

Operator: Good afternoon. My name is JP and I will be your conference operator today. Welcome to the Knight-Swift Transportation Fourth Quarter 2022 Earnings Call. All lines have been placed on mute to prevent any background noise. If at any time during this call you require immediate assistance, please press star zero for the operator. Speakers for today's call will be Dave Jackson, President and CEO; Adam Miller, CFO. Mr. Miller, the meeting is now yours.

Adam Miller, Chief Financial Officer, Knight-Swift Transportation Holdings Inc.: Thanks, JP, and good afternoon, everyone, and thank you for joining our fourth quarter 2022 earnings call. Today we plan to discuss topics related to the results of the fourth quarter, provide an update on current market conditions, and share our full year 2023 guidance. We have slides to accompany this call, which are posted on our investor website. Our call is scheduled to go until 5:30 p.m. Eastern Time. Following our commentary, we will answer questions related to these topics. In order to get to as many participants as possible, we're going to limit the questions to one per participant. If you have a second question, please feel free to get back in the queue. We will answer as many questions as time allows. If we're not able to get to your question due to time restrictions, you may call 602-606-6349.

To begin, I'll first refer you to the disclosure on page two of the presentation and note the following: This conference call and presentation may contain forward-looking statements made by the Company that involve risks, assumptions, and uncertainties that are difficult to predict. Investors are directed to the information contained in Item 1A, Risk Factors, or Part One of the Company's annual report on Form 10-K filed with the United States SEC for a discussion of the risks that may affect the Company's future operating results. Actual results may differ.

Now on to slide three. This chart on slide three compares our consolidated fourth quarter revenue and earnings results on a year-over-year basis. Revenue excluding fuel surcharge declined by 9.5% while our adjusted operating income declined by 39.3%. GAAP earnings per diluted share for the fourth quarter of 2022 were \$0.92 and our adjusted EPS came in at \$1. These results included a \$15.4 million pre-tax charge which negatively impacted EPS by \$0.07 for an actuarial insurance adjustment related to third-party carrier risk in our Iron insurance business. On a year-over-year basis, lower volumes in the absence of a holiday peak season negatively impacted earnings.

Now on to the next slide. Slide four illustrates the revenue and adjusted operating income for the fourth quarter and year-to-date periods in each of our segments. In an unusually soft fourth quarter, our largest segments proved their ability to operate efficiently. Our Truckload segment operated in the low 80s while LTL and Logistics stayed in the mid-80s. Intermodal was impacted by weaker demand as well as greater availability of truckload capacity at better service levels. Freight demand in the fourth quarter was well below typical seasonal patterns. While spot opportunities were very subdued and projects were infrequent, as anticipated, general freight demand was softer than expected. We believe this was largely driven by the holiday goods pull-forward earlier in 2022, an existing inventory overhang dating back to last year where some products arrived too late for the season, and general caution around what retailers could expect from consumer demand. Weak demand pressured volumes and pricing while ongoing inflation was a further headwind on operating income in most segments. The chart on the right highlights the percentage of revenue during the fourth quarter of 2022 from each of our four segments as well as the percentage of revenue from our other services, which include our rapidly growing insurance, equipment maintenance, equipment leasing, and warehousing services. We are focused on improving service to our customers and reducing costs as we navigate a tough operating environment. We continue to work on diversifying our business and developing complementary services that bring strategic value to our customers and partner carriers.

The next few slides will discuss each segment's operating performance, starting with Truckload on slide five. On a year-over-year basis, our Truckload revenue excluding fuel surcharge declined 7.2% while our operating income declined by 36.5%, reflecting the comparison of an unusually weak fourth quarter of 2022 against perhaps the strongest fourth quarter we've ever experienced. Our Truckload business navigated the softness well and operated with an 82.7% operating ratio. Our efforts to reduce spot exposure and secure more contractual committed freight since the beginning of 2022 helped us maintain an adjusted operating ratio in the low 80s. During the quarter, revenue per tractor fell 8.6%, driven by a 3.9% decrease in revenue per loaded mile and a 4.5% decrease in miles per tractor. The decline in revenue per tractor, combined with inflationary pressures across our business, caused the reduction in Truckload operating income. Most notably, we see ongoing cost pressures in equipment, maintenance, and insurance. We continue to take steps to align our cost structure with the reduction in volumes. Having a diverse group of brands and services, including nearly 5,000 dedicated trucks, provides us with flexibility and strategy. For example, as over-the-road truckload volumes have softened year over year, our dedicated business has grown top-line revenue and improved margins on a year-over-year basis. Despite the soft market, our customers still value trailer pool capacity at scale and we see this

expressed in both our Truckload and Logistics segments. We continue to invest in our already industry-leading trailer fleet, which grew sequentially to nearly 79,000 trailers. We believe our scale in trailers is a competitive advantage and provides our customers capabilities that are extremely difficult to replicate.

Now on to slide six. Our LTL segment continues to perform well and made progress on yield and network initiatives. For the quarter, revenue excluding fuel surcharge was \$204 million and we operated at an 85.5% adjusted operating ratio. This represents a 480 basis point improvement from the fourth quarter last year and only a 100 basis point sequential degradation despite demand softening for more than the typical seasonal step down from the third to fourth quarter in LTL. Pricing remained strong as revenue excluding fuel surcharge per hundredweight increased 13.3% year over year. The leadership at both AAA Cooper and MME were able to complete the system integration during the fourth quarter, less than 12 months since the acquisition of MME. This creates seamless connectivity for our customers while maintaining the culture and brands of each company. We believe this positions us to provide additional services to existing customers as well as create new customer relationships. Our Knight and Swift brands have deep relationships with large shippers who in many cases deal with larger LTL providers. Creating a super regional network in the short term and a national network in the long term will enable us to find opportunities to further support our existing Truckload customers with LTL capacity.

Now we'll move to slide seven. Our Logistics segment continues to perform well with an adjusted operating ratio of 86.4. Gross margin also expanded to 22.1% in the quarter compared to 20.7% last year. Overall revenue was down 42.2%, driven by a 28.9% decrease in revenue per load from lower spot market rates and a decrease in load count of 18.6%. Load volumes were negatively impacted by lower import volumes, particularly out of the West Coast ports. Our customers continued to value the power-only services we provide, which resulted in our power-only volumes feeling less pressure than our traditional live load, live unload activity. Our vastly growing trailer network allows our customers the ability to optimize their warehouse space and labor costs. Third-party carriers prefer power-only business because it saves them hours at each load and unload location, lowers their capital investment and risk, reduces their operating costs, and gives them access to freight they historically wouldn't be able to participate in. We continue to be excited about this business and have several technology initiatives ongoing that will improve the experience for our third-party carriers as well as provide more seamless information internally and to our customers that will lead to more opportunities to utilize our equipment.

I'll now touch on Intermodal on slide eight before turning the call over to Dave. Revenue decreased to 8.6%, driven by a 6.3% decrease in load count and a 2.5% decrease in revenue per load. Intermodal volumes are being pressured by the general freight environment and the current competitive position of the truckload alternative. Customers are leveraging the extremely low spot rates, quicker transit times, and better service in the truckload market. Labor within the rail network appears to be improving as we enter the first quarter, leading to improving transit times and more predictability for our customers. These improvements should help close the service gap between intermodal and truckload and support future growth for this business.

I'll now turn it over to Dave.

David Jackson, President & Chief Executive Officer, Knight-Swift Transportation Holdings Inc.: Thank you, Adam, and good afternoon, everyone.

Slide nine illustrates the growth in our businesses that make up the non-reportable segment, which include insurance and maintenance under the Iron Truck Services brand as well as equipment leasing and warehousing activities. For the full year of 2022 we reached \$517 million in revenues, representing 69% year-over-year growth. For the quarter we had a 32% increase in revenue year over year. As previously mentioned, the results of the other services were negatively impacted in the fourth quarter by an actuarial adjustment of \$15.4 million pre-tax related to third-party carrier risk in the Iron insurance business, which resulted in the \$11.6 million operating loss for this segment. We are already taking steps to enhance our insurance program, which include a recent conversion to a new platform that we expect will lead to improved collections and more timely cancellations. We've applied rate increases to various lines of coverage that will bring underwriting results in line with expectations. These service offerings have found tremendous interest from small carriers, especially as we help them improve their cost structure, but later in 2022 we have observed the pressure of the weaker environment impacting these carriers as seen through their difficulties paying insurance premiums and the practice of extending maintenance service intervals on their equipment. We expect to continue growing the revenues and income from these other services over time and believe this effort supports our ongoing diversification objective.

Next, on to slide 10. This slide illustrates the progress of the intentional changing of the composition of our business into an industrial growth company. The chart on the left shows the percentage of adjusted operating income from each of our segments and our other non-reportable services since the Knight and Swift merger in 2017. We're pleased to report meaningful contributions in earnings from each area. These diversification efforts are intended to make us a less volatile company and we expect will help us mitigate the downside through truckload freight cycles. Our Truckload earnings now represent approximately 65% of consolidated earnings, which is a meaningful shift from where we were in 2017 following the merger. This reduction in the percentage of our earnings coming from Truckload has been achieved while we significantly improved our Truckload earnings from a 2017 full year combined pro forma Knight and Swift earnings of \$319 million to \$748 million for 2022. The chart on the right shows our annual adjusted earnings per share since the merger. Our adjusted EPS has moved from \$2.16 per share in the first four quarters following the merger to \$5.03 per share in 2022.

Moving to slide 11, strong earnings have driven increases in our free cash flow since the Knight-Swift merger, reaching \$819 million in 2022. Year to date, we've used cash to increase our dividend to shareholders by 20%, repurchased \$300 million worth of shares, and paid down \$395 million in long-term debt and leases. Since the 2017 merger we've invested \$1.6 billion in acquisitions. Making acquisitions remains a high priority and our strong cash flow generation and leverage ratio of less than 1.0 provide us with ample capacity for M&A opportunities. Our balance sheet is strong and we're well positioned to invest in organic growth, pursue acquisitions, purchase more shares, increase dividends, and/or pay down debt. We are constantly evaluating market conditions to maximize our use of cash to create value for our shareholders.

On slide 12 we demonstrate the return on net tangible assets, which remains a key measurement for us. In 2022 we achieved a 19.0% return on net tangible assets. Our goal is to improve this measurement by focusing on three key areas: growing our less asset intensive businesses; two, acquiring and improving businesses; and three, expanding margins in our existing operations. We've achieved synergies and improvement in every business we have acquired, be they warehousing, asset-based truckload, less than truckload, or truckload brokerage. We believe our focus in these three key objectives will leverage our core competencies in areas of opportunity that are unique to us and will allow us to continue to generate significant returns to our shareholders in the long run.

On slide 13 we provide an outlook for market conditions as we begin 2023. We expect the current softness will persist through the first half of 2023 based on indications from shippers that are working through their inventory overhang. This soft environment, combined with ongoing inflation in equipment, maintenance and insurance, and rising interest rates will increase the pressure on carriers, especially smaller and less well-capitalized carriers. These factors will most likely accelerate capacity attrition in the coming quarters.

I'll now turn it back to Adam to cover our 2023 guidance.

Adam Miller: Thanks, Dave.

On to our last slide here, slide 14. For the full year 2023 we expect adjusted EPS to be in the range of \$4.05 to \$4.25. Last year we expected the first half to be strong and then cool off in the second half, which is largely what happened. In 2023 we expect the opposite; a more challenging environment in the first half before we start to see a recovery to a more typical freight demand leading up to an improving Q4 peak season. Over-the-road truckload contract rates will be pressured with few non-contract opportunities until the latter half of the year. We expect these non-contract opportunities, combined with some return of peak season volume, to result in rates inflecting positive year over year in Q4. Overall Truckload revenue per mile should be down mid to high single digits in Q1 and trending to be positive by low single digits in Q4. Dedicated rates should increase in the low single digits for the year. Truck count should remain sequentially stable throughout the year with miles per tractor inflecting positive year over year by the middle of the year. Our LTL segment is expected to see slight improvement in revenue with relatively stable margins. Sequentially, Logistics revenue per load should drop in the first quarter before increasing sequentially throughout the year. We expect volumes to follow a similar trend. Gross margin will compress as the freight market picks up, pushing logistics OR to climb into the high 80s to low 90s. Intermodal revenue per load and margin will deteriorate in the first half before improving again in the back half. For the full year, we expect the operating ratio to be in the mid-90s. Revenue and op income in our other services will increase, driven primarily by improvement in rates and new customer growth in our insurance business and increased volumes in warehousing. Inflationary pressure will decelerate as labor loosens and equipment availability improves. Gains are expected to be in the range of \$10 million to \$15 million per quarter and our

CapEx is expected to be in the range of \$640 million to \$690 million. And our tax rate is expected to be around 25%. Interest expense is also projected to increase from where we were in the fourth quarter as rates continue to climb.

So that concludes our prepared remarks and so, JP, we will now open the line for questions.

QUESTION AND ANSWER SESSION

Operator: Thank you. At this time I would like to remind everyone in order to ask a question press star then the number one on your telephone keypad. Again, this is star one on your telephone keypad. We will pause for a moment to compile the Q&A roster. Your first question comes from the line of Jack Atkins from Stephens. You may ask your question.

Jack Atkins, Analyst, Stephens: Okay, great. Good afternoon, Dave and Adam. Thanks for taking my question.

David Jackson: Hi, Jack.

Jack Atkins, Analyst, Stephens: So, I guess maybe a two-parter here but, Dave, I'd be curious if you could maybe comment a bit on the fourth quarter to first quarter seasonality given that the fourth quarter of 2022, to your point, was anything but peak. How would you sort of think about that trending sequentially? If you could kind of help us set our expectations there. And then I guess, just to kind of follow up on your comment about what your customers are telling you about the trends and trajectory of their businesses, I guess what's giving you the confidence to think that we're going to see a trough in sort of freight fundamentals in the first half of the year and that we can kind of build back in the second half? If you could just expand on those two items, I'd appreciate it. Thank you.

David Jackson: Okay. Thank you, Jack. Yeah, I would say that from fourth to first, this is one where the step down is significantly lower than what we're used to, and I would say that the freight market continues to show signs of life here as we go through January and so typically you would see quite a bit of seasonality in the fourth quarter, which then changes with the holiday in the rear-view mirror moving into a first. We do expect first to be seasonably softer than a fourth, they always are, but there's a good chance that after we complete the first quarter we'll look back and this might have been the most benign change sequentially from the fourth to a first.

I would say that some of what gives us some indications of how this will play out maybe from customers would be the fact that in the fourth quarter so much of their holiday inventory had already arrived. Some of it had already arrived 10 or 11 months before and it kind of sat around. It just barely missed the holidays. So it seemed that by the time October started, the fourth quarter freight had already arrived and was largely in position. So that explanation made sense to us. And so naturally our next question is, well, how long are you going to continue to have this inventory overhang. And the general consensus, almost unanimous from customers that have given us feedback about their inventories, has been that by the time they get through the spring things are caught up. And that makes sense. I mean freight was flowing rather normally by the time we got to summer of 2022, so throughout the summer there wasn't the traditional delays on imports and so the import volumes support the idea that this freight has already been here and came early.

So, what we expect is that through the first two quarters of this year we'll see this softness because of freight that's already moved and then we start to move back into a more normal cycle. And consumers are hanging in there and everybody's been trying to figure that out. It's pretty remarkable that we've had the kind of performance as an industry. Certainly for our company it seems remarkable to have that kind of a performance in the fourth quarter that really didn't have the seasonal uplift. I think it tells us it's evidence of the lack of oversupply that came rushing in as has normally happened in previous cycles. We just didn't see that in 2021 and in 2022. Or 2020 either, because most of 2020 was really good. So in 2020, 2021, and the first half of 2022 when we had still a very healthy environment, we just didn't see the oversupply. And so I think that's partly why you see our asset-based Truckload business put up an 82.7% operating ratio in a fourth quarter that is a year past peak. I mean the peak was fourth quarter of 2021. And so certainly that wasn't because of demand. But I think it tells us how tight supply really is. So, when you fast forward that, Jack, and you think that we're going to burn off this inventory, we'll be back to a normal goods flow come, call it, summer through the back half of the year without the expectation that there's incremental supply added, in fact we believe supply is leaving, has been leaving, and will continue to leave over the next two quarters, that gives us confidence that we'll see a much different environment in the back half of 2023.

Adam Miller: Yeah. And just to add to that, Jack, I mean just looking at historical data of how cycles have typically trended, it's unusual for rates to be down year over year for more than four quarters. I think that's what gives us

confidence in looking at fourth quarter of this year where rates could inflect positive. I think we've had a lot of dialogue with many of our customers. Many of those are the largest retailers in the nation, a lot of the largest CPG shippers in the nation, and independent conversations would support just their buying habits and how they change pretty dramatically in the fourth quarter and even into the first quarter, but in all those conversations the expectation is for those ordering patterns to begin to normalize and to see those volumes really begin to pick up into that June and July mark. So, it's not only just our view of the market looking at historic data and then our own information, but also through the discussions with our customers.

Jack Atkins, Analyst, Stephens: Okay. Thank you again for the time.

Operator: Your next question comes from the line of Tom Wadewitz from UBS. You may now begin.

Tom Wadewitz, Analyst, UBS Securities LLC: Great. Thanks, and good afternoon. Dave, you talked a bit about this in your response to the first question, but just really on the cycle and how you see it playing out. I guess another kind of angle on that topic, do you think there are reasons why shippers may behave differently in the current freight downturn compared to other downturns? And I mean Truckload's so highly fragmented, it's kind of hard to get my arms around the industry behaving differently, but maybe like the largest trailer pool players behave differently. I'm just trying to get a sense of if there's not a bigger downturn on rates or what, could be partly, shipper behavior is different or even large carrier behavior is a bit different? So, yeah, that's the question. Thank you.

David Jackson: Thanks for the question, Tom. So, I would say one thing that stands out that's a different behavior than what we've seen maybe historically or in previous cycles is how well contractual rates have hung in there and what the demand for trailer pools has been. I think that where you see that showing up in our business is how well we've held on to our rate per mile. Now of course we try to anticipate the market many months, many quarters in advance, ideally we're somewhere between 6 and 12 months ahead of schedule all the time in how we anticipate and plan, and so this time last year we were clearly increasing our commitments and moving away from the spot market. And that, of course, has served us well as you see in the results, but when you look at our Logistics business, for example, one that had an 86.4% operating ratio despite the fact that load volumes were down almost 19%, and you've got to remember, when you have a logistics business but you also have such a large asset-based business, there's going to be probably a little support. Normally the loads would flow the other way, but there might be a little bit more support for that business. But you look at our power-only volumes, and those were down 14%, but our gross margin continued to be very strong, 22.1%, so there's some value that's been created there. There's customers giving us opportunities. When I would say other logistics firms are struggling to break even, we've been able to enjoy nice margin, hold on to volumes, and I think that's because we create more value with the trailer pool. So I think those are connected. I think we see that in our logistics. We clearly see that on the asset-based side of things. And so, I do think that that's a different behavior in the past.

I mean if we go back to pre-ELDs, the playbook for this kind of environment was very predictable. You would see shippers would move towards very large non-asset-based brokers who would come in offer, in many cases, double-digit rate declines, they would win massive volumes, and then they would execute. They would go find anybody and any carrier that could haul those and there were people that were willing to do that at discounted prices given the difficulty in the market. And in many cases it appears that some of those smaller carriers that maybe didn't have ELDs would figure out how to run more miles to stay alive in difficult times. Well, we have ELDs today, which regulate and are effective in enforcement of the hours of service rules. So you can't just go extend the day, you can't run more miles to make up for the fact that maybe you're not making as much, and likewise, our shippers, they can't just rely on that flexible group to wait around to be live loaded and live unloaded when a truck and a trailer and a driver show up and the warehouse has to figure out how to stop what they're doing and unload it as opposed to, for us, we can drop the trailer and they can get to it hopefully within a day or two. And so in this ELD world where you can't extend the day, if you will, they have to be paid if they're detained. And if you're detained more than two hours, even the smallest of carriers have to be compensated for that. And so that changes the economics tremendously. So, I think those are just a couple of reasons why we think it creates so much value and we're seeing that hold through.

I think that if you look at the last 12 months of contract rates, not just for us but based on some of the industry data, what you'll find is those rates are not down much. I mean somewhere mid single digit rates, generally speaking, and that's over a very broad group of a very fragmented industry, whereas spot rates declined every single month for 12 consecutive months in 2022. That's never happened, to have such a steep decline in spot rates. And so those rates now are showing signs of a bit of a dead cat bounce, if you will. I mean they're just kind of bouncing maybe along the

bottom. So we're at or near the bottom on spot rates and now the question becomes, Tom, when do those rates start to crest up and when do we see the inflection point. If you look at the last couple of cycles, in 2017 it was in July or August of 2017 that spot rates came through the inflection point from the bottom and came through contract rates and then they spiked and they hit their peak by August of 2018 and then they were back down, whereas in a post ELD world we saw this happen in the June/July of 2020 is when spot rates came off the bottom and they intersected contract rates that were higher at the time and then those rates continued to move forward up until January of 2022, which is when spot rates officially peaked before they started to decline for the 12 consecutive months, as I mentioned.

And so, I think now we find ourselves where those spot rates have come off, contract rates have really held in there, probably due in large part to the value of trailer pools, and now those spot rates are poised if not have started to make their way back up to an intersection point. And what we know is, once they intersect, we begin to enter a period of positive rates not only in spot rates but start to see positive contractual rates. And then the question becomes how long do you go until that peaks again and that has everything to do with broader economic demand and to what degree do carriers oversupply their fleets by buying too many trucks and trailers, which I will tell you for the, I don't know, third consecutive year, purchasing new equipment still is on allocation, so it is not a free-for-all, and the cost is much higher, to say nothing for the impact of interest rates.

So, Tom, probably a ten-pound answer for a five-pound question, but that was some feedback.

Tom Wadewitz, Analyst, UBS Securities LLC: There you go. There's a lot to work with. All right. Thanks for the time, Dave. Appreciate it.

David Jackson: Thanks.

Operator: Your next question comes from the line of Todd Fowler from KeyBanc Capital Markets. Your line is now open.

Todd Fowler, Analyst, KeyBanc Capital Markets: Great. Thanks. Hey, Dave. Hey, Adam. Thanks for all the detail and the thoughts on the guidance. Maybe just to pick up, and Adam, I think you touched on this on the first question, Dave, you touched on this a little bit to Tom's response, but thinking about your commentary on revenue per mile and the high single digit declines to start the year and then inflecting positive, how do you have that parsed out between contract and spot and what are you seeing right now on kind of the contract renewal pricing side? How is that working through the numbers as we move through the revenue per mile assumptions for the year?

Adam Miller: Todd, there's very little spot opportunity in our expectation in the first half of this year, so most of that decline would be a result of contract renewals. And it's still early on in the bid season and so we haven't had too many final awards, so those are still, those declines are more anticipated than what we actually have received. And so we're still in the early phases of that and having good dialogue with our customers. And then our expectation is in the back half of the year some of the improvements in rate will come from contract renewals but more or less the spot rate improving and then some of the projects that we typically participate in in the fourth quarter.

Todd Fowler, Analyst, KeyBanc Capital Markets: And, Adam, just two follow up on that comment, on the contract side, what is a reasonable expectation for contracts this year, I mean just given the spread right now between spot and contract?

Adam Miller: Again, we're still kind of feeling it out through the bids, so I don't want to put a number on that right now. We're still kind of understanding. It really depends, Todd, on when we renewed the contract with that customer. I think the early parts of the bid season that number will be larger, the higher single digits could be lower double digit, and as the bid season progresses that number gets reduced.

David Jackson: Yeah. Todd, it's hard for us to just generalize the whole thing, because we have pieces of business that still need to be increased in rates because of how it works and how it fits into our network and the fact that we continue to see inflation. We do have other parts where sometimes we have an opportunity to maybe make a concession, help a customer who's trying to hit a budget target or goal if things are working in a super efficient way and perhaps, to Adam's point, the time in the cycle when that rate was renewed, but this is not an across-the-board answer that the rates are automatically down. That's just not the case.

Adam Miller: Yeah, because I think we mentioned that some of our dedicated business, I think that's what David's alluding to, will have to increase because of how it's performing, and I think that's a typical hedge in an environment that we're faced with when you have OTR and dedicated. They perform differently in these type of environments.

Todd Fowler, Analyst, KeyBanc Capital Markets: Yeah. Understood. No, it's helpful context. Just really trying to think about that expectation for that positive inflection in the fourth quarter, which certainly would seem to be positive. I really appreciate the time and the thoughts tonight. Thanks.

David Jackson: Thanks, Todd.

Operator: Your next question comes from the line of Ravi Shanker from Morgan Stanley. Your line is now open.

Ravi Shanker, Analyst, Morgan Stanley: Thanks. Good afternoon, gents. So I think, Dave, you said, I think it was about a year ago now, that you think trough EPS has a four on it and clearly your guidance for the year implies that you're comfortably about that level, but if I were to kind of just like take a step back and listen to what you've been saying on this call so far, kind of talking about the cycle actually not being as bad as prior cycles and a mid-year inflection and everything else, it doesn't really sound that bad. In that context, kind of the guide seems kind of punitive at this point, especially given that you have a really easy fourth quarter comp in 2023. So I'm just thinking of like are there any puts and takes in some of the non-TL segments that we need to keep in mind or kind of what are some of the kind of the moving parts and maybe the bull case or the bear case that can get you to a higher number than what you've guided to or a lower number if the cycle turns out to be much worse than we expect?

David Jackson: Yeah. Well, I mean the full Truckload still represents two-thirds of our earnings, so the full Truckload is by far the piece that moves the needle the most. So when we look at what we would expect to earn in the first half of the year, that's going to be less than 50% of what our annual guidance would be. So I don't know if it's 45%, 55%, 45% in the front half of the year, 55% in the back half of the year, but it's not like we're looking at a back half that's a total Hail Mary in order to get over \$4 a share. But I will tell you that for us to achieve more than \$4 a share would be a tremendous accomplishment, recognizing that here in 2022 we just earned just over \$5 a share with, you know, such a tremendous environment, and for us to adapt and yet have a stock that trades based on being a pure cyclical, well, a cyclical would not react that way. We would be countercyclical to earn more than \$4 a share. So, it isn't going to be easy, but our model guides us there or we wouldn't put it there.

I think one factor that we have working for us is the LTL portion of our earnings. Boy, we just couldn't, we couldn't be more happy with that group. I mean that's a group that, yes, LTL is feeling, as an industry, is feeling a little bit of pressure, but it's nothing like the volatility that you see in what happens with rates on the full truckload side. And it's a business that, for us, we just continue to make incremental progress. And so that's a bit of a factor that's out there that, hey, we're new into it and we want to be a little bit cautious, but in this fourth quarter, in addition to performing with an 85.5 OR that's almost 500 bps better than the 90.3 a year ago, that's a business where we were able to take the MME brand and business that's a 100-year-old company and our leaders at AAA Cooper were able to successfully integrate a new back-end system that really touches and affects 100% of the business. And so it was tremendous modernization to do while still running and working the business and that took effect in October and has continued to be modified and there will continue to be synergies that will roll out. I mean we didn't use dimensioners, as an example, at MME before the acquisition, and so those investments that have been made that will continue to take effect.

And I guess I at least should note, Ravi, that that business, revenue was up almost 15% with adjusted operating income up over 70% on a year-over-year basis. And so that's diversification. That's why we're in LTL. That's why we like it. And we continue to find ways that we can bring synergies between TL and into LTL and of course we're still working to fill out the country and geographically to have a nationwide offering. And so that will continue to help us. But there's a lot of people, I think, Ravi, that aren't sure we can earn \$4, just if I look at what's some of the guidance and how this, I mean the stock seems to be tied to us earning a lot less than that. But hey, we've done our homework in terms of where we feel like our guidance is going to be based on the best information, we have available now to try and predict the future and that's the range we came up with.

Adam Miller: And Ravi, I think last quarter I went into greater detail of how each segment would need to perform to achieve that \$4 mark and I think, as we look at our guidance, we're not going to that detail in our guidance today, but it fairly aligns. I think maybe the one outlier is the Intermodal. We talked about that being a mid-90s operating ratio. We've just seen some challenges there on volume, especially with the better availability of truckload capacity and the

service that that performs at versus Intermodal and so that would be one area that would be maybe off from what we would have called out last quarter but, generally speaking, our segments will perform as I laid out and we'll still have to see how everything plays out in this bid season, but we just have a tremendous amount of confidence based on how these cycles have developed historically and the communication we're having with our customers.

Ravi Shanker, Analyst, Morgan Stanley: Understood. Thanks to you both.

Operator: Your next question comes from the line of Ken Hoexter from Bank of America. Your line is now open.

Ken Hoexter, Analyst, Bank of America: Great. Good afternoon, Dave and Adam. If I can just kind of maybe follow up on that \$4 floor and the stress test there, just maybe talk a little bit about the Truckload side moving back. Does that go to mid upper 80s in your thought? And I guess specifically, confidence in the gains. You've got 10 million to 15 million, it seems to add \$0.10 to \$0.15 to the targets, which could put some pressure alone, I guess, on that floor. And then, I guess, on the Intermodal side, any comments on the now transition of Schneider over to Union Pacific? Obviously, they had some service issues, how your service has been, and has that—I know you mentioned kind of the mid-90s, can you see deterioration if they start getting maybe better access to the yards or thoughts on Intermodal?

Adam Miller: Sure. So I'll start on your Truckload question. Last quarter I talked about, in a difficult environment, the Truckload segment, which would include our over-the-road and our dedicated business operating in the mid-80s, and that would be our expectation for the full year with that being a little more challenged in the first half of the year and then improving into the back half, particularly into the fourth quarter.

As it relates to your Intermodal question, thus far there hasn't been much impact with the conversion from Schneider from the BN to the UP. I think we watch our service closely. I mean there's certain areas where we certainly can improve the service, and I don't know that it's related to the Schneider conversion, I think just kind of the challenges that we've been dealing with with some of our rail partners across the board, but it does seem like the rail fluidity is improving, rail labor is more readily available, and we have confidence that will continue to improve. And I think our customers have seen that. I think we've improved service dramatically with certain customers where we expect to receive large awards this year. And so, we're confident to be able to build that load count into the back half of the year, but I think the first half is still going to be a bit of a challenge kind of given the environment we're currently in.

Ken Hoexter, Analyst, Bank of America: And Adam, can you just wrap up on the gains on sale, right, because that's such a big, I guess, swing factor in that range.

Adam Miller: Yeah. I mean we had the gains coming off meaningfully from where they were last year and we have a good purview into the used equipment market and, hey, even in the first quarter when spot market has been as slow as it has been, which would typically mean that you've got small carriers not buying equipment, we're still seeing activity. And I think that's a result of just very lean inventories, because the OEMs have still been challenged to fulfill everyone's orders and I think most of the large carriers have continued to age their fleet out and so that's just limited the inventory of used equipment. And so what we are selling is still at healthy margins and we don't see that changing dramatically throughout the year.

Ken Hoexter, Analyst, Bank of America: Great. Appreciate the time and thoughts.

David Jackson: Thanks, Ken.

Operator: Your next question comes from the line of Bert Subin from Stifel. Your line is now open.

Bert Subin, Analyst, Stifel: Good afternoon and thank you for the question.

David Jackson: Hi, Bert.

Bert Subin, Analyst, Stifel: Hey, Dave. Hey, Adam. If I look at slide 14, I don't want to belabor the point, but I think it's obvious, thinking about your \$4-plus earnings guidance, that implies about 100% earnings power expansion, which is obviously a tremendous feat, and so I think people are trying to get their arms around that. If I look at slide 14 and those guidance assumptions, where would you say the greatest uncertainty is in your mind as you go through them?

Adam Miller: I mean it's tough to say. I mean I know, look, the guidance is kind of our best guess based on what we know in the market today. I don't want to say it's aggressive. I don't want to say it's conservative. This is what we feel is kind of down the fairway with the knowledge that we have today, Bert. So it'd be tough to point out one of the data points as being more uncertain than another.

David Jackson: Well, if Washington somehow messes with tax rates, that would be the biggest, so we'll start there, if we can't stay at close to 25% tax rates. Does that help you, Bert?

Bert Subin, Analyst, Stifel: Yeah, I think that moves the needle.

David Jackson: Realistically, Bert, rate per mile, if rate per mile, weird, weird things happen with rate per mile, obviously, that's a big lever to move, but we're not sitting here looking at a market that's about to slow. Spot rates peaked 13 months ago, so we already are well into this, and so if you can predict what's going to happen with rates, you can predict a lot of things. And so nobody knows exactly how that's going to go, but we've seen significant resiliency in our rate per mile through this year as a result of the way we've built the business and the way we do things, but also the relative value that we create compared to other folks. And so you'd be hard pressed to go back and find any other cycle where you went peak to trough in longer than 18 months. You just don't find it. I mean often you don't see the double digit or you don't see the declines in over 12 consecutive months but you'd be hard-pressed to find peak to trough in greater than 18 months and we're already over 12 months into this and this one was not precipitated by an oversupply of equipment coming into it like every other cycle was. And so that gives us a little bit of little bit of a glimpse into what we can expect both in contract rates as well as spot rates that we think will rebound in the back half of the year. But that would be, I mean that would arguably be the biggest lever in the guidance.

Bert Subin, Analyst, Stifel: Maybe just put another way, Logistics, the manner in which you operate it is certainly different from several years ago, and LTL is a new business altogether for Knight-Swift, I guess my question is maybe how do you get comfortable with those assumptions, because Logistics OR, you're implying sort of low double digit to high single digit margins, which would be fantastic, particularly in a bad year. In LTL, you know, somewhere in this sort of low teens range on margins, both would be really good and haven't really played those out through a down cycle, at least in their current form. So I know you've talked about your model is sort of consistent. I'm just curious, are those not—there's not a ton of uncertainty there for you, it's more on sort of how contract rates play out?

David Jackson: No. I mean I would say there's less uncertainty in the LTL world. I mean they just perform, it performs just so much more consistent than full truckload does, and then we have a bit of a secular story on top of what's going on in the industry. The secular story just has to do with the kind of synergies and opportunities we have and what can come from a super regional that could connect large portions of the country and allow us to compete in some of the national arena already. And the other side of that, I would tell you, is wages continue to go up. LTL industry wages are on pace for probably about a 5% increase to the wage of those drivers. Now that's different than full truckload. And so I think you're going to continue to see LTL rates have to go up because their largest expense continues to be inflationary. On logistics, logistics is going to be volatile, but the reality is our logistics business, if I look at just this most recent quarter, it produced \$23.5 million of operating income, of the which we're grateful for all of it, but in terms of moving the needle on our entire nearly \$8 billion parent company, that isn't the biggest lever.

Adam Miller: And I'd add on the logistics front, Bert, I mean we do have that moving up from the mid-80s, which we accomplished in 2022, and we note here in the guidance high 80s, low 90s, just if you look at the absolute performance for 2023 it would be very good compared to really anybody else in the market, it's just we're coming from such a strong position in 2022. So we do expect to give up something there. Now I mean, as you know, in logistics, your largest cost is purchased trans. That's going to be variable and move with rates. And, generally speaking, when you're doing power-only loads, those rates are less volatile too, typically hold in stronger because there's less competition in the brokerage market, yet you're buying capacity in the open market. So the gross margins there are a lot more resilient than your pure live load, live unload opportunities.

Bert Subin, Analyst, Stifel: Thanks so much.

Operator: Your next question comes from the line of Amit Mehrotra from Deutsche Bank. Your line is now open.

Amit Mehrotra, Analyst, Deutsche Bank: Thanks, operator. Hey, Dave. Hey, Adam. I guess I just had a couple of quick ones. One, Dave, how likely is it do you think for Knight to do another acquisition this year, kind of like a

meaningful acquisition like AAA that can really move the needle in terms of earnings contribution? And then, Adam, if we look at the fourth quarter results, I want to go back to maybe Jack's question around the first quarter, because in the fourth quarter we didn't really see a crack in yield on a loaded-mile basis. It was down by 1% sequentially. It's probably going to be down by 10% sequentially in the first quarter, so I'm trying to reconcile that dynamic with Dave's comments initially saying that you should see like not much of a seasonal, a very counter-seasonal move 4Q to 1Q, because if I look at 4Q we just didn't see the crack in yield that we may be expecting in the first quarter. So it would be just helpful, Adam, I think, if you could help us frame like what is the actual decline you expect in Truckload profits from 4Q to 1Q just given that dynamic on yield.

David Jackson: So, Amit, from an M&A perspective, we sit here right now at about 0.97 leverage ratio, so we're well positioned to act. Our number-one priority clearly is LTL. Those take time and you have to have the right timing in some cases for that to work out. And so in between those we look at a variety of companies and, as we alluded to in our last quarterly call, truckload carriers are attractive to us because we have so much comfort. We have, we think, an enviable track record with that and we know it, we love it, and we wouldn't be afraid to do truckload deals as well. So we think we have the bandwidth to be able to do both and so we remain very interested and I would say very active in the M&A world.

Adam Miller: And on your second question, Amit, when I look at 2021 versus 2022, I mean the fourth quarter there was unbelievable in 2021 and led to a big step down, I think almost \$0.25, \$0.26 a share into Q1, which Q1 was still strong. Q4 this year we are hauling freight in just normal course. We didn't have projects, we didn't have spot opportunities. And so, as you transition from Q4 into Q1, you don't have a lot changing in that freight dynamic. Now you have bids that you're working through, but many of those bids aren't effective until you go into probably early second quarter, some will be later in the second quarter, and then as the bid season progresses you're probably complete by probably mid third quarter. So, is rate going to be pressured Q4 to Q1? Probably. I don't know it's to the extent that you quoted. So I don't see the normal step down you would see from a Q4 where you have project business, you have robust spot market, and then you move into Q1 where you're just, again, moving freight in the normal course. The dynamic hasn't changed that dramatically.

Amit Mehrotra, Analyst, Deutsche Bank: But adjusted profits in trucking went down 18% 4Q 2021 to 1Q 2022. Are you basically saying that it's going to be down significantly less than that as you move from 4Q 2022 to 1Q 2023?

Adam Miller: I'm saying overall for the business I wouldn't see the same step down in profit from Q4, the same percentage step down in profit from Q4 to Q1.

Amit Mehrotra, Analyst, Deutsche Bank: Got it. Okay. That's very helpful. Thank you, guys. Appreciate it.

David Jackson: Thanks, Amit. Well, JP, we appreciate your help as our operator. Everyone, thanks for joining our call today. We apologize to a little more than a half dozen who were in the queue to ask questions that we didn't get to. I welcome to reach out to us directly and hope everyone has a great evening.

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