sale of property and equipment, including assets held for sale           | 67,175                  | 33,756     |
| Purchases of property and equipment                                                    | (111,020)               | (109,431)  |
| Expenditures on assets held for sale                                                   | (401)                   | (352)      |
| Net cash, restricted cash, and equivalents invested in acquisitions                    | (39,281)                | (46,811)   |
| Other cash flows from investing activities                                             | 9,398                   | (2,793)    |
| Net cash used in investing activities                                                  | (74,141)                | (125,582)  |
| <b>Cash flows from financing activities:</b>                                           |                         |            |
| Repayment of finance leases and long-term debt                                         | (6,600)                 | (14,498)   |
| (Repayments) borrowings on revolving lines of credit, net                              | (95,000)                | 15,000     |
| Repayment of accounts receivable securitization                                        | (15,000)                | (25,000)   |
| Proceeds from common stock issued                                                      | 2,709                   | 3,257      |
| Repurchases of the Company's common stock                                              | (53,661)                | (34,630)   |
| Dividends paid                                                                         | (13,624)                | (13,964)   |
| Other cash flows from financing activities                                             | (4,190)                 | (2,050)    |
| Net cash used in financing activities                                                  | (185,366)               | (71,885)   |
| Net increase (decrease) in cash, restricted cash, and equivalents                      | 46,606                  | (42,124)   |
| Cash, restricted cash, and equivalents at beginning of period                          | 197,277                 | 202,228    |
| Cash, restricted cash, and equivalents at end of period                                | \$ 243,883              | \$ 160,104 |

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

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

|                                                                                                                         | Quarter Ended March 31, |                      |                   |                      |
|-------------------------------------------------------------------------------------------------------------------------|-------------------------|----------------------|-------------------|----------------------|
|                                                                                                                         | 2021                    | 2020                 |                   |                      |
|                                                                                                                         | (In thousands)          |                      |                   |                      |
| <b>Supplemental disclosures of cash flow information:</b>                                                               |                         |                      |                   |                      |
| <b>Cash paid during the period for:</b>                                                                                 |                         |                      |                   |                      |
| Interest                                                                                                                | \$ 2,505                | \$ 6,293             |                   |                      |
| Income taxes                                                                                                            | 2,199                   | 3,280                |                   |                      |
| <b>Non-cash investing and financing activities:</b>                                                                     |                         |                      |                   |                      |
| Equipment acquired included in accounts payable                                                                         | \$ 13,860               | \$ 44,084            |                   |                      |
| Financing provided to independent contractors for equipment sold                                                        | 462                     | 1,670                |                   |                      |
| Transfer from property and equipment to assets held for sale                                                            | 29,955                  | 15,288               |                   |                      |
| Noncontrolling interest associated with acquisition                                                                     | 10,281                  | —                    |                   |                      |
| Contingent consideration associated with acquisition                                                                    | —                       | 18,654               |                   |                      |
| Right-of-use assets (forfeited) obtained in exchange for operating lease liabilities                                    | (2,608)                 | 1,704                |                   |                      |
| Right-of-use assets obtained in exchange for new operating lease liabilities through acquisitions                       | 560                     | 12,356               |                   |                      |
| Property and equipment obtained in exchange for finance lease liabilities reclassified from operating lease liabilities | 28,149                  | 12,286               |                   |                      |
| <b>Reconciliation of Cash, Restricted Cash, and Equivalents:</b>                                                        |                         |                      |                   |                      |
|                                                                                                                         | March 31,<br>2021       | December 31,<br>2020 | March 31,<br>2020 | December 31,<br>2019 |
|                                                                                                                         | (In thousands)          |                      |                   |                      |
| <b>Condensed Consolidated Balance Sheets</b>                                                                            |                         |                      |                   |                      |
| Cash and cash equivalents                                                                                               | \$ 194,650              | \$ 156,699           | \$ 119,132        | \$ 159,722           |
| Cash and cash equivalents – restricted <sup>1</sup>                                                                     | 47,867                  | 39,328               | 39,812            | 41,331               |
| Other long-term assets <sup>1</sup>                                                                                     | 1,366                   | 1,250                | 1,160             | 1,175                |
| <b>Condensed Consolidated Statements of Cash Flows</b>                                                                  |                         |                      |                   |                      |
| Cash, restricted cash, and equivalents                                                                                  | \$ 243,883              | \$ 197,277           | \$ 160,104        | \$ 202,228           |

<sup>1</sup> 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                          |           | Additional<br>Paid-in Capital | Retained<br>Earnings | Total Knight-<br>Swift<br>Stockholders'<br>Equity | Noncontrolling<br>Interest | Total<br>Stockholders'<br>Equity |
|--------------------------------------------------------------|---------------------------------------|-----------|-------------------------------|----------------------|---------------------------------------------------|----------------------------|----------------------------------|
|                                                              | Shares                                | Par Value |                               |                      |                                                   |                            |                                  |
|                                                              | (In thousands, except per share data) |           |                               |                      |                                                   |                            |                                  |
| <b>Balances – December 31, 2020</b>                          | 166,553                               | \$ 1,665  | \$ 4,301,424                  | \$ 1,566,759         | \$ 5,869,848                                      | \$ 2,192                   | \$ 5,872,040                     |
| Common stock issued to employees                             | 220                                   | 3         | 2,006                         |                      | 2,009                                             |                            | 2,009                            |
| Common stock issued under ESPP                               | 18                                    | —         | 700                           |                      | 700                                               |                            | 700                              |
| Company shares repurchased                                   | (1,303)                               | (13)      |                               | (53,648)             | (53,661)                                          |                            | (53,661)                         |
| Shares withheld – RSU settlement                             |                                       |           |                               | (4,159)              | (4,159)                                           |                            | (4,159)                          |
| Employee stock-based compensation expense                    |                                       |           | 5,662                         |                      | 5,662                                             |                            | 5,662                            |
| Cash dividends paid and dividends accrued (\$0.08 per share) |                                       |           |                               | (13,345)             | (13,345)                                          |                            | (13,345)                         |
| Net income attributable to Knight-Swift                      |                                       |           |                               | 129,790              | 129,790                                           |                            | 129,790                          |
| Investment in noncontrolling interest                        |                                       |           |                               |                      |                                                   | 10,281                     | 10,281                           |
| Distribution to noncontrolling interest                      |                                       |           |                               |                      |                                                   | (32)                       | (32)                             |
| Net income attributable to noncontrolling interest           |                                       |           |                               |                      |                                                   | 53                         | 53                               |
| <b>Balances – March 31, 2021</b>                             | 165,488                               | \$ 1,655  | \$ 4,309,792                  | \$ 1,625,397         | \$ 5,936,844                                      | \$ 12,494                  | \$ 5,949,338                     |

|                                                              | Common Stock                          |           | Additional<br>Paid-in Capital | Retained<br>Earnings | Total Knight-<br>Swift<br>Stockholders'<br>Equity | Noncontrolling<br>Interest | Total<br>Stockholders'<br>Equity |
|--------------------------------------------------------------|---------------------------------------|-----------|-------------------------------|----------------------|---------------------------------------------------|----------------------------|----------------------------------|
|                                                              | Shares                                | Par Value |                               |                      |                                                   |                            |                                  |
|                                                              | (In thousands, except per share data) |           |                               |                      |                                                   |                            |                                  |
| <b>Balances – December 31, 2019</b>                          | 170,688                               | \$ 1,707  | \$ 4,269,043                  | \$ 1,395,465         | \$ 5,666,215                                      | \$ 2,088                   | \$ 5,668,303                     |
| Common stock issued to employees                             | 211                                   | 2         | 2,709                         |                      | 2,711                                             |                            | 2,711                            |
| Common stock issued under ESPP                               | 16                                    | —         | 546                           |                      | 546                                               |                            | 546                              |
| Company shares repurchased                                   | (1,139)                               | (11)      |                               | (34,619)             | (34,630)                                          |                            | (34,630)                         |
| Shares withheld – RSU settlement                             |                                       |           |                               | (1,971)              | (1,971)                                           |                            | (1,971)                          |
| Employee stock-based compensation expense                    |                                       |           | 3,536                         |                      | 3,536                                             |                            | 3,536                            |
| Cash dividends paid and dividends accrued (\$0.08 per share) |                                       |           |                               | (13,774)             | (13,774)                                          |                            | (13,774)                         |
| Net income attributable to Knight-Swift                      |                                       |           |                               | 65,426               | 65,426                                            |                            | 65,426                           |
| Distribution to noncontrolling interest                      |                                       |           |                               |                      |                                                   | (180)                      | (180)                            |
| Net income attributable to noncontrolling interest           |                                       |           |                               |                      |                                                   | 357                        | 357                              |
| <b>Balances – March 31, 2020</b>                             | 169,776                               | \$ 1,698  | \$ 4,275,834                  | \$ 1,410,527         | \$ 5,688,059                                      | \$ 2,265                   | \$ 5,690,324                     |

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

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

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## Notes to Condensed Consolidated Financial Statements (Unaudited)

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### 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 quarter ended March 31, 2021, the Company operated an average of 18,224 tractors (comprised of 16,305 company tractors and 1,919 independent contractor tractors) and 59,797 trailers within the Trucking segment. Additionally, the Company operated an average of 597 tractors and 10,846 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 2020 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.

#### **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**

COVID-19 became a global pandemic in 2020, 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.

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.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED

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**Note 2 — Recently Issued Accounting Pronouncements**

No material ASUs issued since the 2020 annual report.

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**Note 3 — Acquisitions**

***Eleos Acquisition***

On February 1, 2021, pursuant to a membership interest purchase agreement ("MIPA"), the Company, through a wholly owned subsidiary, acquired 79.44% of the issued and outstanding membership interests of Eleos Technologies, LLC ("Eleos"), a Greenville, South Carolina based software provider, specializing in mobile driving platforms, which complement the Company's suite of services. The total purchase price consideration, including cash on hand and net working capital adjustments, consisted of \$41.5 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, \$4.1 million of the cash consideration was placed in escrow to secure certain of the sellers' indemnification obligations and other items.

The MIPA included that both the buyer and sellers would file an election under the Internal Revenue Code Section 754 to adjust the tax basis of the Company's assets and liabilities, with respect to the buyer's purchase of the equity. The MIPA contains customary representations, warranties, covenants, and indemnification provisions for transactions of this nature.

The goodwill recognized represents expected synergies from combining the operations of Eleos 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.

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

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

|                                                               | February 1, 2021 Opening<br>Balance Sheet as<br>Reported at March 31,<br>2021 |
|---------------------------------------------------------------|-------------------------------------------------------------------------------|
| <b>Fair value of the consideration transferred</b>            | <b>\$ 41,518</b>                                                              |
| Cash and cash equivalents                                     | 2,237                                                                         |
| Trade and other receivables                                   | 545                                                                           |
| Prepaid expenses and other assets                             | 47                                                                            |
| Operating lease right-of-use assets                           | 560                                                                           |
| Identifiable intangible assets <sup>1</sup>                   | 15,850                                                                        |
| <b>Total assets</b>                                           | <b>19,239</b>                                                                 |
| Accounts payable                                              | (156)                                                                         |
| Accrued payroll and payroll-related expenses                  | (605)                                                                         |
| Accrued liabilities                                           | (1,391)                                                                       |
| Operating lease liabilities – current and noncurrent portions | (560)                                                                         |
| Other long-term liabilities                                   | (475)                                                                         |
| <b>Total liabilities</b>                                      | <b>(3,187)</b>                                                                |
| Noncontrolling interest                                       | (10,281)                                                                      |
| <b>Total stockholders' equity</b>                             | <b>(10,281)</b>                                                               |
| <b>Goodwill</b>                                               | <b>\$ 35,747</b>                                                              |

<sup>1</sup> Includes \$8.8 million in customer relationships, \$0.2 million in noncompete agreements, \$3.5 million in internally-developed software, and a \$3.4 million trade name.

**Warehousing Co. Acquisition**

On January 1, 2020, pursuant to a stock purchase agreement (the "SPA") the Company, through a wholly owned subsidiary, 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. During the third quarter of 2020, the escrow proceeds were released to the sellers pursuant to the SPA. 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 measurement period, 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.

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

During the fourth quarter of 2020, the Company paid the first annual payment of \$8.1 million as a result of the achievement of Warehousing Co.'s EBIT performance target for the calendar year December 31, 2020. Additionally, during the fourth quarter of 2020, the Company increased the estimated fair value of the remaining contingent consideration representing the final two annual payments, resulting in a \$6.7 million fair value adjustment of the deferred earnout, which was recorded in "Miscellaneous operating expenses" in the consolidated statement of comprehensive income. As such, as of March 31, 2021 and December 31, 2020, the remaining estimated contingent consideration was \$16.2 million representing the fair value of the remaining annual deferred payments for the calendar year ending December 31, 2021 and the annualized six-month period ending June 30, 2022.

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 was allocated based on estimated fair values of the assets acquired and liabilities assumed at the acquisition date. The purchase price allocation was open for adjustments through the end of the measurement period, which closed one year from the January 1, 2020 acquisition date.

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

|                                                           | January 1, 2020 Opening<br>Balance Sheet as<br>Reported at March 31,<br>2020 | Adjustments     | January 1, 2020 Opening<br>Balance Sheet as<br>Reported at March 31,<br>2021 |
|-----------------------------------------------------------|------------------------------------------------------------------------------|-----------------|------------------------------------------------------------------------------|
| <b><i>Fair value of the consideration transferred</i></b> | \$ 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 <sup>1</sup>               | 55,681                                                                       | —               | 55,681                                                                       |
| Deferred tax assets                                       | 54                                                                           | —               | 54                                                                           |
| Other noncurrent assets                                   | 404                                                                          | —               | 404                                                                          |
| <b><i>Total assets</i></b>                                | <b>75,808</b>                                                                | <b>—</b>        | <b>75,808</b>                                                                |
| 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)                                                                      |
| <b><i>Total liabilities</i></b>                           | <b>(13,347)</b>                                                              | <b>—</b>        | <b>(13,347)</b>                                                              |
| <b><i>Goodwill</i></b>                                    | <b>\$ 4,393</b>                                                              | <b>\$ (410)</b> | <b>\$ 3,983</b>                                                              |

<sup>1</sup> 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 4 — Investments**
**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:

|                                          | March 31, 2021         |       |                  |                      |
|------------------------------------------|------------------------|-------|------------------|----------------------|
|                                          | Gross Unrealized       |       |                  | Estimated Fair Value |
|                                          | Cost or Amortized Cost | Gains | Temporary Losses |                      |
|                                          |                        |       |                  |                      |
|                                          | (In thousands)         |       |                  |                      |
| US corporate securities                  | \$ 8,954               | \$ —  | \$ (4)           | \$ 8,950             |
| Restricted investments, held-to-maturity | \$ 8,954               | \$ —  | \$ (4)           | \$ 8,950             |

|                                          | December 31, 2020      |                  |                  |                      |
|------------------------------------------|------------------------|------------------|------------------|----------------------|
|                                          | Cost or Amortized Cost | Gross Unrealized |                  | Estimated Fair Value |
|                                          |                        | Gains            | Temporary Losses |                      |
|                                          |                        |                  |                  |                      |
|                                          | (In thousands)         |                  |                  |                      |
| US corporate securities                  | \$ 9,001               | \$ 2             | \$ (8)           | \$ 8,995             |
| Restricted investments, held-to-maturity | \$ 9,001               | \$ 2             | \$ (8)           | \$ 8,995             |

As of March 31, 2021, the contractual maturities of the restricted investments, held-to-maturity, were one year or less. There were sixteen securities that were in an unrealized loss position for less than twelve months as of March 31, 2021 and December 31, 2020. The Company did not recognize any impairment losses related to its held-to-maturity investments during the quarters ended March 31, 2021 or 2020.

**Other Investments**

On April 16, 2021, the Company agreed to pay \$25.0 million in cash in exchange for a convertible promissory note. The cash was paid on May 4, 2021. The convertible promissory note accrues simple interest on the unpaid principal balance at a rate of 10.0% and is payable on demand any time after April 16, 2022, unless earlier converted into shares of the borrower's common stock. The amount outstanding on the promissory note is automatically converted into a number of shares of the borrower's common stock upon either the closing of a qualified financing or upon a public event, subject to discounted conversion pricing per share based on a valuation of the borrower.

Refer to Note 15 for additional information regarding fair value measurements of the Company's investments.

**Note 5 — 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 \$20.8 million and \$29.8 million as of March 31, 2021 and December 31, 2020, 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 \$10.5 million and \$3.0 million for the quarters ended March 31, 2021 and 2020, respectively. The increase in net gains on disposals was primarily due to a stronger market for used revenue equipment during the quarter ended March 31, 2021, as compared to the same period in 2020.

The Company did not recognize impairment losses related to assets held for sale during the quarter ended March 31, 2021, as compared to the same period last year when the Company recognized impairment losses related to assets held for sale of \$0.1 million.

**KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED**
**Note 6 — Goodwill and Other Intangible Assets**
**Goodwill**

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

|                                             | (In thousands) |
|---------------------------------------------|----------------|
| Goodwill at beginning of period             | \$ 2,922,964   |
| Adjustments relating to deferred tax assets | (2)            |
| Acquisition <sup>1</sup>                    | 35,747         |
| Goodwill at end of period                   | \$ 2,958,709   |

- <sup>1</sup> The goodwill associated with the Eleos acquisition referenced in Note 3 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 quarters ended March 31, 2021 or 2020.

**Other Intangible Assets**

Other intangible asset balances were as follows:

|                                                      | March 31, 2021 | December 31, 2020 |
|------------------------------------------------------|----------------|-------------------|
|                                                      | (In thousands) |                   |
| <b>Definite-lived intangible assets <sup>1</sup></b> |                |                   |
| Gross carrying amount                                | \$ 910,447     | \$ 894,597        |
| Accumulated amortization                             | (157,601)      | (145,852)         |
| Definite-lived intangible assets, net                | 752,846        | 748,745           |
| <b>Indefinite-lived trade names:</b>                 |                |                   |
| Gross carrying amount                                | 640,500        | 640,500           |
| Intangible assets, net                               | \$ 1,393,346   | \$ 1,389,245      |

- <sup>1</sup> The major categories of the Company's definite-lived intangible assets include customer relationships, non-compete agreements, internally-developed software, trade names, 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 18.1 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 March 31, 2021, management anticipates that the composition and amount of amortization associated with intangible assets will be \$35.7 million for the remainder of 2021, \$47.4 million in 2022, \$46.9 million for each of the years 2023 and 2024, and \$46.8 million in 2025. 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.

## KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED

**Note 7 — Income Taxes**

**Effective Tax Rate** — The quarter-to-date March 31, 2021 and March 31, 2020 effective tax rates were 25.9% and 27.2%, respectively.

**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.

**Unrecognized Tax Benefits** — Management believes it is reasonably possible that a decrease of up to \$0.7 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 \$0.4 million and \$0.3 million as of March 31, 2021 and December 31, 2020, respectively.

**Tax Examinations** — Certain of the Company's subsidiaries are currently under examination by various state jurisdictions for tax years ranging from 2013 to 2019. 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 2015 remain subject to examination.

**Note 8 — 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 March 31, 2021, 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 March 31, 2021. 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.

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

|                                                   |                                          |
|---------------------------------------------------|------------------------------------------|
| Effective date                                    | July 11, 2018                            |
| Final maturity date <sup>1</sup>                  | July 9, 2021                             |
| Borrowing capacity                                | \$325,000                                |
| Accordion option <sup>2</sup>                     | \$175,000                                |
| Unused commitment fee rate <sup>3</sup>           | 20 to 40 basis points                    |
| Program fees on outstanding balances <sup>4</sup> | one-month LIBOR + 80 to 100 basis points |

1 On April 23, 2021, the Company entered into a new accounts receivable securitization agreement which extends the maturity date to April 23, 2024. See below for more details.

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

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

4 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.

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

Availability under the 2018 RSA is calculated as follows:

|                                                                  | March 31, 2021 | December 31, 2020 |
|------------------------------------------------------------------|----------------|-------------------|
|                                                                  | (In thousands) |                   |
| Borrowing base, based on eligible receivables                    | \$ 267,200     | \$ 302,700        |
| Less: outstanding borrowings <sup>1</sup>                        | (199,000)      | (214,000)         |
| Less: outstanding letters of credit                              | (65,281)       | (67,281)          |
| Availability under accounts receivable securitization facilities | \$ 2,919       | \$ 21,419         |

<sup>1</sup> Outstanding borrowings are included in "Accounts receivable securitization – current portion" in the condensed consolidated balance sheets, offset by \$43.0 thousand and \$0.1 million of deferred loan costs as of March 31, 2021 and December 31, 2020, respectively. Interest accrued on the aggregate principal balance at a rate of 1.0% as of March 31, 2021 and December 31, 2020.

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 \$1.4 million during the quarters ended March 31, 2021 and 2020, respectively.

Refer to Note 15 for information regarding the fair value of the 2018 RSA.

**Subsequent Event**

On April 23, 2021, the Company entered into the Fifth Amendment to the Amended and Restated Receivables Sales Agreement ("2021 RSA"). The 2021 RSA, among other things, extends the maturity date to April 23, 2024, increases the maximum borrowing capacity to \$400.0 million, decreases the accordion option to \$100.0 million, and changes the program fee to one-month LIBOR plus 82.5 basis points.

**Note 9 — Commitments**
**Purchase Commitments**

As of March 31, 2021, the Company had outstanding commitments to purchase revenue equipment of \$654.8 million in the remainder of 2021 (\$419.2 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 March 31, 2021, the Company had outstanding commitments to purchase facilities and non-revenue equipment of \$37.5 million in the remainder of 2021, \$2.1 million in the two-year period 2022 through 2023, \$0.5 million in the two-year period 2024 through 2025, and none thereafter. Factors such as costs and opportunities for future terminal expansions may change the amount of such expenditures.

As of March 31, 2021, the Company had outstanding commitments for fuel purchases of \$25.0 million in the remainder of 2021, and none thereafter.

**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 2021, Knight entered into a \$10.0 million commitment to invest in TRP Capital Partners V, LP with \$10.0 million outstanding as of March 31, 2021. There were no other material changes related to the previously disclosed TRP commitments during the quarter ended March 31, 2021.

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

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**Note 10 — 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 \$21.8 million, relating to the Company's outstanding legal proceedings as of March 31, 2021.

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 March 31, 2021.

***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 <sup>1</sup>     | Swift Transportation Co., Inc                                             | March 22, 2010  | United States District Court for the Central District of California |
| James R. Rudsell <sup>1</sup> | 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. Two objectors 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 March 31, 2021.

**INDEPENDENT CONTRACTOR MATTERS**
***Ninth Circuit Independent Contractor Misclassification Class Action***

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 <sup>1</sup> | Swift Transportation Co., Inc., Interstate Equipment Leasing, Inc., Jerry Moyes, and Chad Killebrew | December 22, 2009 | United 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 March 31, 2021, the Company has accrued for anticipated costs associated with finalizing this matter.

<sup>1</sup> Individually and on behalf of all others similarly situated.

***Other Environmental***

The Company's tractors and trailers are involved in motor vehicle accidents, experience damage, mechanical failures and cargo issues as an incidental part of its normal ordinary course of operations. From time to time, these matters result in the discharge of diesel fuel, motor oil or other hazardous materials into the environment. Depending on local regulations and who is determined to be at fault, the Company is sometimes responsible for the clean-up costs associated with these discharges. As of March 31, 2021, the Company's estimate for its total legal

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

liability for all such clean-up and remediation costs was approximately \$0.7 million in the aggregate for all current and prior year claims.

**Self Insurance**

**Automobile Liability, General Liability, and Excess Liability** — Effective November 1, 2020, the Company has \$100.0 million in excess auto liability ("AL") coverage. Effective November 1, 2019, the Company had \$130.0 million in excess auto liability ("AL") coverage. For prior years, Swift and Knight separately maintained 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 carried 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.

**Medical** — Knight maintains primary and excess coverage for employee medical expenses, with a \$0.4 million SIR per claimant. 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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**Note 11 — Share Repurchase Plan**

On November 30, 2020, the Company announced that the Board approved the repurchase of up to \$250.0 million worth of the Company's outstanding common stock (the "2020 Knight-Swift Share Repurchase Plan"). With the adoption of the 2020 Knight-Swift Share Repurchase Plan, the Company terminated the previous share repurchase plan, which had approximately \$54.1 million of authorized purchases remaining 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 March 31, 2021 |           | Quarter-to-Date March 31, 2020 |           |
|--------------------------------|-------------------|--------------------------------|-----------|--------------------------------|-----------|
| Board Approval Date            | Authorized Amount | Shares                         | Amount    | Shares                         | Amount    |
| (in thousands)                 |                   |                                |           |                                |           |
| May 30, 2019                   | \$250,000         | —                              | \$ —      | 1,139                          | \$ 34,630 |
| November 24, 2020 <sup>1</sup> | \$250,000         | 1,303                          | \$ 53,661 | —                              | \$ —      |
|                                |                   | 1,303                          | \$ 53,661 | 1,139                          | \$ 34,630 |

<sup>1</sup> \$196.3 million and \$250.0 million remained available under the 2020 Knight-Swift Share Repurchase Plan as of March 31, 2021 and December 31, 2020, respectively.

**KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED**
**Note 12 — 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 Ended March 31, |         |
|----------------------------------------------------------------------------|-------------------------|---------|
|                                                                            | 2021                    | 2020    |
|                                                                            | (In thousands)          |         |
| Basic weighted average common shares outstanding                           | 167,478                 | 170,617 |
| Dilutive effect of equity awards                                           | 896                     | 665     |
| Diluted weighted average common shares outstanding                         | 168,374                 | 171,282 |
| Anti-dilutive shares excluded from diluted earnings per share <sup>1</sup> | 6                       | 256     |

- <sup>1</sup> 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.

**Note 13 — Related Party Transactions**

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

|                                       | Quarter Ended March 31,  |                          |                          |                          |
|---------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|                                       | 2021                     |                          | 2020                     |                          |
|                                       | Provided by Knight-Swift | Received by Knight-Swift | Provided by Knight-Swift | Received by Knight-Swift |
|                                       | (In thousands)           |                          |                          |                          |
| <b>Freight Services:</b>              |                          |                          |                          |                          |
| Central Freight Lines <sup>1</sup>    | \$ —                     | \$ —                     | \$ 6,816                 | \$ —                     |
| Total                                 | \$ —                     | \$ —                     | \$ 6,816                 | \$ —                     |
| <b>Facility and Equipment Leases:</b> |                          |                          |                          |                          |
| Central Freight Lines <sup>1</sup>    | \$ —                     | \$ —                     | \$ —                     | \$ 92                    |
| Other Affiliates <sup>1</sup>         | —                        | 57                       | 5                        | 73                       |
| Total                                 | \$ —                     | \$ 57                    | \$ 5                     | \$ 165                   |
| <b>Other Services:</b>                |                          |                          |                          |                          |
| Central Freight Lines <sup>1</sup>    | \$ —                     | \$ —                     | \$ 15                    | \$ —                     |
| DPF Mobile <sup>1</sup>               | —                        | —                        | —                        | 12                       |
| Other Affiliates <sup>1</sup>         | 6                        | 9                        | 9                        | —                        |
| Total                                 | \$ 6                     | \$ 9                     | \$ 24                    | \$ 12                    |

- <sup>1</sup> 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 Lines represent less-than-truckload freight services rendered to haul parts and equipment to Company shop locations.

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

- 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.

During the quarter ended September 30, 2020, the ownership percentage of Jerry Moyes and related affiliates fell below the threshold requiring related party disclosure. The amounts included in this Note 13 pertain to transactions that occurred prior to the date that the ownership percentage changed.

Receivables and payables pertaining to related party transactions were:

|                       | March 31, 2021 |             | December 31, 2020 |              |
|-----------------------|----------------|-------------|-------------------|--------------|
|                       | Receivable     | Payable     | Receivable        | Payable      |
|                       | (In thousands) |             |                   |              |
| Central Freight Lines | \$ —           | \$ —        | \$ 133            | \$ —         |
| DPF Mobile            | —              | —           | —                 | 41           |
| Other Affiliates      | 7              | 6           | 2                 | 10           |
| Total                 | <u>\$ 7</u>    | <u>\$ 6</u> | <u>\$ 135</u>     | <u>\$ 51</u> |

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

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**Note 14 — 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-one 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 five 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 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 Ended March 31, |              |
|---------------------------|-------------------------|--------------|
|                           | 2021                    | 2020         |
| <b>Revenue:</b>           | (In thousands)          |              |
| Trucking                  | \$ 962,947              | \$ 919,061   |
| Logistics                 | 118,887                 | 79,198       |
| Intermodal                | 107,066                 | 94,731       |
| Subtotal                  | \$ 1,188,900            | \$ 1,092,990 |
| Non-reportable segments   | 50,669                  | 46,242       |
| Intersegment eliminations | (16,555)                | (14,434)     |
| Total revenue             | \$ 1,223,014            | \$ 1,124,798 |

|                                 | Quarter Ended March 31, |            |
|---------------------------------|-------------------------|------------|
|                                 | 2021                    | 2020       |
| <b>Operating income (loss):</b> | (In thousands)          |            |
| Trucking                        | \$ 158,483              | \$ 107,334 |
| Logistics                       | 7,577                   | 3,719      |
| Intermodal                      | 3,457                   | (2,737)    |
| Subtotal                        | \$ 169,517              | \$ 108,316 |
| Non-reportable segments         | (7,258)                 | (6,197)    |
| Operating income                | \$ 162,259              | \$ 102,119 |

|                                                                 | Quarter Ended March 31, |            |
|-----------------------------------------------------------------|-------------------------|------------|
|                                                                 | 2021                    | 2020       |
| <b>Depreciation and amortization of property and equipment:</b> | (In thousands)          |            |
| Trucking                                                        | \$ 101,885              | \$ 93,548  |
| Logistics                                                       | 208                     | 207        |
| Intermodal                                                      | 3,818                   | 3,488      |
| Subtotal                                                        | \$ 105,911              | \$ 97,243  |
| Non-reportable segments                                         | 14,004                  | 12,978     |
| Depreciation and amortization of property and equipment         | \$ 119,915              | \$ 110,221 |

**Geographical Information**

In the aggregate, total revenue from the Company's foreign operations was less than 5.0% of consolidated total revenue for the quarters ended March 31, 2021 and 2020. Additionally, long-lived assets on the Company's foreign subsidiary balance sheets were less than 5.0% of consolidated total assets as of March 31, 2021 and December 31, 2020.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED

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**Note 15 — 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 March 31, 2021 and December 31, 2020, 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 4 for additional disclosures regarding restricted investments, held-to-maturity.

**Equity Method Investments** — The estimated fair value of the Company's equity method investments are privately negotiated 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:

|                                                                   | March 31, 2021 |                      | December 31, 2020 |                      |
|-------------------------------------------------------------------|----------------|----------------------|-------------------|----------------------|
|                                                                   | Carrying Value | Estimated Fair Value | Carrying Value    | Estimated Fair Value |
| (In thousands)                                                    |                |                      |                   |                      |
| <b>Financial Assets:</b>                                          |                |                      |                   |                      |
| Restricted investments, held-to-maturity <sup>1</sup>             | \$ 8,954       | \$ 8,950             | \$ 9,001          | \$ 8,995             |
| Equity method investments <sup>2</sup>                            | 80,891         | 80,891               | 77,562            | 77,562               |
| Investments in equity securities <sup>3</sup>                     | 22,555         | 22,555               | 18,675            | 18,675               |
| <b>Financial Liabilities:</b>                                     |                |                      |                   |                      |
| Term Loan, due October 2022 <sup>4</sup>                          | \$ 299,063     | \$ 300,000           | \$ 298,907        | \$ 300,000           |
| 2018 RSA, due July 2021 <sup>5</sup>                              | 198,957        | 199,000              | 213,918           | 214,000              |
| Revolver, due October 2022                                        | 115,000        | 115,000              | 210,000           | 210,000              |
| Contingent consideration associated with acquisition <sup>6</sup> | 16,200         | 16,200               | 16,200            | 16,200               |

1 Refer to Note 4 for the differences between the carrying amounts and estimated fair values of the Company's restricted investments, held-to-maturity.

2 Net equity method investment balances included in "Other long-term assets" in the condensed consolidated balance sheets.

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

4 The carrying amount of the Term Loan is included in "Finance lease liabilities and long-term debt – less current portion," on the condensed consolidated balance sheets and is net of \$0.9 million and \$1.1 million in deferred loan costs as of March 31, 2021 and December 31, 2020, respectively.

5 The carrying amount of the 2018 RSA is included in "Accounts receivable securitization – current portion," on the condensed consolidated balance sheets and is net of \$43.0 thousand and \$0.1 million in deferred loan costs as of March 31, 2021 and December 31, 2020, respectively.

6 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 the fair value of assets measured on a recurring basis as of March 31, 2021 and December 31, 2020:

|                                               | Estimated<br>Fair Value | Fair Value Measurements at Reporting Date Using: |                |                |      |           | Total Gain |
|-----------------------------------------------|-------------------------|--------------------------------------------------|----------------|----------------|------|-----------|------------|
|                                               |                         | Level 1 Inputs                                   | Level 2 Inputs | Level 3 Inputs |      |           |            |
|                                               |                         | (In thousands)                                   |                |                |      |           |            |
| <b>As of March 31, 2021</b>                   |                         |                                                  |                |                |      |           |            |
| Investments in equity securities <sup>1</sup> | \$ 22,555               | \$ 22,555                                        | \$ —           | \$ —           | \$ — | \$ 10,391 |            |
| <b>As of December 31, 2020</b>                |                         |                                                  |                |                |      |           |            |
| Investments in equity securities <sup>2</sup> | \$ 18,675               | \$ 18,675                                        | \$ —           | \$ —           | \$ — | \$ 3,553  |            |

1 The Company recognized \$10.4 million of unrealized gains on these assets for the quarter-ended March 31, 2021. Additionally, the Company sold \$6.4 million in equity investments during the quarter ended March 31, 2021 and realized a gain of \$3.5 million. The activity for these investments is included within "Other (expense) income, net" within the condensed consolidated statement of comprehensive income for the quarter ended March 31, 2021.

2 The Company recognized \$3.6 million of unrealized gains during the year-ended December 31, 2020. The Company recognized \$5.3 million in unrealized losses during the quarter-ended March 31, 2020. The Company did not sell any equity investments during the quarter ended March 31, 2020 and therefore did not realize any gains (losses) on these investments. The activity for these investments is included within "Other (expense) income, net" within the condensed consolidated statement of comprehensive income for the quarter ended March 31, 2020.

**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 March 31, 2021 and December 31, 2020:

|                                                                   | Estimated<br>Fair Value | Fair Value Measurements at Reporting Date Using: |                |                |            | Total Gain (Loss) |
|-------------------------------------------------------------------|-------------------------|--------------------------------------------------|----------------|----------------|------------|-------------------|
|                                                                   |                         | Level 1 Inputs                                   | Level 2 Inputs | Level 3 Inputs |            |                   |
|                                                                   |                         | (In thousands)                                   |                |                |            |                   |
| <b>As of March 31, 2021</b>                                       |                         |                                                  |                |                |            |                   |
| Contingent consideration associated with acquisition <sup>1</sup> | \$ 16,200               | \$ —                                             | \$ —           | \$ 16,200      | \$ —       |                   |
| <b>As of December 31, 2020</b>                                    |                         |                                                  |                |                |            |                   |
| Contingent consideration associated with acquisition <sup>2</sup> | \$ 16,200               | \$ —                                             | \$ —           | \$ 16,200      | \$ (6,730) |                   |

<sup>1</sup> The Company did not recognize any gains (losses) during the quarter-ended March 31, 2021 related to the revaluation of these liabilities.

<sup>2</sup> Refer to Note 3 for information regarding the adjustments made to the contingent consideration associated with the acquisition. During the year-ended December 31, 2020, the Company recognized \$6.7 million in losses related to the revaluation of these liabilities. The Company did not recognize any losses during the quarter-ended March 31, 2020.

**Nonrecurring Fair Value Measurements (Assets)** — As of March 31, 2021, the Company had no major categories of assets estimated at fair value that were measured on a nonrecurring basis.

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 December 31, 2020:

|                                | Estimated<br>Fair Value | Fair Value Measurements at Reporting Date Using: |                |                | Total Loss |
|--------------------------------|-------------------------|--------------------------------------------------|----------------|----------------|------------|
|                                |                         | Level 1 Inputs                                   | Level 2 Inputs | Level 3 Inputs |            |
|                                |                         | (In thousands)                                   |                |                |            |
| <i>As of December 31, 2020</i> |                         |                                                  |                |                |            |
| Equipment <sup>1</sup>         | 5,851                   | —                                                | 5,851          | —              | (5,335)    |

<sup>1</sup> Reflects the non-cash impairment of certain alternative fuel technology (within the non-reportable segments) and certain revenue equipment held for sale (within the Trucking segment). During the year-ended December 31, 2020, the Company recognized \$5.3 million of impairments related to these assets. The Company recognized \$0.9 million of impairments during the quarter-ended March 31, 2020.

**Nonrecurring Fair Value Measurements (Liabilities)** — As of March 31, 2021 and December 31, 2020, 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," "potential," "objective," "mission," "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 2020 Annual Report 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.

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## 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.*

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## 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 2020 Annual Report.*

## Executive Summary

### 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 14 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.

**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 2020 Annual Report, and various disclosures in our press releases, stockholder reports, and other filings with the SEC.

**KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.**
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED**
**Consolidated Key Financial Highlights and Operating Metrics**

|                                                               | Quarter Ended March 31,                       |              |
|---------------------------------------------------------------|-----------------------------------------------|--------------|
|                                                               | 2021                                          | 2020         |
| <b>GAAP financial data:</b>                                   |                                               |              |
|                                                               | (Dollars in thousands, except per share data) |              |
| Total revenue                                                 | \$ 1,223,014                                  | \$ 1,124,798 |
| Revenue, excluding trucking fuel surcharge                    | \$ 1,133,105                                  | \$ 1,027,095 |
| Net income attributable to Knight-Swift                       | \$ 129,790                                    | \$ 65,426    |
| Earnings per diluted share                                    | \$ 0.77                                       | \$ 0.38      |
| Operating ratio                                               | 86.7 %                                        | 90.9 %       |
| <b>Non-GAAP financial data:</b>                               |                                               |              |
| Adjusted Net Income Attributable to Knight-Swift <sup>1</sup> | \$ 139,433                                    | \$ 76,205    |
| Adjusted EPS <sup>1</sup>                                     | \$ 0.83                                       | \$ 0.44      |
| Adjusted Operating Ratio <sup>1</sup>                         | 84.5 %                                        | 88.6 %       |
| <b>Revenue equipment:</b>                                     |                                               |              |
| Average tractors (Trucking segment only) <sup>2</sup>         | 18,224                                        | 18,462       |
| Average trailers <sup>3</sup>                                 | 59,797                                        | 57,716       |
| Average containers                                            | 10,846                                        | 9,856        |

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 2.3 years and 2.0 years as of March 31, 2021 and 2020, respectively.

3 The average age of our trailer fleet was 8.2 years and 7.6 years as of March 31, 2021 and 2020, respectively.

## **Market Trends and Company Performance**

**Trends and Outlook** — Our consolidated revenue, excluding trucking fuel surcharge, grew by 10.3% during the first quarter of 2021, as a result of revenue growth across all of our reportable segments. We generated consolidated Adjusted Net Income Attributable to Knight-Swift of \$139.4 million, which represents an 83.0% increase from \$76.2 million during the first quarter of 2020. Our Trucking segment overcame inclement weather conditions and driver sourcing challenges during the quarter and improved average revenue per tractor by 7.7%, which resulted in a 470 basis point improvement in the Adjusted Operating Ratio to 81.8% in the first quarter of 2021 from 86.5% in the first quarter of 2020. Our Logistics segment grew revenue by more than 50% and more than doubled operating income year-over-year. Despite weather and service disruptions during the first quarter of 2021, our Intermodal segment achieved year-over-year improvements in operating results, and we anticipate ongoing improvement in the coming quarters.

The national unemployment rate was 6.0%<sup>1</sup> as of March 31, 2021, reflecting the continued resumption of economic activity that had been curtailed due to the pandemic.

During the first quarter of 2021, the US gross domestic product, which is the broadest measure of goods and services produced across the economy, increased by 6.4%<sup>2</sup> per preliminary third-party forecasts. Third-party forecasts are predicting a continued economic rebound in 2021. The first quarter 2021 US employment cost index rose 2.6%<sup>1</sup> and 0.9%<sup>1</sup> on a year-over-year and sequential basis, respectively.

From a freight market perspective, we are encouraged by the continued strength in freight demand; however, demand may be difficult to predict for the rest of 2021. The 2021 market outlook includes the following:

- over-the-road truckload demand has been strong and we expect this to continue throughout the remainder of the year and into 2022,
- capacity expansion may be limited as there has been some constraint by parts availability with respect to new tractor builds,
- rates may continue to be favorable in the coming year, as a result of inventory restocking and strong demand,
- sourcing and retaining drivers is likely to contribute to additional driver wage inflation,
- there has been an increased demand for power-only services, and
- there may be continuing non-contract freight opportunities with more challenging year-over-year comparisons in the back half of the year.

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 enter into operating leases, for a majority of our revenue equipment in 2021. With significant tightening in the insurance markets, we may also experience changes in premiums, retention limits, and excess coverage limits in the remainder of 2021. 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 manage our leverage ratio relative to 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.

<sup>1</sup> Source: bls.gov

<sup>2</sup> Source: bea.gov

## KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

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

**Comparison Between the Quarters Ended March 31, 2021 and 2020** — The \$64.4 million increase in net income attributable to Knight-Swift to \$129.8 million during the quarter ended March 31, 2021 from \$65.4 million during the same period last year includes the following:

- **Contributor** — \$51.1 million increase in operating income within our Trucking segment. Average revenue per tractor increased by 7.7%, driven by a 16.1% increase in revenue per loaded mile, excluding fuel surcharge and intersegment transactions.
- **Contributor** — \$6.2 million improvement in operating income (loss) within our Intermodal segment. Revenue per load increased 10.2% and load counts increased 2.6%.
- **Contributor** — \$22.6 million improvement in "Other income (expenses), net," primarily related to gains recognized within our portfolio of investments.
- **Offset** — \$20.8 million increase in consolidated income tax expense was primarily due to an increase in income before income taxes, partially offset by a reduction of the unfavorable impacts from foreign currency fluctuations in the quarter ended March 31, 2021 compared to the same period last year. All of these factors resulted in an effective tax rate of 25.9% for the first quarter of 2021 and 27.2% for the first quarter of 2020.

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

**Liquidity and Capital** — During the quarter ended March 31, 2021, we generated \$306.1 million in operating cash flows, reduced our operating lease liabilities by \$15.2 million, used \$43.8 million for capital expenditures (net of disposal proceeds), spent \$39.3 million on acquisitions, and returned \$67.3 million to our stockholders in the form of quarterly dividends and repurchases of our common stock.

We ended the quarter with \$194.7 million in unrestricted cash and cash equivalents, \$115.0 million outstanding on the Revolver, \$300.0 million face value outstanding on the Term Loan, and \$5.9 billion of stockholders' equity.

We continue to manage our leverage ratio relative to 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" for additional information.

## 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 14 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 Ended March 31, |              |
|---------------------------|-------------------------|--------------|
|                           | 2021                    | 2020         |
|                           | (In thousands)          |              |
| <b>Revenue:</b>           |                         |              |
| Trucking                  | \$ 962,947              | \$ 919,061   |
| Logistics                 | 118,887                 | 79,198       |
| Intermodal                | 107,066                 | 94,731       |
| Subtotal                  | \$ 1,188,900            | \$ 1,092,990 |
| Non-reportable segments   | 50,669                  | 46,242       |
| Intersegment eliminations | (16,555)                | (14,434)     |
| Total revenue             | \$ 1,223,014            | \$ 1,124,798 |

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

|                                 | Quarter Ended March 31, |            |
|---------------------------------|-------------------------|------------|
|                                 | 2021                    | 2020       |
| (In thousands)                  |                         |            |
| <b>Operating income (loss):</b> |                         |            |
| Trucking                        | \$ 158,483              | \$ 107,334 |
| Logistics                       | 7,577                   | 3,719      |
| Intermodal                      | 3,457                   | (2,737)    |
| Subtotal                        | \$ 169,517              | \$ 108,316 |
| Non-reportable segments         | (7,258)                 | (6,197)    |
| Operating income                | \$ 162,259              | \$ 102,119 |

**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                                                                                                                                                                                                                                                                                                                     |
|------------------------------------------|---------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Average Revenue per Tractor</b>       | Trucking                        | Measures productivity and represents revenue (excluding fuel surcharge and intersegment transactions) divided by average tractor count                                                                                                                                                                                          |
| <b>Total Miles per Tractor</b>           | Trucking                        | Total miles (including loaded and empty miles) a tractor travels on average                                                                                                                                                                                                                                                     |
| <b>Average Length of Haul</b>            | Trucking                        | Average miles traveled with loaded trailer cargo per order                                                                                                                                                                                                                                                                      |
| <b>Non-paid Empty Miles Percentage</b>   | Trucking                        | Percentage of miles without trailer cargo                                                                                                                                                                                                                                                                                       |
| <b>Average Tractors</b>                  | Trucking, Intermodal            | Average tractors in operation during the period including company tractors and tractors provided by independent contractors                                                                                                                                                                                                     |
| <b>Average Trailers</b>                  | Trucking                        | Average trailers in operation during the period                                                                                                                                                                                                                                                                                 |
| <b>Average Revenue per Load</b>          | Logistics, Intermodal           | Total revenue (excluding intersegment transactions) divided by load count                                                                                                                                                                                                                                                       |
| <b>Gross Margin Percentage</b>           | Logistics (Brokerage)           | Brokerage gross margin (revenue, excluding intersegment transactions, less purchased transportation expense, excluding intersegment transactions) as a percentage of brokerage revenue, excluding intersegment transactions                                                                                                     |
| <b>Average Containers</b>                | Intermodal                      | Average containers in operation during the period                                                                                                                                                                                                                                                                               |
| <b>GAAP Operating Ratio</b>              | 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.                                                     |
| <b>Non-GAAP Adjusted Operating Ratio</b> | 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 with 13,130 irregular route tractors and 5,094 dedicated route tractors. 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 Ended March 31,                         |            | Increase (Decrease) |
|-----------------------------------------------------------------|-------------------------------------------------|------------|---------------------|
|                                                                 | 2021                                            | 2020       |                     |
|                                                                 | (Dollars in thousands, except per tractor data) |            |                     |
| Total revenue                                                   | \$ 962,947                                      | \$ 919,061 | 4.8 %               |
| Revenue, excluding fuel surcharge and intersegment transactions | \$ 872,814                                      | \$ 821,084 | 6.3 %               |
| GAAP: Operating income                                          | \$ 158,483                                      | \$ 107,334 | 47.7 %              |
| Non-GAAP: Adjusted Operating Income <sup>1</sup>                | \$ 158,807                                      | \$ 110,805 | 43.3 %              |
| Average revenue per tractor <sup>2</sup>                        | \$ 47,894                                       | \$ 44,474  | 7.7 %               |
| GAAP: Operating ratio <sup>2</sup>                              | 83.5 %                                          | 88.3 %     | (480 bps)           |
| Non-GAAP: Adjusted Operating Ratio <sup>1 2</sup>               | 81.8 %                                          | 86.5 %     | (470 bps)           |
| Non-paid empty miles percentage <sup>2</sup>                    | 12.8 %                                          | 12.8 %     | — bps               |
| Average length of haul (miles) <sup>2</sup>                     | 412                                             | 428        | (3.7 %)             |
| Total miles per tractor <sup>2</sup>                            | 20,928                                          | 22,568     | (7.3 %)             |
| Average tractors <sup>2 3</sup>                                 | 18,224                                          | 18,462     | (1.3 %)             |
| Average trailers <sup>2</sup>                                   | 59,797                                          | 57,716     | 3.6 %               |

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

2 Defined under "Operating Statistics," above.

3 Includes 16,305 and 16,339 average company-owned tractors for the first quarter of 2021 and 2020, respectively.

**Comparison Between the Quarters Ended March 31, 2021 and 2020** — We grew revenue, excluding fuel surcharge and intersegment transactions, by 6.3% within the Trucking segment. Average revenue per tractor increased by 7.7%, driven by a 16.1% increase in revenue per loaded mile, excluding fuel surcharge and intersegment transactions. The rate improvement was partially offset by an increase in driver-related sourcing and other expenses during the quarter and a 7.3% decline in miles per tractor due to inclement weather and an increase in unseated tractors.

**KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.**
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED**
**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 generated by its brokerage operations. We generate additional revenue by offering specialized logistics solutions (including, but not limited to, trailing equipment, 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 purchased transportation that we pay to third-party capacity providers, which is primarily a variable cost and is 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 Ended March 31,                      |           | Increase (Decrease) |
|---------------------------------------------------|----------------------------------------------|-----------|---------------------|
|                                                   | 2021                                         | 2020      |                     |
|                                                   | (Dollars in thousands, except per load data) |           |                     |
| Total revenue                                     | \$ 118,887                                   | \$ 79,198 | 50.1 %              |
| Revenue, excluding intersegment transactions      | \$ 115,722                                   | \$ 76,757 | 50.8 %              |
| Operating income                                  | \$ 7,577                                     | \$ 3,719  | 103.7 %             |
| Revenue per load – Brokerage <sup>1</sup>         | \$ 1,971                                     | \$ 1,378  | 43.0 %              |
| Gross margin percentage – Brokerage <sup>1</sup>  | 14.4 %                                       | 14.7 %    | (30 bps)            |
| GAAP: Operating ratio <sup>1</sup>                | 93.6 %                                       | 95.3 %    | (170 bps)           |
| Non-GAAP: Adjusted Operating Ratio <sup>1 2</sup> | 93.5 %                                       | 95.2 %    | (170 bps)           |

<sup>1</sup> Defined under "Operating Statistics," above.

<sup>2</sup> Refer to "Non-GAAP Financial Measures" below.

**Comparison Between the Quarters Ended March 31, 2021 and 2020** — Revenue, excluding intersegment transactions, increased by 50.8% within our Logistics segment, as brokerage revenue per load increased by 43.0% and load volumes grew by 5.4%. Brokerage gross margin was 14.4% in the first quarter of 2021 and 14.7% in the first quarter of 2020. The operating ratio improved by 170 basis points to 93.6% for the first quarter of 2021, compared to 95.3% for the first quarter of 2020. Within our power-only service offering, load volumes grew 56.2%, contributing to 161.6% revenue growth and representing over 25% of our total first quarter 2021 brokerage load volumes. During 2020, we introduced our *Select* platform, which digitally matches shippers with available capacity across our brands through frictionless transactions. During the first quarter of 2021, approximately 4,500 carriers were digitally matched with loads through our *Select* platform, representing approximately 20% of our brokerage load volume.

**KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.**
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED**
**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 Ended March 31,                      |            | Increase (Decrease) |
|---------------------------------------------------------|----------------------------------------------|------------|---------------------|
|                                                         | 2021                                         | 2020       |                     |
|                                                         | (Dollars in thousands, except per load data) |            |                     |
| Total revenue                                           | \$ 107,066                                   | \$ 94,731  | 13.0 %              |
| Revenue, excluding intersegment transactions            | \$ 106,971                                   | \$ 94,622  | 13.1 %              |
| GAAP: Operating income (loss)                           | \$ 3,457                                     | \$ (2,737) | 226.3 %             |
| Non-GAAP: Adjusted Operating Income (Loss) <sup>1</sup> | \$ 3,457                                     | \$ (2,689) | 228.6 %             |
| Average revenue per load <sup>2</sup>                   | \$ 2,549                                     | \$ 2,314   | 10.2 %              |
| GAAP: Operating ratio <sup>2</sup>                      | 96.8 %                                       | 102.9 %    | (610 bps)           |
| Non-GAAP: Adjusted Operating Ratio <sup>1 2</sup>       | 96.8 %                                       | 102.8 %    | (600 bps)           |
| Load count                                              | 41,968                                       | 40,889     | 2.6 %               |
| Average tractors <sup>2 3</sup>                         | 597                                          | 601        | (0.7 %)             |
| Average containers <sup>2</sup>                         | 10,846                                       | 9,856      | 10.0 %              |

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

2 Defined under "Operating Statistics," above.

3 Includes 542 and 536 company-owned tractors for the first quarter of 2021 and 2020, respectively.

**Comparison Between the Quarters Ended March 31, 2021 and 2020** — Revenue, excluding intersegment transactions within our Intermodal segment increased 13.1%, as revenue per load increased 10.2% and load counts increased 2.6%. We improved the operating ratio within the Intermodal segment to 96.8%, compared to 102.9% during the first quarter of 2020, despite weather and service disruptions. Operating results within the Intermodal segment improved toward the end of the quarter. We anticipate sequential improvements in operating results in the coming quarters, as we focus on growing load counts and improving revenue per load.

**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 \$11.4 million in quarterly amortization of intangibles related to the 2017 Merger and various acquisitions).

|                | Quarter Ended March 31, |            | Increase (Decrease) |
|----------------|-------------------------|------------|---------------------|
|                | 2021                    | 2020       |                     |
|                | (Dollars in thousands)  |            |                     |
| Total revenue  | \$ 50,669               | \$ 46,242  | 9.6 %               |
| Operating loss | \$ (7,258)              | \$ (6,197) | 17.1 %              |

**Comparison Between the Quarters Ended March 31, 2021 and 2020** — A \$1.2 million increase in legal expenses resulted in a year-over-year increase in operating loss within the non-reportable segments.

## 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 Ended March 31, |            | Increase (Decrease) |
|----------------------------------------|-------------------------|------------|---------------------|
|                                        | 2021                    | 2020       |                     |
|                                        | (Dollars in thousands)  |            |                     |
| Salaries, wages, and benefits          | \$ 370,370              | \$ 354,833 | 4.4 %               |
| % of total revenue                     | 30.3 %                  | 31.5 %     | (120 bps)           |
| % of revenue, excluding fuel surcharge | 32.7 %                  | 34.5 %     | (180 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 our biggest headwind, although we continue to seek ways to attract and retain qualified driving associates, including heavily investing in our recruiting efforts, our driving academies, technology, and terminals that improve the experience of driving associates. We expect driving associate pay to remain inflationary, which we expect will result in additional driving associate pay increases in the future, thereby increasing our salaries, wages, and benefits expense.

The \$15.5 million increase in consolidated salaries, wages and benefits was primarily due to an increase in driving associate pay rates, partially offset by a decrease in miles driven by company driving associates and lower medical insurance costs.

|                                                 | Quarter Ended March 31, |            | Increase (Decrease) |
|-------------------------------------------------|-------------------------|------------|---------------------|
|                                                 | 2021                    | 2020       |                     |
|                                                 | (Dollars in thousands)  |            |                     |
| <b>Fuel</b>                                     | \$ 118,236              | \$ 121,855 | (3.0 %)             |
| % of total revenue                              | 9.7 %                   | 10.8 %     | (110 bps)           |
| % of revenue, excluding trucking fuel surcharge | 10.4 %                  | 11.9 %     | (150 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

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

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.

The \$3.6 million decrease in consolidated fuel expense is primarily due to a 7.7% decrease in the total miles driven by company driving associates. Average DOE fuel prices were \$2.91 per gallon for the first quarter of 2021 and \$2.92 per gallon for the first quarter of 2020.

|                                                 | Quarter Ended March 31, |           | Increase (Decrease) |
|-------------------------------------------------|-------------------------|-----------|---------------------|
|                                                 | 2021                    | 2020      |                     |
|                                                 | (Dollars in thousands)  |           |                     |
| <b>Operations and maintenance</b>               | \$ 68,070               | \$ 68,404 | (0.5 %)             |
| % of total revenue                              | 5.6 %                   | 6.1 %     | (50 bps)            |
| % of revenue, excluding trucking fuel surcharge | 6.0 %                   | 6.7 %     | (70 bps)            |

Operations and maintenance expense consists of direct operating expenses, such as driving associate hiring and recruiting expenses, equipment maintenance, and tire expense. Operations and maintenance expenses are primarily affected by the age of our company-owned fleet of tractors and trailers and the miles driven. We expect the driver market to remain competitive throughout 2021, 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 and trailer fleet in the coming quarters to maintain or improve the average age of our equipment.

The first quarter decrease of \$0.3 million in consolidated operations and maintenance expense was attributed to reduced maintenance expense associated with refreshing our fleet with newer equipment and the decrease in miles driven by company driving associates noted above.

|                                                 | Quarter Ended March 31, |           | Increase (Decrease) |
|-------------------------------------------------|-------------------------|-----------|---------------------|
|                                                 | 2021                    | 2020      |                     |
|                                                 | (Dollars in thousands)  |           |                     |
| <b>Insurance and claims</b>                     | \$ 55,643               | \$ 54,280 | 2.5 %               |
| % of total revenue                              | 4.5 %                   | 4.8 %     | (30 bps)            |
| % of revenue, excluding trucking fuel surcharge | 4.9 %                   | 5.3 %     | (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 or reduce excess coverage 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 or lower excess coverage limits may cause increased volatility in our consolidated insurance and claims expense.

Consolidated insurance and claims expense increased by \$1.4 million for the quarter ended March 31, 2021, as compared to the same period last year. This increase was primarily due to negative development within certain prior year claims.

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

|                                                 | Quarter Ended March 31, |           | Increase (Decrease) |
|-------------------------------------------------|-------------------------|-----------|---------------------|
|                                                 | 2021                    | 2020      |                     |
|                                                 | (Dollars in thousands)  |           |                     |
| <b>Operating taxes and licenses</b>             | \$ 22,048               | \$ 22,169 | (0.5 %)             |
| % of total revenue                              | 1.8 %                   | 2.0 %     | (20 bps)            |
| % of revenue, excluding trucking fuel surcharge | 1.9 %                   | 2.2 %     | (30 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.

Operating taxes and licenses decreased by \$0.1 million for the quarter ended March 31, 2021 and remained relatively flat as a percentage of revenue, excluding trucking fuel surcharge, as compared to the same periods last year.

|                                                 | Quarter Ended March 31, |          | Increase (Decrease) |
|-------------------------------------------------|-------------------------|----------|---------------------|
|                                                 | 2021                    | 2020     |                     |
|                                                 | (Dollars in thousands)  |          |                     |
| <b>Communications</b>                           | \$ 5,037                | \$ 4,874 | 3.3 %               |
| % of total revenue                              | 0.4 %                   | 0.4 %    | — bps               |
| % of revenue, excluding trucking fuel surcharge | 0.4 %                   | 0.5 %    | (10 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 relatively flat as a percentage of revenue, excluding trucking fuel surcharge for the quarter ended March 31, 2021, as compared to the same period last year.

|                                                                | Quarter Ended March 31, |            | Increase (Decrease) |
|----------------------------------------------------------------|-------------------------|------------|---------------------|
|                                                                | 2021                    | 2020       |                     |
|                                                                | (Dollars in thousands)  |            |                     |
| <b>Depreciation and amortization of property and equipment</b> | \$ 119,915              | \$ 110,221 | 8.8 %               |
| % of total revenue                                             | 9.8 %                   | 9.8 %      | — bps               |
| % of revenue, excluding trucking fuel surcharge                | 10.6 %                  | 10.7 %     | (10 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 \$9.7 million for the quarter ended March 31, 2021, when compared to the same period last year. The increase was primarily related to an 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 2021.

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|                                                 | Quarter Ended March 31, |           | Increase (Decrease) |
|-------------------------------------------------|-------------------------|-----------|---------------------|
|                                                 | 2021                    | 2020      |                     |
|                                                 | (Dollars in thousands)  |           |                     |
| <b>Amortization of intangibles</b>              | \$ 11,749               | \$ 11,474 | 2.4 %               |
| % of total revenue                              | 1.0 %                   | 1.0 %     | — bps               |
| % of revenue, excluding trucking fuel surcharge | 1.0 %                   | 1.1 %     | (10 bps)            |

Amortization of intangibles relates to intangible assets identified with the 2017 Merger and other acquisitions. See Note 6 in Part I, Item 1, of this Quarterly Report for further details regarding the Company's intangible assets. The increase of \$0.3 million for the quarter ended March 31, 2021, when compared to the same period last year, was attributed to the Eleos acquisition completed on February 1, 2021. See Note 3 in Part I, Item 1, of this Quarterly Report for more details regarding details of our acquisitions.

|                                                 | Quarter Ended March 31, |           | Increase (Decrease) |
|-------------------------------------------------|-------------------------|-----------|---------------------|
|                                                 | 2021                    | 2020      |                     |
|                                                 | (Dollars in thousands)  |           |                     |
| <b>Rental expense</b>                           | \$ 16,864               | \$ 25,375 | (33.5 %)            |
| % of total revenue                              | 1.4 %                   | 2.3 %     | (90 bps)            |
| % of revenue, excluding trucking fuel surcharge | 1.5 %                   | 2.5 %     | (100 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 \$8.5 million for the quarter ended March 31, 2021, as compared to the same period 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 2021.

|                                                 | Quarter Ended March 31, |            | Increase (Decrease) |
|-------------------------------------------------|-------------------------|------------|---------------------|
|                                                 | 2021                    | 2020       |                     |
|                                                 | (Dollars in thousands)  |            |                     |
| <b><i>Purchased transportation</i></b>          | \$ 258,230              | \$ 225,276 | 14.6 %              |
| % of total revenue                              | 21.1 %                  | 20.0 %     | 110 bps             |
| % of revenue, excluding trucking fuel surcharge | 22.8 %                  | 21.9 %     | 90 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 faster than our trucking business. The increase could be partially offset if independent contractors exit the market due to regulatory changes.

Consolidated purchased transportation expense increased by \$33.0 million for the quarter ended March 31, 2021, as compared to the same period last year. This increase was primarily due to expenses related to third-party carriers and was partially offset by a 12.9% decrease in miles driven by independent contractors for the quarter ended March 31, 2021.

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

|             | Quarter Ended March 31, |        | Increase (Decrease) |
|-------------|-------------------------|--------|---------------------|
|             | 2021                    | 2020   |                     |
|             | (Dollars in thousands)  |        |                     |
| Impairments | \$ —                    | \$ 902 | (100.0 %)           |

In 2020, we incurred impairment charges associated with revenue equipment held for sale and trailer tracking systems (within our Trucking and non-reportable segments).

|                                  | Quarter Ended March 31, |           | Increase (Decrease) |
|----------------------------------|-------------------------|-----------|---------------------|
|                                  | 2021                    | 2020      |                     |
|                                  | (Dollars in thousands)  |           |                     |
| Miscellaneous operating expenses | \$ 14,593               | \$ 23,016 | (36.6 %)            |

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.

The \$8.4 million decrease in net consolidated miscellaneous operating expenses was primarily due to a \$7.5 million increase in gain on sales of equipment.

**Consolidated Other Expenses, net**

|                              | Quarter Ended March 31, |          | Increase (Decrease) |
|------------------------------|-------------------------|----------|---------------------|
|                              | 2021                    | 2020     |                     |
|                              | (Dollars in thousands)  |          |                     |
| Interest expense             | \$ 3,486                | \$ 6,107 | (42.9 %)            |
| Other (income) expenses, net | (16,105)                | 6,507    | (347.5 %)           |
| Income tax expense           | 45,329                  | 24,554   | 84.6 %              |

**Interest expense** — Interest expense is comprised of debt and finance lease interest expense as well as amortization of deferred loan costs. The decrease in interest expense for the quarter ended March 31, 2021 was primarily due to lower overall interest rates, as well as lower overall debt balances.

**Other (income) expenses, net** — Other (income) expenses, net is primarily comprised of (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.

The \$22.6 million favorable change between the quarter ended March 31, 2021 compared to the same period last year is primarily driven by gains recognized within our portfolio of investments.

**Income tax expense** — In addition to the discussion below, Note 7 in Part I, Item 1 of this Quarterly Report provides further analysis related to income taxes.

The \$20.8 million increase in consolidated income tax expense was primarily due to an increase in income before income taxes, partially offset by a reduction of the unfavorable impacts from foreign currency fluctuations in the quarter ended March 31, 2021 compared to the same period last year. All of these factors resulted in an effective tax rate of 25.9% for the first quarter of 2021 and 27.2% for the first quarter of 2020.

## 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 Ended March 31, |           |
|------------------------------------------------------------|-------------------------|-----------|
|                                                            | 2021                    | 2020      |
|                                                            | (In thousands)          |           |
| GAAP: Net income attributable to Knight-Swift              | \$ 129,790              | \$ 65,426 |
| Adjusted for:                                              |                         |           |
| Income tax expense attributable to Knight-Swift            | 45,329                  | 24,554    |
| Income before income taxes attributable to Knight-Swift    | 175,119                 | 89,980    |
| Amortization of intangibles <sup>1</sup>                   | 11,749                  | 11,474    |
| Impairments <sup>2</sup>                                   | —                       | 902       |
| Legal accruals <sup>3</sup>                                | 1,242                   | —         |
| COVID-19 incremental costs <sup>4</sup>                    | —                       | 2,293     |
| Adjusted income before income taxes                        | 188,110                 | 104,649   |
| Provision for income tax expense at effective rate         | (48,677)                | (28,444)  |
| Non-GAAP: Adjusted Net Income Attributable to Knight-Swift | \$ 139,433              | \$ 76,205 |

**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 Ended March 31, |         |
|---------------------------------------------------------|-------------------------|---------|
|                                                         | 2021                    | 2020    |
| GAAP: Earnings per diluted share                        | \$ 0.77                 | \$ 0.38 |
| Adjusted for:                                           |                         |         |
| Income tax expense attributable to Knight-Swift         | 0.27                    | 0.14    |
| Income before income taxes attributable to Knight-Swift | 1.04                    | 0.53    |
| Amortization of intangibles <sup>1</sup>                | 0.07                    | 0.07    |
| Impairments <sup>2</sup>                                | —                       | 0.01    |
| Legal accruals <sup>3</sup>                             | 0.01                    | —       |
| COVID-19 incremental costs <sup>4</sup>                 | —                       | 0.01    |
| Adjusted income before income taxes                     | 1.12                    | 0.61    |
| Provision for income tax expense at effective rate      | (0.29)                  | (0.17)  |
| Non-GAAP: Adjusted EPS                                  | \$ 0.83                 | \$ 0.44 |

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 3 in Part I, Item 1 of this Quarterly Report for additional details regarding the acquisition.

2 "Impairments" for the first quarter of 2020 reflect the impairment of trailer tracking equipment (within the Trucking segment).

3 "Legal accruals" are included in "Miscellaneous operating expenses" in the condensed consolidated statements of comprehensive income and reflect costs related to certain class action lawsuits arising from employee related matters.

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 driving associates 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 Ended March 31, |              |
|--------------------------------------------|-------------------------|--------------|
|                                            | 2021                    | 2020         |
| (Dollars in thousands)                     |                         |              |
| <b>GAAP Presentation</b>                   |                         |              |
| Total revenue                              | \$ 1,223,014            | \$ 1,124,798 |
| Total operating expenses                   | (1,060,755)             | (1,022,679)  |
| Operating income                           | \$ 162,259              | \$ 102,119   |
| Operating ratio                            | 86.7 %                  | 90.9 %       |
| <b>Non-GAAP Presentation</b>               |                         |              |
| Total revenue                              | \$ 1,223,014            | \$ 1,124,798 |
| Trucking fuel surcharge                    | (89,909)                | (97,703)     |
| Revenue, excluding trucking fuel surcharge | 1,133,105               | 1,027,095    |
| Total operating expenses                   | 1,060,755               | 1,022,679    |
| Adjusted for:                              |                         |              |
| Trucking fuel surcharge                    | (89,909)                | (97,703)     |
| Amortization of intangibles <sup>1</sup>   | (11,749)                | (11,474)     |
| Impairments <sup>2</sup>                   | —                       | (902)        |
| Legal accruals <sup>3</sup>                | (1,242)                 | —            |
| COVID-19 incremental costs <sup>4</sup>    | —                       | (2,293)      |
| Adjusted Operating Expenses                | 957,855                 | 910,307      |
| Adjusted Operating Income                  | \$ 175,250              | \$ 116,788   |
| Adjusted Operating Ratio                   | 84.5 %                  | 88.6 %       |

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

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

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

<sup>4</sup> 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 Ended March 31, |            |
|-----------------------------------------------------------------|-------------------------|------------|
|                                                                 | 2021                    | 2020       |
|                                                                 | (Dollars in thousands)  |            |
| <b>GAAP Presentation</b>                                        |                         |            |
| Total revenue                                                   | \$ 962,947              | \$ 919,061 |
| Total operating expenses                                        | (804,464)               | (811,727)  |
| Operating income                                                | \$ 158,483              | \$ 107,334 |
| Operating ratio                                                 | 83.5 %                  | 88.3 %     |
| <b>Non-GAAP Presentation</b>                                    |                         |            |
| Total revenue                                                   | \$ 962,947              | \$ 919,061 |
| Fuel surcharge                                                  | (89,909)                | (97,703)   |
| Intersegment transactions                                       | (224)                   | (274)      |
| Revenue, excluding fuel surcharge and intersegment transactions | 872,814                 | 821,084    |
| Total operating expenses                                        | 804,464                 | 811,727    |
| Adjusted for:                                                   |                         |            |
| Fuel surcharge                                                  | (89,909)                | (97,703)   |
| Intersegment transactions                                       | (224)                   | (274)      |
| Amortization of intangibles <sup>1</sup>                        | (324)                   | (324)      |
| Impairments <sup>2</sup>                                        | —                       | (902)      |
| COVID-19 incremental costs <sup>3</sup>                         | —                       | (2,245)    |
| Adjusted Operating Expenses                                     | 714,007                 | 710,279    |
| Adjusted Operating Income                                       | \$ 158,807              | \$ 110,805 |
| Adjusted Operating Ratio                                        | 81.8 %                  | 86.5 %     |

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 Ended March 31, |           |
|----------------------------------------------|-------------------------|-----------|
|                                              | 2021                    | 2020      |
| (Dollars in thousands)                       |                         |           |
| <b>GAAP Presentation</b>                     |                         |           |
| Total revenue                                | \$ 118,887              | \$ 79,198 |
| Total operating expenses                     | (111,310)               | (75,479)  |
| Operating income                             | \$ 7,577                | \$ 3,719  |
| Operating ratio                              | 93.6 %                  | 95.3 %    |
| <b>Non-GAAP Presentation</b>                 |                         |           |
| Total revenue                                | \$ 118,887              | \$ 79,198 |
| Intersegment transactions                    | (3,165)                 | (2,441)   |
| Revenue, excluding intersegment transactions | 115,722                 | 76,757    |
| Total operating expenses                     | 111,310                 | 75,479    |
| Adjusted for:                                |                         |           |
| Intersegment transactions                    | (3,165)                 | (2,441)   |
| Adjusted Operating Expenses                  | 108,145                 | 73,038    |
| Adjusted Operating Income                    | \$ 7,577                | \$ 3,719  |
| Adjusted Operating Ratio                     | 93.5 %                  | 95.2 %    |

**Intermodal Segment**

|                                              | Quarter Ended March 31, |            |
|----------------------------------------------|-------------------------|------------|
|                                              | 2021                    | 2020       |
| (Dollars in thousands)                       |                         |            |
| <b>GAAP Presentation</b>                     |                         |            |
| Total revenue                                | \$ 107,066              | \$ 94,731  |
| Total operating expenses                     | (103,609)               | (97,468)   |
| Operating income (loss)                      | \$ 3,457                | \$ (2,737) |
| Operating ratio                              | 96.8 %                  | 102.9 %    |
| <b>Non-GAAP Presentation</b>                 |                         |            |
| Total revenue                                | \$ 107,066              | \$ 94,731  |
| Intersegment transactions                    | (95)                    | (109)      |
| Revenue, excluding intersegment transactions | 106,971                 | 94,622     |
| Total operating expenses                     | 103,609                 | 97,468     |
| Adjusted for:                                |                         |            |
| Intersegment transactions                    | (95)                    | (109)      |
| COVID-19 incremental costs <sup>1</sup>      | —                       | (48)       |
| Adjusted Operating Expenses                  | 103,514                 | 97,311     |
| Adjusted Operating Income (Loss)             | \$ 3,457                | \$ (2,689) |
| Adjusted Operating Ratio                     | 96.8 %                  | 102.8 %    |

<sup>1</sup> 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                                                                | March 31, 2021<br>(In thousands) |
|-----------------------------------------------------------------------|----------------------------------|
| Cash and cash equivalents, excluding restricted cash                  | \$ 194,650                       |
| Availability under Revolver, due October 2022 <sup>1</sup>            | 655,656                          |
| Availability under 2018 RSA, due July 2021 <sup>2</sup>               | 2,919                            |
| Total unrestricted liquidity                                          | \$ 853,225                       |
| Cash and cash equivalents — restricted <sup>3</sup>                   | 49,233                           |
| Restricted investments, held-to-maturity, amortized cost <sup>3</sup> | 8,954                            |
| Total liquidity, including restricted cash and restricted investments | \$ 911,412                       |

- <sup>1</sup> As of March 31, 2021, we had \$115.0 million in borrowings under our \$800.0 million Revolver. We additionally had \$29.3 million in outstanding letters of credit (discussed below), leaving \$655.7 million available under the Revolver.
- <sup>2</sup> Based on eligible receivables at March 31, 2021, our borrowing base for the 2018 RSA was \$267.2 million, while outstanding borrowings were \$199.0 million. We additionally had \$65.3 million in outstanding letters of credit (discussed below), leaving \$2.9 million available under the 2018 RSA. Refer to Note 8 in Part I, Item 1 of this Quarterly Report for more information regarding the 2018 RSA.
- <sup>3</sup> Restricted cash and restricted investments are primarily held by our captive insurance companies for claims payments. "Cash and cash equivalents — restricted" consists of \$47.9 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 various service offerings. We expect that net capital expenditures from the aforementioned projects will be in the range of \$450.0 – \$500.0 million for the full-year 2021. 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.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

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

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 our accounts receivable securitization, and availability under the Revolver will be sufficient to fund our expected capital expenditures for at least the next twelve months.

**Principal and Interest Payments** — As of March 31, 2021, we had debt, accounts receivable securitization, and finance lease obligations of \$825.5 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 March 31, 2021, the Company had \$196.3 million remaining under the 2020 Knight-Swift Share Repurchase Plan. Additional details are discussed in Note 11 in Part I, Item 1 of this Quarterly Report.

### **Working Capital**

We had a working capital surplus of \$15.3 million as of March 31, 2021 and \$83.7 million as of December 31, 2020. Our working capital surplus as of March 31, 2021 was negatively impacted by our 2018 RSA, which is included within current liabilities since it was scheduled to mature in July 2021. On April 23, 2021, we entered into the 2021 RSA, which amended the 2018 RSA extending the maturity to April 23, 2024. Additional details are discussed in Note 8 in Part I, Item 1 of this Quarterly Report.

### **Material Debt Agreements**

As of March 31, 2021, we had \$825.5 million in material debt obligations at the following carrying values:

- \$299.1 million: Term Loan, due October 2022, net of \$0.9 million in deferred loan costs
- \$199.0 million: 2018 RSA outstanding borrowings, due July 2021
- \$212.4 million: Finance lease obligations
- \$115.0 million: Revolver, due October 2022

As of December 31, 2020, we had \$913.6 million in material debt obligations at the following carrying values:

- \$298.9 million: Term Loan, due October 2022, net of \$1.1 million in deferred loan costs
- \$213.9 million: 2018 RSA outstanding borrowings, due July 2021, net of \$0.1 million in deferred loan costs
- \$190.8 million: Finance lease obligations
- \$210.0 million: Revolver, due October 2022.

## Cash Flow Analysis

|                                           | Quarter Ended March 31, |            | Change     |
|-------------------------------------------|-------------------------|------------|------------|
|                                           | 2021                    | 2020       |            |
|                                           | (In thousands)          |            |            |
| Net cash provided by operating activities | \$ 306,113              | \$ 155,343 | \$ 150,770 |
| Net cash used in investing activities     | (74,141)                | (125,582)  | 51,441     |
| Net cash used in financing activities     | (185,366)               | (71,885)   | (113,481)  |

### Net Cash Provided by Operating Activities

**Comparison Between Quarter Ended March 31, 2021 and 2020** — The \$150.8 million increase in net cash provided by operating activities was primarily due to less cash paid for legal settlements in the first quarter of 2021, as compared to the first quarter of 2020, when we paid \$93.4 million associated with pre-2017 Merger legal matters that were previously accrued and disclosed by Swift. Net cash provided by operating activities was also favorably impacted by a \$60.1 million increase in our operating income.

### Net Cash Used in Investing Activities

**Comparison Between Quarter Ended March 31, 2021 and 2020** — The \$51.4 million decrease in net cash used in investing activities was primarily due to a \$31.8 million decrease in net cash capital expenditures.

### Net Cash Used in Financing Activities

**Comparison Between Quarter Ended March 31, 2021 and 2020** — Net cash used in financing activities increased by \$113.5 million, primarily due to a \$110.0 million net increase in cash used for our Revolver, as we made net prepayments of \$95.0 million during the first quarter of 2021, as compared to assuming net borrowings of \$15.0 million during the first quarter of 2020.

## 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 Note 2 in 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.

**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 March 31, 2021) and fixed rate equipment lease financing. Assuming the level of borrowings as of March 31, 2021, a hypothetical one percentage point increase in interest rates would increase our annual interest expense by \$6.1 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 \$2.91 for the quarter ended March 31, 2021 from an average of \$2.92 in the quarter ended March 31, 2020. 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 March 31, 2021, 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 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 10 of the notes to our condensed consolidated financial statements, included in Part I, Item 1, of this Quarterly Report for the period ended March 31, 2021, 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 2020 Annual Report 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 <sup>1</sup> |
|---------------------------------------|----------------------------------|------------------------------|----------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|
| January 1, 2021 to January 31, 2021   | —                                | \$ —                         | —                                                                                | \$ 250,000,000                                                                              |
| February 1, 2021 to February 28, 2021 | 1,265,923                        | \$ 41.12                     | 1,265,923                                                                        | \$ 197,951,108                                                                              |
| March 1, 2021 to March 31, 2021       | 37,530                           | \$ 42.97                     | 37,530                                                                           | \$ 196,338,538                                                                              |
| Total                                 | 1,303,453                        | \$ 41.17                     | 1,303,453                                                                        | \$ 196,338,538                                                                              |

- <sup>1</sup> On November 30, 2020, the Company announced that the Board approved the \$250.0 million 2020 Knight-Swift Share Repurchase Plan. There is no expiration date associated with the 2020 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                                                                                       |
|----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|
| <a href="#">2.1*</a> | <a href="#">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.</a>                                                                 | <a href="#">Incorporated by reference to Exhibit 2.1 of Form 8-K filed on April 13, 2017</a>                   |
| <a href="#">3.1</a>  | <a href="#">Fourth Amended and Restated Certificate of Incorporation of Knight-Swift Transportation Holdings Inc.</a>                                                                                                                        | <a href="#">Incorporated by reference to Exhibit 3.1 of Form 10-Q for the quarter ended June 30, 2020</a>      |
| <a href="#">3.2</a>  | <a href="#">Third Amended and Restated By-laws of Knight-Swift Transportation Holdings Inc.</a>                                                                                                                                              | <a href="#">Incorporated by reference to Exhibit 3.2 of Form 10-Q for the quarter ended September 30, 2020</a> |
| <a href="#">31.1</a> | <a href="#">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).</a> | <a href="#">Filed herewith</a>                                                                                 |
| <a href="#">31.2</a> | <a href="#">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).</a>   | <a href="#">Filed herewith</a>                                                                                 |
| <a href="#">32.1</a> | <a href="#">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.</a>                                          | <a href="#">Furnished herewith</a>                                                                             |
| <a href="#">32.2</a> | <a href="#">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.</a>                                            | <a href="#">Furnished herewith</a>                                                                             |
| 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                                                                                                                                                                                                      | <a href="#">Filed herewith</a>                                                                                 |
| 101.CAL              | XBRL Taxonomy Calculation Linkbase Document                                                                                                                                                                                                  | <a href="#">Filed herewith</a>                                                                                 |
| 101.LAB              | XBRL Taxonomy Label Linkbase Document                                                                                                                                                                                                        | <a href="#">Filed herewith</a>                                                                                 |
| 101.PRE              | XBRL Taxonomy Presentation Linkbase Document                                                                                                                                                                                                 | <a href="#">Filed herewith</a>                                                                                 |
| 101.DEF              | XBRL Taxonomy Extension Definition Document                                                                                                                                                                                                  | <a href="#">Filed herewith</a>                                                                                 |
| 104                  | Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)                                                                                                                                                     | <a href="#">Filed herewith</a>                                                                                 |

\* 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: May 5, 2021

*/s/ David A. Jackson*

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

Date: May 5, 2021

*/s/ Adam W. Miller*

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Adam W. Miller  
Chief Financial Officer, in his capacity as such and on  
behalf of the registrant

**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: May 5, 2021

/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: May 5, 2021

/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 March 31, 2021, 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: May 5, 2021

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 March 31, 2021, 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: May 5, 2021

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.*