

**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 **September 30, 2023**
or
☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____
Commission File Number: 001-35007



Knight-Swift Transportation Holdings Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

20-5589597
(I.R.S. Employer Identification No.)

**2002 West Waballa Lane
Phoenix, Arizona 85027**
(Address of principal executive offices and zip code)

(602) 269-2000
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)
Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

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

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

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

There were approximately 161,369,000 shares of the registrant's common stock outstanding as of October 25, 2023.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

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KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

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
Knight-Swift/the Company/Management/We/Us/Our	Unless otherwise indicated or the context otherwise requires, these terms represent Knight-Swift Transportation Holdings Inc. and its subsidiaries.
2017 Merger	The September 8, 2017 merger of Knight Transportation, Inc. and its subsidiaries and Swift Transportation Company and its subsidiaries, pursuant to which we became Knight-Swift Transportation Holdings Inc.
2021 Debt Agreement	The Company's unsecured credit agreement, entered into on September 3, 2021, consisting of the 2021 Revolver and 2021 Term Loans, which are defined below
2021 Prudential Notes	Third amended and restated note purchase and private shelf agreement, entered into on September 3, 2021 by ACT with unrelated financial entities
2021 Revolver	Revolving line of credit under the 2021 Debt Agreement, maturing on September 3, 2026
2021 Term Loans	The Company's term loans under the 2021 Debt Agreement, collectively consisting of the 2021 Term Loan A-1, 2021 Term Loan A-2 and 2021 Term Loan A-3
2021 Term Loan A-1	The Company's term loan under the 2021 Debt Agreement, which matured on December 3, 2022
2021 Term Loan A-2	The Company's term loan under the 2021 Debt Agreement, maturing on September 3, 2024
2021 Term Loan A-3	The Company's term loan under the 2021 Debt Agreement, maturing on September 3, 2026
2023 Term Loan	The Company's term loan entered into on June 22, 2023, maturing on September 3, 2026
2021 RSA	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.
2022 RSA	Sixth Amendment to the Amended and Restated Receivables Sales Agreement, entered into on October 3, 2022 by Swift Receivables Company II, LLC with unrelated financial entities.
ACT	AAA Cooper Transportation, and its affiliated entity
ACT Acquisition	The Company's acquisition of 100% of the securities of ACT on July 5, 2021
Annual Report	Annual Report on Form 10-K
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
Board	Knight-Swift's Board of Directors
BSBY	Bloomberg Short-Term Bank Yield Index
DOE	United States Department of Energy
EPS	Earnings Per Share
Embark	Embark Technology Inc. and its related entities
ESPP	Knight-Swift Transportation Holdings Inc. Amended and Restated 2012 Employee Stock Purchase Plan
GAAP	United States Generally Accepted Accounting Principles
IRS	Internal Revenue Service
NYSE	New York Stock Exchange
LTL	Less-than-truckload
MME	MME, Inc. and its subsidiary, Midwest Motor Express, Inc.
Quarterly Report	Quarterly Report on Form 10-Q
RSU	Restricted Stock Unit
SEC	United States Securities and Exchange Commission
SOFR	Secured overnight financing rate as administered by the Federal Reserve Bank of New York
US	The United States of America
U.S. Xpress	U.S. Xpress Enterprises, Inc. and its subsidiaries
U.S. Xpress Acquisition	The Company's acquisition of 100% of the securities of U.S. Xpress on July 1, 2023
UTXL	UTXL Enterprises, Inc.

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

	September 30, 2023	December 31, 2022
	(In thousands, except per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 193,372	\$ 196,770
Cash and cash equivalents – restricted	259,979	185,792
Restricted investments, held-to-maturity, amortized cost	1,028	7,175
Trade receivables, net of allowance for doubtful accounts of \$29,144 and \$22,980, respectively	971,175	842,294
Contract balance – revenue in transit	12,122	15,859
Prepaid expenses	132,594	108,081
Assets held for sale	77,008	40,602
Income tax receivable	60,211	58,974
Other current assets	53,684	38,025
Total current assets	1,761,173	1,493,572
Gross property and equipment	6,542,804	5,740,383
Less: accumulated depreciation and amortization	(2,038,345)	(1,905,340)
Property and equipment, net	4,504,459	3,835,043
Operating lease right-of-use-assets	505,795	192,358
Goodwill	3,844,252	3,519,339
Intangible assets, net	2,077,426	1,776,569
Other long-term assets	147,176	134,785
Total assets	\$ 12,840,281	\$ 10,951,666
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 299,039	\$ 220,849
Accrued payroll and purchased transportation	183,450	171,381
Accrued liabilities	228,465	81,528
Claims accruals – current portion	442,014	311,822
Finance lease liabilities and long-term debt – current portion	434,863	71,466
Operating lease liabilities – current portion	142,543	36,961
Total current liabilities	1,730,374	894,007
Revolving line of credit	300,000	43,000
Long-term debt – less current portion	1,261,711	1,024,668
Finance lease liabilities – less current portion	320,270	344,377
Operating lease liabilities – less current portion	394,921	149,992
Accounts receivable securitization	361,681	418,561
Claims accruals – less current portion	310,075	201,838
Deferred tax liabilities	959,306	907,893
Other long-term liabilities	72,142	12,049
Total liabilities	5,710,480	3,996,385
Commitments and contingencies (Notes 7, 8, and 9)		
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; 161,347 and 160,706 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively.	1,613	1,607
Additional paid-in capital	4,418,981	4,392,266
Accumulated other comprehensive loss	(664)	(2,436)
Retained earnings	2,693,568	2,553,567
Total Knight-Swift stockholders' equity	7,113,498	6,945,004
Noncontrolling interest	16,303	10,277
Total stockholders' equity	7,129,801	6,955,281
Total liabilities and stockholders' equity	\$ 12,840,281	\$ 10,951,666

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

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

	Quarter Ended September 30,		Year-to-Date September 30,	
	2023	2022	2023	2022
(In thousands, except per share data)				
Revenue:				
Revenue, excluding truckload and LTL fuel surcharge	\$ 1,775,249	\$ 1,649,982	\$ 4,615,990	\$ 4,992,391
Truckload and LTL fuel surcharge	244,687	246,857	593,857	692,568
Total revenue	2,019,936	1,896,839	5,209,847	5,684,959
Operating expenses:				
Salaries, wages, and benefits	710,543	559,849	1,780,522	1,645,861
Fuel	272,376	231,128	628,435	678,763
Operations and maintenance	142,913	115,918	343,604	318,525
Insurance and claims	148,865	116,493	424,210	316,769
Operating taxes and licenses	30,506	26,628	84,728	85,869
Communications	8,411	5,095	20,344	16,709
Depreciation and amortization of property and equipment	176,613	150,363	488,960	442,889
Amortization of intangibles	18,907	16,254	51,595	48,635
Rental expense	50,401	15,216	81,542	42,109
Purchased transportation	330,683	364,394	869,671	1,135,750
Impairments	—	—	—	810
Miscellaneous operating expenses	48,662	30,060	116,363	62,965
Total operating expenses	1,938,880	1,631,398	4,889,974	4,795,654
Operating income	81,056	265,441	319,873	889,305
Other (expenses) income:				
Interest income	5,542	1,221	16,099	2,357
Interest expense	(39,354)	(14,679)	(86,799)	(30,704)
Other income (expenses), net	11,433	8,488	30,815	(31,493)
Total other (expenses) income, net	(22,379)	(4,970)	(39,885)	(59,840)
Income before income taxes	58,677	260,471	279,988	829,465
Income tax (benefit) expense	(1,220)	65,679	53,474	206,943
Net income	59,897	194,792	226,514	622,522
Net loss attributable to noncontrolling interest	297	3	1,290	102
Net income attributable to Knight-Swift	60,194	194,795	227,804	622,624
Other comprehensive income (loss)	152	243	1,772	(1,991)
Comprehensive income	\$ 60,346	\$ 195,038	\$ 229,576	\$ 620,633
Earnings per share:				
Basic	\$ 0.37	\$ 1.21	\$ 1.41	\$ 3.82
Diluted	\$ 0.37	\$ 1.21	\$ 1.41	\$ 3.80
Dividends declared per share:				
	\$ 0.14	\$ 0.12	\$ 0.42	\$ 0.36
Weighted average shares outstanding:				
Basic	161,332	160,665	161,124	162,785
Diluted	161,888	161,572	161,782	163,720

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

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

	Year-to-Date September 30,	
	2023	2022
	(In thousands)	
Cash flows from operating activities:		
Net income	\$ 226,514	\$ 622,522
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property, equipment, and intangibles	540,555	491,524
Gain on sale of property and equipment	(46,628)	(73,373)
Impairments	—	810
Deferred income taxes	9,587	1,126
Non-cash lease expense	68,778	30,973
(Gain) loss on equity securities	(2,100)	51,033
Other adjustments to reconcile net income to net cash provided by operating activities	46,224	32,545
Increase (decrease) in cash resulting from changes in:		
Trade receivables	84,149	(44,043)
Income tax receivable	(1,237)	(14,191)
Accounts payable	(10,495)	14,259
Accrued liabilities and claims accrual	26,599	19,207
Operating lease liabilities	(68,140)	(30,755)
Other assets and liabilities	(304)	(2,442)
Net cash provided by operating activities	873,502	1,099,195
Cash flows from investing activities:		
Proceeds from maturities of held-to-maturity investments	3,620	7,506
Purchases of held-to-maturity investments	(30)	(9,594)
Proceeds from sale of property and equipment, including assets held for sale	214,234	139,545
Purchases of property and equipment	(852,677)	(496,237)
Expenditures on assets held for sale	(785)	(499)
Net cash, restricted cash, and equivalents invested in acquisitions	(458,288)	(1,291)
Other cash flows from investing activities	5,896	1,944
Net cash used in investing activities	(1,088,030)	(358,626)
Cash flows from financing activities:		
Repayments of finance leases and long-term debt	(81,354)	(250,884)
Proceeds from long-term debt	250,000	—
Borrowings (repayments) on revolving lines of credit, net	257,000	(114,000)
Borrowings under accounts receivable securitization	25,000	—
Repayments of accounts receivable securitization	(82,000)	—
Proceeds from common stock issued	4,200	6,111
Repurchases of the Company's common stock	—	(299,941)
Dividends paid	(68,550)	(59,011)
Other cash flows from financing activities	(18,206)	(31,104)
Net cash provided by (used in) financing activities	286,090	(748,829)
Net increase (decrease) in cash, restricted cash, and equivalents	71,562	(8,260)
Cash, restricted cash, and equivalents at beginning of period	385,345	350,023
Cash, restricted cash, and equivalents at end of period	\$ 456,907	\$ 341,763

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

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

	Year-to-Date September 30,	
	2023	2022
	(In thousands)	
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 84,361	\$ 29,342
Income taxes	38,455	234,260
Non-cash investing and financing activities:		
Equipment acquired included in accounts payable	\$ 19,639	\$ 4,264
Financing provided to independent contractors for equipment sold	4,285	—
Transfers from property and equipment to assets held for sale	136,453	45,618
Noncontrolling interest associated with acquisitions	5,178	—
Purchase price adjustment on acquisition	—	2,164
Contingent consideration associated with acquisitions and investments	174,107	1,717
U.S. Xpress assumed equity awards	1,462	—
Conversion of note receivable to equity investment	12,107	—
Right-of-use assets obtained in exchange for operating lease liabilities	41,888	44,465
Property and equipment obtained in exchange for finance lease liabilities	70,051	141,374
Property and equipment obtained in exchange for finance lease liabilities reclassified from operating lease liabilities	—	6,462

<u>Reconciliation of Cash, Restricted Cash, and Equivalents:</u>	<u>September 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>September 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
	(In thousands)			
<u>Consolidated Balance Sheets</u>				
Cash and cash equivalents	\$ 193,372	\$ 196,770	\$ 194,082	\$ 261,001
Cash and cash equivalents – restricted ¹	259,979	185,792	144,960	87,241
Other long-term assets ¹	3,556	2,783	2,721	1,781
<u>Consolidated Statements of Cash Flows</u>				
Cash, restricted cash, and equivalents	\$ 456,907	\$ 385,345	\$ 341,763	\$ 350,023

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

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

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

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Knight- Swift Stockholders' Equity	Noncontrolling Interest	Total Stockholders' Equity
	Shares	Par Value						
	(In thousands, except per share data)							
Balances – December 31, 2022	160,706	\$ 1,607	\$ 4,392,266	\$ 2,553,567	\$ (2,436)	\$ 6,945,004	\$ 10,277	\$ 6,955,281
Common stock issued to employees	565	5	158			163		163
Common stock issued to the Board	18	—	977			977		977
U.S. Xpress assumed equity awards			1,462			1,462		1,462
Common stock issued under ESPP	58	1	3,059			3,060		3,060
Shares withheld – RSU settlement				(19,548)		(19,548)		(19,548)
Employee stock-based compensation expense			21,059			21,059		21,059
Cash dividends paid and dividends accrued (\$0.42 per share)				(68,255)		(68,255)		(68,255)
Net income				227,804		227,804	(1,290)	226,514
Other comprehensive loss					1,772	1,772		1,772
Investment in noncontrolling interest							7,555	7,555
Distribution to noncontrolling interest							(239)	(239)
Balances – September 30, 2023	161,347	\$ 1,613	\$ 4,418,981	\$ 2,693,568	\$ (664)	\$ 7,113,498	\$ 16,303	\$ 7,129,801

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Knight- Swift Stockholders' Equity	Noncontrolling Interest	Total Stockholders' Equity
	Shares	Par Value						
	(In thousands, except per share data)							
Balances – December 31, 2021	165,980	\$ 1,660	\$ 4,350,913	\$ 2,181,142	\$ (563)	\$ 6,533,152	\$ 10,298	\$ 6,543,450
Common stock issued to employees	614	6	2,369			2,375		2,375
Common stock issued to the Board	18	—	873			873		873
Common stock issued under ESPP	59	1	2,862			2,863		2,863
Company shares repurchased	(6,001)	(60)		(299,881)		(299,941)		(299,941)
Shares withheld – RSU settlement				(20,504)		(20,504)		(20,504)
Employee stock-based compensation expense			25,878			25,878		25,878
Cash dividends paid and dividends accrued (\$0.36 per share)				(58,912)		(58,912)		(58,912)
Net income				622,624		622,624	(102)	622,522
Other comprehensive income					(1,991)	(1,991)		(1,991)
Balances – September 30, 2022	160,670	\$ 1,607	\$ 4,382,895	\$ 2,424,469	\$ (2,554)	\$ 6,806,417	\$ 10,196	\$ 6,816,613

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

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

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Knight- Swift Stockholders' Equity	Noncontrolling Interest	Total Stockholders' Equity
	Shares	Par Value						
	(In thousands, except per share data)							
Balances – June 30, 2023	161,276	\$ 1,613	\$ 4,412,069	\$ 2,657,415	\$ (815)	\$ 7,070,282	\$ 10,761	\$ 7,081,043
Common stock issued to employees	53	—	—	—	—	—	—	—
U.S. Xpress assumed equity awards			1,462			1,462		1,462
Common stock issued under ESPP	18	—	978			978		978
Shares withheld – RSU settlement				(1,277)		(1,277)		(1,277)
Employee stock-based compensation expense			4,472			4,472		4,472
Cash dividends paid and dividends accrued (\$0.14 per share)				(22,764)		(22,764)		(22,764)
Net income				60,194		60,194	(297)	59,897
Other comprehensive loss					151	151		151
Investment in noncontrolling interest							5,839	5,839
Balances – September 30, 2023	161,347	\$ 1,613	\$ 4,418,981	\$ 2,693,568	\$ (664)	\$ 7,113,498	\$ 16,303	\$ 7,129,801

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Knight- Swift Stockholders' Equity	Noncontrolling Interest	Total Stockholders' Equity
	Shares	Par Value						
	(In thousands, except per share data)							
Balances – June 30, 2022	160,639	\$ 1,606	\$ 4,372,916	\$ 2,249,333	\$ (2,797)	\$ 6,621,058	\$ 10,199	\$ 6,631,257
Common stock issued to employees	7	—	—	—	—	—	—	—
Common stock issued under ESPP	24	1	1,053			1,054		1,054
Shares withheld – RSU settlement				(188)		(188)		(188)
Employee stock-based compensation expense			8,926			8,926		8,926
Cash dividends paid and dividends accrued (\$0.12 per share)				(19,471)		(19,471)		(19,471)
Net income				194,795		194,795	(3)	194,792
Other comprehensive loss					243	243		243
Balances – September 30, 2022	160,670	\$ 1,607	\$ 4,382,895	\$ 2,424,469	\$ (2,554)	\$ 6,806,417	\$ 10,196	\$ 6,816,613

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

Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 1 — Introduction and Basis of Presentation

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

Description of Business

Knight-Swift is a transportation solutions provider, headquartered in Phoenix, Arizona. During the year-to-date period ended September 30, 2023, the Company operated an average of 20,054 tractors (comprised of 17,977 company tractors and 2,077 independent contractor tractors) and 85,125 trailers within the Truckload segment and leasing activities within the non-reportable segments. The LTL segment operated an average of 3,177 tractors and 8,445 trailers. Additionally, the Intermodal segment operated an average of 647 tractors and 12,780 intermodal containers. As of September 30, 2023, the Company's four reportable segments were Truckload, LTL, 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 2022 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.

Note regarding comparability — The reported results do not include U.S. Xpress's operating results prior to its acquisition by the Company on July 1, 2023 in accordance with the accounting treatment applicable to the transaction. Accordingly, comparisons between the Company's third quarter 2023 results and prior periods may not be meaningful.

Seasonality

In the full truckload 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 Truckload 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, as the Company continues to diversify its business through expansion into the LTL industry, warehousing, and other activities, seasonal volatility is becoming more tempered. Additionally, macroeconomic trends and cyclical changes in the trucking industry, including imbalances in supply and demand, can override the seasonality faced in the industry.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED
Note 2 — Recently Issued Accounting Pronouncements

Date Issued	Reference	Description	Expected Adoption Date and Method	Financial Statement Impact
March 2023	ASU No. 2023-01: Leases (ASC 842), <i>Common Control Arrangements</i>	The amendments in this ASU require that leasehold improvements associated with common control leases be amortized by the lessee over the useful life of the leasehold improvements and that leasehold improvements associated with common control leases be accounted for as a transfer between entities under common control through an adjustment to equity if the lessee no longer controls the use of the asset.	January 2024, Prospective or retrospective	Currently under evaluation, but not expected to be material
July 2023	ASU No. 2023-03: Presentation of Financial Statements (ASC 205), Income Statement—Reporting Comprehensive Income (ASC 220), Distinguishing Liabilities from Equity (ASC 480), Equity (ASC 505), and Compensation—Stock Compensation (ASC 718)	The amendments in this ASU reflect alignment to Staff Accounting Bulletin No. 120 ("SAB 120") that was issued by the SEC in November 2021. SAB 120 provides guidance to entities issuing share-based awards shortly before announcing material, nonpublic information. The guidance indicates that entities should consider such material nonpublic information to adjust the observable market if the effect of the release of the material nonpublic information is expected to affect the share price and the share-based awards are non-routine in nature.	July 2023, prospective adoption	Currently under evaluation, but not expected to be material
August 2023	ASU No. 2023-05: Business Combinations — Joint Venture Formations (ASC 805-60), Recognition and Initial Measurement	Requires a joint venture to initially measure all contributions received upon its formation at fair value.	January 2025, prospective adoption	Currently under evaluation, but not expected to be material
October 2023	ASU No. 2023-06: Disclosure Improvements	The amendments in this ASU updated several topics of the ASC to incorporate changes required by guidance made effective by SEC Final Rule No. 33-10532. The SEC Final Rule incorporates existing or incremental requirements of Regulation S-X into the accounting standards codification.	October 2023, prospective adoption	Presentation and disclosure impact only

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED

Note 3 — Acquisitions

U.S. Xpress

On July 1, 2023, the Company acquired Chattanooga, Tennessee-based U.S. Xpress Enterprises, Inc. ("U.S. Xpress"), one of the largest asset-based truckload carriers in the United States. The acquisition was completed through a Knight-Swift subsidiary formed to hold the U.S. Xpress business post-closing ("HoldCo") with Max Fuller, former Executive Chairman of U.S. Xpress, Eric Fuller, former CEO of U.S. Xpress, and their related entities and trusts (collectively, the "Rollover Holders"), rolling over a portion of their shares of U.S. Xpress into HoldCo for approximately 10% interest in HoldCo.

The total purchase price consideration of \$630.0 million consisted of \$454.4 million in cash, including approximately \$139.8 million in debt payoffs, and \$1.5 million in assumed equity related to the revaluation of equity awards. The purchase price also included contingent consideration valued at \$174.1 million, consisting of two classes of membership interests in HoldCo. The Class A membership interests will be subject to put and call rights at a defined fair market value measure in favor of the Rollover Holders and the Company, respectively, and will be purchased by the Company at that defined fair market value measure if outstanding at the fifth anniversary of the acquisition date. In order for the put right to become exercisable, it is subject to a \$175 million minimum adjusted operating income threshold for U.S. Xpress. In addition, the Company will have a call right, exercisable only within the first 15 months after closing, at an exercise price of approximately \$140 million. The Class B membership interests will be repurchased by the Company for \$40 million if U.S. Xpress achieves \$250 million in adjusted operating income for a trailing annual period at or prior to the fifth anniversary of closing. If such threshold is not met, the Class B interests will be forfeited for no value.

As of September 30, 2023, the \$134.1 million in mandatorily redeemable Class A membership interests is included in "Accrued liabilities" in the Company's condensed consolidated balance sheets and the \$40.0 million in mandatory purchase of Class B membership interest is included in "Other long-term liabilities" in the Company's condensed consolidated balance sheets, depending on the terms.

Cash was funded from the 2023 Term Loan, as well as existing Knight-Swift liquidity. The purchase of the equity interests of U.S. Xpress results in the historical tax basis of U.S. Xpress' assets continuing to be recovered and any intangible assets arising through purchase accounting will result in additional stock basis for tax purposes. Deferred taxes were established as of the opening balance sheet for purchase accounting fair value adjustments (other than for goodwill). The merger agreement contained customary representations, warranties, and covenants for a transaction of this nature.

During the quarter and year-to-date periods ended September 30, 2023, the Company's consolidated operating results included U.S. Xpress' total revenue of \$461.6 million and a net loss of \$19.9 million. U.S. Xpress' net income during quarter and year-to-date periods ended September 30, 2023 included \$2.3 million related to the amortization of intangible assets acquired in the U.S. Xpress Acquisition.

The goodwill recognized represents expected synergies from combining the operations of U.S. Xpress 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 not expected to be deductible for tax purposes.

See Note 6 for more information about the Company's credit facilities and the 2023 Term Loan.

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

The purchase price allocation for U.S. Xpress is preliminary and has been allocated based on estimated fair values of the assets acquired and liabilities assumed at the acquisition date, and among other things may be 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 applicable. 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.

	July 1, 2023 Opening Balance Sheet as Reported at September 30, 2023
Fair value of the consideration transferred	\$ 632,109
Cash and cash equivalents	3,321
Receivables	216,659
Prepaid expenses	21,347
Other current assets	47,317
Property and equipment	433,210
Operating lease right-of-use assets	337,055
Identifiable intangible assets ¹	348,000
Other noncurrent assets	28,457
Total assets	1,435,366
Accounts payable	(102,193)
Accrued payroll and payroll-related expenses	(27,485)
Accrued liabilities	(19,966)
Claims accruals – current and noncurrent portions	(180,251)
Operating lease liabilities – current and noncurrent portions	(376,763)
Long-term debt and finance leases – current and noncurrent portions	(337,949)
Deferred tax liabilities	(41,826)
Other long-term liabilities	(34,230)
Total liabilities	(1,120,663)
Noncontrolling interest	(391)
Total stockholders' equity	(391)
Goodwill	\$ 317,797

¹ Includes \$184.5 million in customer relationships and \$163.5 million in trade names.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED

Pro Forma Information — The following unaudited pro forma information combines the historical operations of the Company and U.S. Xpress giving effect to the U.S. Xpress Acquisition, and related transactions as if consummated on January 1, 2022, the beginning of the comparative period presented.

	Quarter Ended September 30,		Year-to-Date September 30,	
	2023	2022	2023	2022
(In thousands, except per share data)				
Total revenue	\$ 2,019,936	\$ 2,444,667	\$ 6,165,131	\$ 7,303,678
Net income attributable to Knight-Swift	33,584	100,112	146,522	599,058
Earnings per share – diluted	0.21	0.62	0.91	3.66

The unaudited pro forma condensed combined financial information has been presented for comparative purposes only and includes certain adjustments such as recognition of assets acquired at estimated fair values and related depreciation and amortization, elimination of transaction costs incurred by Knight-Swift and U.S. Xpress during the periods presented that were directly related to the U.S. Xpress Acquisition, and related income tax effects of these items. As a result of the U.S. Xpress Acquisition, both Knight-Swift and U.S. Xpress incurred certain acquisition-related expenses, including professional legal and advisory fees, acceleration of share-based compensation, bonus incentives, severance payments, filing fees and other miscellaneous expenses. These acquisition-related expenses totaled \$6.5 million and \$31.8 million during the quarter and year-to-date periods ended September 30, 2023, respectively. These expenses were eliminated in the presentation of the unaudited pro forma "Net income attributable to Knight-Swift" presented above.

The unaudited pro forma condensed combined financial information does not purport to represent the actual results of operations that Knight-Swift and U.S. Xpress would have achieved had the companies been combined during the periods presented in the unaudited pro forma condensed combined financial statements and is not intended to project the future results of operations that the combined company may achieve after the identified transactions. The unaudited pro forma condensed combined financial information does not reflect any cost savings that may be realized as a result of the U.S. Xpress Acquisition and also does not reflect any restructuring or integration-related costs to achieve those potential cost savings.

The Company did not complete any other material acquisitions during the year-to-date period ended September 30, 2023.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED

Note 4 — Income Taxes

Effective Tax Rate — The quarter ended September 30, 2023 and September 30, 2022 effective tax rates were (2.1)% and 25.2%, respectively. The Company recognized discrete items relating to a partial release of the valuation allowance associated with the U.S. Xpress net operating loss and tax credit carryforward benefits, stock compensation deductions, and a reduction in state deferred taxes due to adjustments to state tax rates and apportionment during the quarter ended September 30, 2023.

The year-to-date September 30, 2023 and September 30, 2022 effective tax rates were 19.1% and 24.9%, respectively. The Company recognized discrete items relating to a partial release of the valuation allowance associated with the U.S. Xpress net operating loss and tax credit carryforward benefits, stock compensation deductions, and a reduction in state deferred taxes due to adjustments to state tax rates and apportionment during the year-to-date period ended September 30, 2023.

Valuation Allowance — Valuation allowances are provided if, based upon the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. U.S. Xpress initially had a valuation allowance of \$25.0 million not considering Knight-Swift entities. During the quarter, \$14.6 million of that valuation allowance was released due to the Company's ability to utilize certain tax attributes in future periods. The remaining \$10.4 million valuation allowance is maintained to offset the tax benefit of capital loss and state operating loss carryforwards that may not be utilized in the future.

Unrecognized Tax Benefits — Due to the acquisition, the Company has unrecognized tax benefits associated with tax credit carryforwards. Management does not expect a decrease in unrecognized tax benefits relating to credits to be necessary within the next twelve months.

Interest and Penalties — The Company had no accrued interest and penalties related to unrecognized tax benefits as of September 30, 2023. Accrued interest and penalties related to unrecognized tax benefits were approximately \$0.2 million as of December 31, 2022.

Tax Examinations — Certain of the Company's subsidiaries are currently under examination by various Federal and state jurisdictions for tax years ranging from 2009 to 2021. 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 2017 remain subject to examination.

Note 5 — Accounts Receivable Securitization

On October 3, 2022, the Company entered into the 2022 RSA, which further amended the 2021 RSA. The 2022 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 consolidated balance sheets. As of September 30, 2023, the Company's eligible receivables generally have high credit quality, as determined by the obligor's corporate credit rating.

The 2022 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 September 30, 2023. 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.

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

The following table summarizes the key terms of the 2022 RSA (dollars in thousands):

	2022 RSA
	(Dollars in thousands)
Effective date	October 3, 2022
Final maturity date	October 1, 2025
Borrowing capacity	\$475,000
Accordion option ¹	\$100,000
Unused commitment fee rate ²	20 to 40 basis points
Program fees on outstanding balances ³	one month SOFR + credit adjustment spread 10 basis points + 82.5 basis points

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

² The 2022 RSA commitment fee rates are based on the percentage of the maximum borrowing capacity utilized.

³ As identified within the 2022 RSA, the lender can trigger an amendment by identifying and deciding upon a replacement for SOFR.

Availability under the 2022 RSA is calculated as follows:

	September 30, 2023	December 31, 2022
	(In thousands)	
Borrowing base, based on eligible receivables	\$ 363,800	\$ 456,400
Less: outstanding borrowings ¹	(362,000)	(419,000)
Availability under accounts receivable securitization facilities	\$ 1,800	\$ 37,400

¹ Outstanding borrowings are included in "Accounts receivable securitization" in the condensed consolidated balance sheets and are offset by deferred loan costs of \$0.3 million and \$0.4 million as of September 30, 2023 and December 31, 2022, respectively. Interest accrued on the aggregate principal balance at a rate of 6.3% and 5.1% as of September 30, 2023 and December 31, 2022, respectively.

Refer to Note 12 for information regarding the fair value of the 2022 RSA.

2023 RSA

On October 23, 2023, the Company entered into the Seventh Amendment to the Amended and Restated Receivables Sales Agreement ("2023 RSA"). The 2023 RSA, among other things, increases the maximum borrowing capacity to \$575.0 million.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED
Note 6 — Debt and Financing

Other than the Company's accounts receivable securitization as discussed in Note 5, the Company's long-term debt consisted of the following:

	September 30, 2023	December 31, 2022
	(In thousands)	
2021 Term Loan A-2, due September 3, 2024, net ^{1 2}	199,865	199,755
2021 Term Loan A-3, due September 3, 2026, net ^{1 2}	798,970	798,705
2023 Term Loan, due September 3, 2026, net ^{1 3}	249,054	—
Revenue equipment installment notes ^{1 4}	296,884	—
Prudential Notes, net ¹	28,057	35,960
Other	9,322	3,042
Total long-term debt, including current portion	1,582,152	1,037,462
Less: current portion of long-term debt	(320,441)	(12,794)
Long-term debt, less current portion	<u>\$ 1,261,711</u>	<u>\$ 1,024,668</u>

	September 30, 2023	December 31, 2022
	(In thousands)	
Total long-term debt, including current portion	\$ 1,582,152	\$ 1,037,462
2021 Revolver, due September 3, 2026 ^{1 5}	300,000	43,000
Long-term debt, including revolving line of credit	<u>\$ 1,882,152</u>	<u>\$ 1,080,462</u>

¹ Refer to Note 12 for information regarding the fair value of debt.

² As of September 30, 2023, the carrying amounts of the 2021 Term Loan A-2 and 2021 Term Loan A-3 were net of \$0.1 million and \$1.0 million in deferred loan costs, respectively. As of December 31, 2022, the carrying amounts of the 2021 Term Loan A-2 and 2021 Term Loan A-3 were net of \$0.2 million and \$1.3 million in deferred loan costs, respectively.

³ As of September 30, 2023, the carrying amount of the 2023 Term Loan was net of \$0.9 million in deferred loan costs.

⁴ The revenue equipment installment loans were assumed at the close of the U. S. Xpress Acquisition and have a weighted average interest rate of 4.5% as of September 30, 2023.

⁵ The Company also had outstanding letters of credit of \$21.2 million and \$15.8 million under the 2021 Revolver, primarily related to workers' compensation and self-insurance liabilities at September 30, 2023 and December 31, 2022, respectively. The Company also had outstanding letters of credit of \$264.3 million and \$173.1 million under a separate bilateral agreement which do not impact the availability of the 2021 Revolver as of September 30, 2023 and December 31, 2022, respectively.

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

2021 Debt Agreement — On September 3, 2021, the Company entered into the \$2.3 billion 2021 Debt Agreement (an unsecured credit facility) with a group of banks, replacing the Company's prior debt agreements. The following table presents the key terms of the 2021 Debt Agreement:

	2021 Term Loan A-2	2021 Term Loan A-3	2021 Revolver ²
2021 Debt Agreement Terms	(Dollars in thousands)		
Maximum borrowing capacity	\$200,000	\$800,000	\$1,100,000
Final maturity date	September 3, 2024	September 3, 2026	September 3, 2026
Interest rate margin reference rate	BSBY	BSBY	BSBY
Interest rate minimum margin ¹	0.75%	0.88%	0.88%
Interest rate maximum margin ¹	1.38%	1.50%	1.50%
Minimum principal payment — amount	\$—	\$10,000	\$—
Minimum principal payment — frequency	Once	Quarterly	Once
Minimum principal payment — commencement date	September 3, 2024	September 30, 2024	September 3, 2026

1 The interest rate margin for the 2021 Term Loans and 2021 Revolver is based on the Company's consolidated leverage ratio. As of September 30, 2023, interest accrued at 6.39% on the 2021 Term Loan A-2, 6.51% on the 2021 Term Loan A-3, and 6.53% on the 2021 Revolver.

2 The commitment fee for the unused portion of the 2021 Revolver is based on the Company's consolidated leverage ratio, and ranges from 0.1% to 0.2%. As of September 30, 2023, commitment fees on the unused portion of the 2021 Revolver accrued at 0.1% and outstanding letter of credit fees accrued at 1.1%.

Pursuant to the 2021 Debt Agreement, the 2021 Revolver and the 2021 Term Loans contain certain financial covenants with respect to a maximum net leverage ratio and a minimum consolidated interest coverage ratio. The 2021 Debt Agreement provides flexibility regarding the use of proceeds from asset sales, payment of dividends, stock repurchases, and equipment financing. In addition to the financial covenants, the 2021 Debt Agreement includes usual and customary events of default for a facility of this nature and provides that, upon the occurrence and continuation of an event of default, payment of all amounts payable under the 2021 Debt Agreement may be accelerated, and the lenders' commitments may be terminated. The 2021 Debt Agreement contains certain usual and customary restrictions and covenants relating to, among other things, dividends (which are restricted only if a default or event of default occurs and is continuing or would result therefrom), liens, affiliate transactions, and other indebtedness. As of September 30, 2023, the Company was in compliance with the covenants under the 2021 Debt Agreement.

Borrowings under the 2021 Debt Agreement are made by Knight-Swift Transportation Holdings Inc. and are guaranteed by certain of the Company's material domestic subsidiaries (other than its captive insurance subsidiaries, driving academy subsidiary, and bankruptcy-remote special purpose subsidiary).

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED

2023 Term Loan — On June 22, 2023, the Company entered into the \$250.0 million 2023 Term Loan (an unsecured credit facility) with a group of banks. The 2023 Term Loan matures on September 3, 2026. There are no scheduled principal payments due until maturity. The 2023 Term Loan contains terms similar to the 2021 Debt Agreement. The proceeds received from the 2023 Term Loan were used to pay fees, commissions and expenses in connection with the Company's acquisition of U.S. Xpress. The interest rate applicable to the 2023 Term Loan is subject to a leverage-based grid and as of September 30, 2023 is equal to SOFR plus the 0.1% SOFR adjustment plus 1.375%. As of September 30, 2023, interest accrued at 6.79% on the 2023 Term Loan.

U.S. Xpress's Revenue Equipment Installment Notes — In connection with the U.S. Xpress Acquisition, the Company assumed revenue equipment installment notes with various lenders to finance tractors and trailers. Payments are due in monthly installments with final maturities at various dates through March 15, 2028, and the notes are secured by related revenue equipment with a net book value of \$256.7 million as of September 30, 2023. Payment terms generally range from 36 months to 84 months. The interest rates as of September 30, 2023 range from 2% to 7%.

ACT's Prudential Notes — The 2021 Prudential Notes allow ACT to borrow up to \$125.0 million, less amounts currently outstanding with Prudential Capital Group, provided that certain financial ratios are maintained. The 2021 Prudential Notes have interest rates ranging from 4.05% to 4.40% and various maturity dates ranging from October 2023 through January 2028. The 2021 Prudential Notes are unsecured and contain usual and customary restrictions on, among other things, the ability to make certain payments to stockholders, similar to the provisions of the Company's 2021 Debt Agreement. As of September 30, 2023, ACT had \$98.2 million available for issuance under the agreement.

Fair Value Measurement — See Note 12 for fair value disclosures regarding the Company's debt instruments.

Note 7 — Defined Benefit Pension Plan

Net periodic pension income and benefits paid during the quarters ended September 30, 2023 and 2022 were immaterial.

Assumptions

A weighted-average discount rate of 5.58% was used to determine benefit obligations as of September 30, 2023.

The following weighted-average assumptions were used to determine net periodic pension cost:

	Quarter Ended September 30,		Year-to-Date September 30,	
	2023	2022	2023	2022
Discount rate	4.86 %	4.33 %	4.79 %	3.13 %
Expected long-term rate of return on pension plan assets	6.00 %	6.00 %	6.00 %	6.00 %

Refer to Note 12 for additional information regarding fair value measurements of the Company's investments.

Note 8 — Purchase Commitments

As of September 30, 2023, the Company had outstanding commitments to purchase revenue equipment of \$284.2 million in the remainder of 2023 (\$179.7 million of which were tractor commitments), and none thereafter. These purchases may be financed through any combination of finance leases, operating leases, debt, proceeds from sales of existing equipment, and cash flows from operations.

As of September 30, 2023, the Company had outstanding commitments to purchase facilities and non-revenue equipment of \$49.8 million in the remainder of 2023, \$19.1 million from 2024 through 2025, \$2.0 million from 2026 through 2027, and none thereafter. Factors such as costs and opportunities for future terminal expansions may change the amount of such expenditures.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED
Note 9 — Contingencies and Legal Proceedings
Legal Proceedings

The Company is party to certain legal proceedings incidental to its business. The majority of these claims relate to bodily injury, property damage, cargo and workers' compensation incurred in the transportation of freight, as well as certain class action litigation related to personnel and employment matters. We record a liability when we believe that it is probable that a loss has been incurred and the amount can be reasonably estimated.

Information is provided below regarding the nature, status, and contingent loss amounts, if any, associated with pending legal matters that may be material to the Company. 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. Cash flows or results of operations could be materially affected in any particular period by the resolution of one or more of these contingencies.

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 \$9.2 million, relating to the Company's outstanding legal proceedings as of September 30, 2023.

EMPLOYEE COMPENSATION AND PAY PRACTICES MATTERS			
California Wage, Meal, and Rest Class Actions			
The plaintiffs generally allege one or more of the following: that the Company 1) failed to pay the California minimum wage; 2) failed to provide proper meal and rest periods; 3) failed to timely pay wages upon separation from employment; 4) failed to pay for all hours worked; 5) failed to pay overtime; 6) failed to properly reimburse work-related expenses; and 7) failed to provide accurate wage statements.			
Plaintiff(s)	Defendant(s)	Date instituted	Court or agency currently pending in
John Burnell ¹	Swift Transportation Co., Inc	March 22, 2010	United States District Court for the Central District of California
James R. Rudsell ¹	Swift Transportation Co. of Arizona, LLC and Swift Transportation Company	April 5, 2012	United States District Court for the Central District of California
Recent Developments and Current Status			
In April 2019, the parties reached settlement of this matter. In January 2020, the court granted final approval of the settlement. Two objectors appealed the court's decision granting final approval of the settlement. The Company paid this settlement on July 10, 2023.			
California Wage and Hour Class Action Litigation - U.S. Xpress			
The plaintiffs generally allege one or more of the following: that class members were 1) not paid for off-the-clock work; 2) not provided duty free meal or rest breaks; 3) not paid premium pay in their absence; 4) not paid the California minimum wage for all hours worked in that state; 5) not provided accurate and complete itemized wage statements; and 6) not paid all accrued wages at the end of their employment.			
Plaintiff(s)	Defendant(s)	Date instituted	Court or agency currently pending in
Various	U.S. Xpress	December 23, 2015	United States District Court for the Central District of California
Recent Developments and Current Status			
In February 2023, the parties reached an agreement to settle the California Wage and Hour Class Action Litigation, exclusive of employer-side taxes. On September 19, 2023, the court granted final approval of the settlement. No party objected to the settlement. The settlement amount (including employer-side taxes) is payable by November 2, 2023 and the loss has accordingly been accrued as of September 30, 2023.			

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

SHAREHOLDER MATTERS - U.S. Xpress			
Stockholder Derivative Action			
The plaintiffs generally allege that U.S. Xpress made false and/or misleading statements in the registration statement and prospectus filed with the SEC in connection with the IPO and that the Individual Defendants breached their fiduciary duties by causing or allowing U.S. Xpress to make such statements. The complaint alleges that U.S. Xpress has been damaged by the alleged wrongful conduct as a result of, among other things, being subjected to the time and expense of the securities class action lawsuits that have been filed relating to the IPO. In addition to a claim for alleged breach of fiduciary duties, the lawsuit alleges claims against the Individual Defendants for unjust enrichment, abuse of control, gross mismanagement, and waste of corporate assets.			
Plaintiff(s)	Defendant(s)	Date instituted	Court or agency currently pending in
Various	Five executives and five independent board members of U.S. Xpress (collectively, the "Individual Defendants")	June 7, 2019	District Court for Clark County, Nevada
Recent Developments and Current Status			
The lawsuit was dismissed without prejudice on August 14, 2023.			
Stockholder Claims			
Between November 2018 and April 2019, eight substantially similar putative securities class action complaints were filed against U.S. Xpress and certain other defendants: five in the Circuit Court of Hamilton County, Tennessee ("Tennessee State Court Cases"), two in the U.S. District Court for the Eastern District of Tennessee ("Federal Court Cases"), and one in the Supreme Court of the State of New York ("New York State Court Case"). The putative class action lawsuits generally allege that U.S. Xpress made false and/or misleading statements in the registration statement and prospectus filed with the Securities and Exchange Commission ("SEC") in connection with the June 2018 initial public offering ("IPO").			
Plaintiff(s)	Defendant(s)	Date instituted	Court or agency currently pending in
Various	U.S. Xpress, five officers or directors, and the seven underwriters who participated in the IPO	November 2018	Circuit Court of Hamilton County, Tennessee, U.S. District Court for the Eastern District of Tennessee and Supreme Court of the State of New York

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED****SHAREHOLDER MATTERS - U.S. Xpress (Continued)****Recent Developments and Current Status****Tennessee State Court Cases**

The Consolidated Amended Class Action Complaint (the “Consolidated State Court Complaint”) filed on May 10, 2019 in the Circuit Court of Hamilton County, Tennessee against U.S. Xpress, five officers or directors, and the seven underwriters who participated in the IPO, alleges violations of Sections 11, 12(a)(2) and 15 of the Securities Act of 1933 (the “Securities Act”). The lawsuit is purportedly brought on behalf of a putative class.

On November 13, 2020, the court presiding over the Tennessee State Court Cases entered an order, granting in part and denying in part the defendants’ Motions to Dismiss the Consolidated State Court Complaint. The court held that the plaintiffs failed to state a claim for violation of the Securities Act with respect to the majority of statements challenged as false or misleading in the Consolidated State Court Complaint. The court, however, held that the Consolidated State Court Complaint sufficiently alleged violations of the Securities Act with respect to one statement from the IPO registration statement and prospectus that the plaintiffs alleged to be false or misleading, both on theories of alleged misrepresentations and material omissions.

New York State Court Case

On March 14, 2019, a substantially similar putative class action complaint was filed in the Supreme Court of the State of New York, County of New York, by a different plaintiff alleging claims under Sections 11 and 15 of the Securities Act against the same defendants as in the Tennessee State Court Cases. On December 18, 2020, defendants filed a Motion to Dismiss or Stay the New York State Case both on the merits and in deference to the pending actions in Tennessee. On March 5, 2021, the court presiding over the New York State Case dismissed the case, and on January 13, 2022, the court entered a motion denying plaintiff’s motion for reconsideration.

Federal Court Cases

The operative amended complaint was filed on October 8, 2019 (“Amended Federal Complaint”), which named the same defendants as the Tennessee State Court Cases. The Amended Federal Complaint is made on behalf of a putative class. In addition to claims for alleged violations of Section 11 and 15 of the Securities Act, the Amended Federal Complaint alleges violations of Section 10(b) and 20(a) of the Securities Exchange Act of 1934 (“Exchange Act”) against U.S. Xpress, its Chief Executive Officer and its Chief Financial Officer. On June 30, 2020, the court presiding over the Federal Court Cases issued its ruling granting in part and denying in part the defendants’ Motions to Dismiss the Amended Federal Complaint. The court dismissed entirely the plaintiffs’ claims for alleged violations of the Exchange Act and further held that the plaintiffs failed to state a claim for violation of the Securities Act with respect to the majority of statements challenged as false or misleading in the Amended Federal Complaint. The court, however, held that the Federal Amended Complaint sufficiently alleged violations of the Securities Act with respect to two statements from the IPO registration statement and prospectus that the plaintiffs alleged to be false or misleading, both on theories of alleged misrepresentations and material omissions.

Settlement

The parties reached a settlement with the Federal Court and Tennessee State Court plaintiffs. On March 27, 2023, the parties filed the stipulation of settlement with the Federal Court, and on March 28, 2023, the Federal Court entered an order granting preliminary approval of the settlement. The Federal Court entered an order granting final approval of the settlement on July 12, 2023. The monetary component of the settlement in principle is to be paid by the applicable insurance carriers.

¹ Individually and on behalf of all others similarly situated.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED
Note 10 — Share Repurchase Plans

On April 25, 2022, the Company announced that the Board approved the repurchase of up to \$350.0 million of the Company's outstanding common stock (the "2022 Knight-Swift Share Repurchase Plan"). With the adoption of the 2022 Knight-Swift Share Repurchase Plan, the Company terminated the 2020 Knight-Swift Share Repurchase Plan, which had approximately \$42.8 million of authorized purchases remaining upon termination.

The Company made no share repurchases during the quarter and year-to-date periods ended September 30, 2023.

The following table presents the Company's repurchases of its common stock during 2022 under the respective share repurchase plans, excluding advisory fees:

Share Repurchase Plan		Quarter Ended September 30, 2022		Year-to-Date September 30, 2022	
Board Approval Date	Authorized Amount	Shares	Amount	Shares	Amount
(shares and dollars in thousands)					
November 24, 2020	\$250,000	—	\$ —	2,821	\$ 149,982
April 19, 2022 ¹	\$350,000	—	\$ —	3,180	\$ 149,959
		—	\$ —	6,001	\$ 299,941

¹ \$200.0 million remained available under the 2022 Knight-Swift Repurchase Plan as of September 30, 2023 and December 31, 2022.

Note 11 — 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 September 30,		Year-to-Date September 30,	
	2023	2022	2023	2022
(In thousands)				
Basic weighted average common shares outstanding	161,332	160,665	161,124	162,785
Dilutive effect of equity awards	556	907	658	935
Diluted weighted average common shares outstanding	161,888	161,572	161,782	163,720
Anti-dilutive shares excluded from earnings per diluted share ¹	57	132	141	321

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

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED
Note 12 — Fair Value Measurement

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

Condensed Consolidated Balance Sheets Caption		September 30, 2023		December 31, 2022	
		Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
(In thousands)					
Financial Assets:					
Equity method investments	Other long-term assets	\$ 97,878	\$ 97,878	\$ 103,517	\$ 103,517
Investments in equity securities	Other long-term assets	—	—	1,668	1,668
Convertible note	Other current assets	—	—	11,341	11,341
Financial Liabilities:					
2021 Term Loan A-2, due September 2024 ¹	Finance lease liabilities and long-term debt – current portion	199,865	200,000	199,755	200,000
2021 Term Loan A-3, due September 2026 ¹	Finance lease liabilities and long-term debt – current portion, Long-term debt – less current portion	798,970	800,000	798,705	800,000
2023 Term Loan, due September 2026 ²	Long-term debt – less current portion	249,054	250,000	—	—
2021 Revolver, due September 2026	Revolving line of credit	300,000	300,000	43,000	43,000
Revenue equipment installment notes ³	Finance lease liabilities and long-term debt – current portion, Long-term debt – less current portion	296,884	296,884	—	—
2021 Prudential Notes ⁴	Finance lease liabilities and long-term debt – current portion, Long-term debt – less current portion	28,057	28,085	35,960	36,014
2022 RSA, due October 2025 ⁵	Accounts receivable securitization	361,681	362,000	418,561	419,000
Mandatorily redeemable contingent consideration ⁶	Accrued liabilities	134,107	134,107	—	—
Contingent consideration ⁶	Accrued liabilities, Other long-term liabilities	40,859	40,859	4,217	4,217

¹ As of September 30, 2023, the carrying amounts of the 2021 Term Loan A-2 and 2021 Term Loan A-3 were net of \$0.1 million and \$1.0 million in deferred loan costs, respectively. As of December 31, 2022, the carrying amounts of the 2021 Term Loan A-2 and 2021 Term Loan A-3 were net of \$0.2 million and \$1.3 million in deferred loan costs, respectively.

² As of September 30, 2023, the carrying amount of the 2023 Term Loan was net of \$0.9 million in deferred loan costs.

³ As of September 30, 2023, the carrying amount of the revenue equipment installment notes included \$1.6 million in fair value adjustments.

⁴ As of September 30, 2023, the carrying amount of the 2021 Prudential Notes was net of approximately \$28,000 in deferred loan costs and included \$1.3 million in fair value adjustments. As of December 31, 2022, the carrying amount of the 2021 Prudential Notes was net of \$0.1 million in deferred loan costs and included \$1.7 million in fair value adjustments.

⁵ The carrying amount of the 2022 RSA was net of \$0.3 million and \$0.4 million in deferred loan costs as of September 30, 2023 and December 31, 2022, respectively.

⁶ Refer to Note 3 for information regarding the contingent consideration related to the U.S. Xpress Acquisition.

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

Recurring Fair Value Measurements (Assets) — As of September 30, 2023, the Company had no major categories of assets estimated at fair value that were measured on a recurring basis.

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 December 31, 2022:

	Fair Value Measurements at Reporting Date Using				Unrealized Gain (Loss) Position
	Estimated Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
(In thousands)					
As of December 31, 2022					
Convertible notes ¹	\$ 11,341	\$ —	\$ —	\$ 11,341	\$ 1,341
Investments in equity securities ²	1,668	1,668	—	—	(50,918)

1 **Convertible notes** — The condensed consolidated statements of comprehensive income include the fair value activities from the Company's convertible notes within "Other income (expenses), net". The estimated fair value is based on probability-weighted discounted cash flow analysis of the corresponding pay-off/redemption.

- **Quarter Ended Gain (Loss) Activities:** The Company recognized an unrealized gain of \$0.3 million during the quarter ended September 30, 2022.
- **Year-to-date Gain (Loss) Activities:** The Company recognized an unrealized gain of \$0.9 million during the year-to-date period ended September 30, 2022.

2 **Investments in equity securities** — The condensed consolidated statements of comprehensive income include the fair value activities from the Company's investments in equity securities within "Other income (expenses), net". The estimated fair value is based on quoted prices in active markets that are readily and regularly obtainable.

- **Quarter Ended Gain (Loss) Activities:** During the quarter ended September 30, 2022, the Company recognized a gain of \$0.5 million, which consisted of \$7.0 million in realized gains from the Company's other investments in equity securities. This was partially offset by \$6.5 million in unrealized losses, primarily from mark-to-market adjustments of the Company's equity investment in Embark.
- **Year-to-date Gain (Loss) Activities:** During the year-to-date period ended September 30, 2022, the Company recognized a loss of \$51.0 million, which consisted of \$62.4 million in unrealized losses, primarily from mark-to-market adjustments of the Company's investment in Embark. This was partially offset by \$11.4 million realized gains from the Company's other investments in equity securities.

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 September 30, 2023 and December 31, 2022:

	Estimated Fair Value	Fair Value Measurements at Reporting Date Using			Total Gain (Loss)
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
		(In thousands)			
As of September 30, 2023					
Mandatorily redeemable contingent consideration ¹	\$ 134,107	\$ —	\$ —	\$ 134,107	\$ —
Contingent consideration ^{1 2}	\$ 40,859	\$ —	\$ —	\$ 40,859	\$ 3,359
As of December 31, 2022					
Contingent consideration ²	\$ 4,217	\$ —	\$ —	\$ 4,217	\$ —

1 Refer to Note 3 for information regarding the contingent consideration related to the U.S. Xpress Acquisition.

2 Contingent consideration is associated with acquisitions and investments. The Company recognized a gain of \$0.9 million during the quarter ended September 30, 2023 and a gain of \$3.4 million during the year-to-date period ended September 30, 2023. The Company did not recognize any gains (losses) in the quarter and year-to-date periods ended September 30, 2022 related to the revaluation of these liabilities.

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

Nonrecurring Fair Value Measurements (Assets) — As of September 30, 2023, 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, 2022:

	Fair Value Measurements at Reporting Date Using					Total Loss		
	Estimated Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs				
		(In thousands)						
<i>As of December 31, 2022</i>								
Buildings ¹	\$	—	\$	—	\$	—	\$	(810)

¹ Reflects the non-cash impairment of building improvements (within the non-reportable segments).

Nonrecurring Fair Value Measurements (Liabilities) — As of September 30, 2023 and December 31, 2022, the Company had no major categories of liabilities estimated at fair value that were measured on a nonrecurring basis.

Gain on Sale of Revenue Equipment — Net gains on disposals, including disposals of property and equipment classified as assets held for sale, are reported in "Miscellaneous operating expenses" in the condensed consolidated statements of comprehensive income. The Company recorded net gains on disposals of:

- \$11.4 million and \$15.6 million for the quarters ended September 30, 2023 and 2022, respectively.
- \$46.6 million and \$73.4 million for the year-to-date periods ended September 30, 2023 and 2022, respectively.

Fair Value of Pension Plan Assets — The following table sets forth by level the fair value hierarchy of ACT's pension plan financial assets accounted for at fair value on a recurring basis. Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. ACT's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and their placement within the fair value hierarchy levels.

	Estimated Fair Value	Fair Value Measurements at Reporting Date Using:		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
		(In thousands)		
As of September 30, 2023				
Fixed income funds	50,587	50,587	—	—
Cash and cash equivalents	387	387	—	—
Total pension plan assets	<u>\$ 50,974</u>	<u>\$ 50,974</u>	<u>\$ —</u>	<u>\$ —</u>
As of December 31, 2022				
US equity funds	\$ 10,901	\$ 10,901	\$ —	\$ —
International equity funds	4,828	4,828	—	—
Fixed income funds	34,728	34,728	—	—
Cash and cash equivalents	2,078	2,078	—	—
Total pension plan assets	<u>\$ 52,535</u>	<u>\$ 52,535</u>	<u>\$ —</u>	<u>\$ —</u>

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED
Note 13 — Related Party Transactions

	Quarter Ended September 30,				Year-to-Date September 30,			
	2023		2022		2023		2022	
	Provided by Knight-Swift	Received by Knight-Swift	Provided by Knight-Swift	Received by Knight-Swift	Provided by Knight-Swift	Received by Knight-Swift	Provided by Knight-Swift	Received by Knight-Swift
	(In thousands)							
Facility and Equipment Leases	\$ —	\$ 21	\$ —	\$ 78	\$ —	\$ 67	\$ —	\$ 263
Other Services	\$ —	\$ 9	\$ 20	\$ 9	\$ 27	\$ 402	\$ 58	\$ 27

	September 30, 2023		December 31, 2022	
	Receivable	Payable	Receivable	Payable
	(In thousands)			
Certain affiliates ¹	\$ —	\$ 40	\$ 24	\$ 39

¹ "Certain affiliates" includes entities that are associated with various board members and executives and require approval by the Audit Committee of the Board prior to completing transactions. Transactions with these entities generally include facility and equipment leases, equipment sales, and other services.

Aircraft Purchase — During the quarter ended September 30, 2023, the Company purchased an airplane for \$6.0 million from related parties.

Note 14 — Financial Information by Segment and Geography
Segment Information

	Quarter Ended September 30,		Year-to-Date September 30,	
	2023	2022	2023	2022
	(In thousands)			
Revenue:				
Truckload	\$ 1,380,781	\$ 1,160,735	\$ 3,346,685	\$ 3,430,075
LTL	284,168	278,615	806,577	817,587
Logistics	159,489	210,673	417,715	741,374
Intermodal	101,219	130,777	316,118	372,870
Subtotal	\$ 1,925,657	\$ 1,780,800	\$ 4,887,095	\$ 5,361,906
Non-reportable segments	119,677	139,435	391,773	385,186
Intersegment eliminations	(25,398)	(23,396)	(69,021)	(62,133)
Total revenue	\$ 2,019,936	\$ 1,896,839	\$ 5,209,847	\$ 5,684,959

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

	Quarter Ended September 30,		Year-to-Date September 30,	
	2023	2022	2023	2022
Operating income (loss):	(In thousands)			
Truckload	\$ 48,361	\$ 175,802	\$ 232,171	\$ 587,215
LTL	32,275	30,859	89,095	101,003
Logistics	10,364	27,459	32,750	110,809
Intermodal	(4,524)	12,834	(6,054)	42,176
Subtotal	\$ 86,476	\$ 246,954	\$ 347,962	\$ 841,203
Non-reportable segments	(5,420)	18,487	(28,089)	48,102
Operating income	\$ 81,056	\$ 265,441	\$ 319,873	\$ 889,305

	Quarter Ended September 30,		Year-to-Date September 30,	
	2023	2022	2023	2022
Depreciation and amortization of property and equipment:	(In thousands)			
Truckload	\$ 135,774	\$ 114,946	\$ 369,006	\$ 338,014
LTL	17,069	15,699	50,077	46,280
Logistics	1,048	566	3,078	1,708
Intermodal	5,194	4,324	14,403	12,424
Subtotal	\$ 159,085	\$ 135,535	\$ 436,564	\$ 398,426
Non-reportable segments	17,528	14,828	52,396	44,463
Depreciation and amortization of property and equipment	\$ 176,613	\$ 150,363	\$ 488,960	\$ 442,889

Geographical Information

In the aggregate, total revenue from the Company's international operations was less than 5.0% of consolidated total revenue for the quarter and year-to-date periods ended September 30, 2023 and 2022. Additionally, long-lived assets on the Company's international subsidiary balance sheets were less than 5.0% of consolidated total assets as of September 30, 2023 and December 31, 2022.

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:

- our ability to gain market share and adapt to market conditions, the ability of our infrastructure to support future growth, and the ability, desire, and effects of expanding our service offerings (including expansion of our LTL network), whether we grow organically or through potential acquisitions,
- our ability to recruit and retain qualified driving associates,
- future safety performance,
- future performance of our segments or businesses,
- future capital expenditures, equipment prices (including used equipment) and availability, our equipment purchasing or leasing plans (including containers in our Intermodal segment), and mix of our owned versus leased revenue equipment, and our equipment turnover,
- the impact of pending legal proceedings,
- future insurance claims, coverage, coverage limits, premiums, and retention limits, including exposure through our Iron Insurance line of business,
- the expected freight environment, including freight demand, capacity, seasonality, and volumes,
- economic conditions and growth, including future inflation, consumer spending, supply chain conditions, labor supply and relations, and US Gross Domestic Product ("GDP") changes,
- expected liquidity and methods for achieving sufficient liquidity, including our expected need or desire to incur indebtedness and our ability to comply with debt covenants,
- future fuel prices and availability and the expected impact of fuel efficiency initiatives,
- future expenses, including depreciation and amortizations, interest rates, cost structure, and our ability to control costs,
- future rates, operating profitability and margin, asset utilization, and return on capital,
- future third-party service provider relationships and availability, including pricing terms,
- future contracted pay rates with independent contractors, ability to lease equipment to independent contractors, and compensation arrangements with driving associates,
- future capital allocation, capital structure, capital requirements, and growth strategies and opportunities,
- future share repurchases and dividends,
- future tax rates,
- expected tractor and trailer fleet age, fleet size, and demand for trailer fleet,
- future investment in and deployment of new or updated technology or services,

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

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

- political conditions and regulations, including conflicts, trade regulation, quotas, duties, or tariffs, and any future changes to the foregoing,
- future purchased transportation expense,
- the future impact of acquisitions, including future integration efforts and synergies and future operating performance and profitability of U.S. Xpress, 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," "feel," 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 II, Item 1A "Risk Factors" of our Quarterly Report for the quarter period ended March 31, 2023, Part I, Item 1A "Risk Factors" in our 2022 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.

Reference to Glossary of Terms

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

Reference to Annual Report

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements (unaudited) and footnotes included in this Quarterly Report, as well as the consolidated financial statements and footnotes included in our 2022 Annual Report.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

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

Executive Summary

Company Overview

Knight-Swift Transportation Holdings Inc. is one of North America's largest and most diversified freight transportation companies, providing multiple full truckload, LTL, intermodal, and other complementary services. Our objective is to operate our business with industry-leading margins and continued organic growth and growth through acquisitions while providing safe, high-quality, cost-effective solutions for our customers. Knight-Swift uses a nationwide network of business units and terminals in the US and Mexico to serve customers throughout North America. In addition to operating the country's largest truckload fleet, Knight-Swift also contracts with third-party equipment providers to provide a broad range of transportation services to our customers while creating quality driving jobs for our driving associates and successful business opportunities for independent contractors. Our four reportable segments are Truckload, LTL, Logistics, and Intermodal. Additionally, we have various non-reportable segments.

Key Financial Highlights — Year-to-Date September 30, 2023

Consolidated operating income decreased 64.0% to \$319.9 million in the year-to-date period ended September 30, 2023, as compared to the same period last year. Net income attributable to Knight-Swift decreased 63.4% to \$227.8 million.

- **Truckload** — 93.1% operating ratio during the year-to-date period ended September 30, 2023. The Adjusted Operating Ratio¹ was 91.5%, with an 0.5% year-over-year decrease in revenue, excluding fuel surcharge and intersegment transactions, driven by a 3.0% decrease in revenue per tractor, partially offset by an 8.5% increase in miles per tractor.
- **LTL** — 89.0% operating ratio during the year-to-date period ended September 30, 2023. The Adjusted Operating Ratio¹ was 85.2%, a 220 basis point increase year-over-year, as a result of softer volumes, higher wages, and the decline in fuel surcharge revenue year-over-year.
- **Logistics** — 92.2% operating ratio during the year-to-date period ended September 30, 2023. The Adjusted Operating Ratio¹ was 91.8%, while load count decreased 23.0%.
- **Intermodal** — 101.9% operating ratio during the year-to-date period ended September 30, 2023, with a 19.9% decrease in average revenue per load, partially offset by an increase in load count of 5.9% year-over-year.
- **Non-reportable Segments** — Revenue grew 1.7% year-over-year, though operating income fell to a loss of \$28.1 million driven by a \$53.8 million operating loss (or \$0.27 per diluted share) in our third-party insurance business primarily as a result of increased frequency and unfavorable claim development and premium collection issues associated with small carriers.
- **U.S. Xpress Acquisition** — On July 1, 2023, we acquired U.S. Xpress. Further details regarding the acquisition are included in Note 3 in Part 1, Item 1 of this Quarterly Report.
- **Liquidity and Capital** — During the year-to-date period ended September 30, 2023, we generated \$873.5 million in operating cash flows and Free Cash Flow¹ of \$235.1 million. We paid down \$44.4 million in finance lease liabilities and \$68.1 million in operating lease liabilities. We obtained financing of \$250.0 million in new long-term debt, \$257.0 million from net borrowings on our revolving credit facilities and assumed \$337.9 million in debt and equipment financing related to the U.S. Xpress Acquisition. As of September 30, 2023, we had a balance of \$193.4 million in unrestricted cash and cash equivalents, \$1.3 billion face value outstanding on the 2021 Term Loans and 2023 Term Loan, and \$7.1 billion of stockholders' equity. 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.

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

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

	Quarter Ended September 30,		Year-to-Date September 30,	
	2023	2022	2023	2022
GAAP financial data:				
	(Dollars in thousands, except per share data)			
Total revenue	\$ 2,019,936	\$ 1,896,839	\$ 5,209,847	\$ 5,684,959
Revenue, excluding truckload and LTL fuel surcharge	\$ 1,775,249	\$ 1,649,982	\$ 4,615,990	\$ 4,992,391
Net income attributable to Knight-Swift	\$ 60,194	\$ 194,795	\$ 227,804	\$ 622,624
Earnings per diluted share	\$ 0.37	\$ 1.21	\$ 1.41	\$ 3.80
Operating ratio	96.0 %	86.0 %	93.9 %	84.4 %
Non-GAAP financial data:				
Adjusted Net Income Attributable to Knight-Swift ¹	\$ 67,162	\$ 204,967	\$ 264,271	\$ 660,019
Adjusted EPS ¹	\$ 0.41	\$ 1.27	\$ 1.63	\$ 4.03
Adjusted Operating Ratio ¹	93.8 %	83.1 %	91.6 %	81.2 %
Revenue equipment statistics by segment:				
Truckload				
Average tractors ²	24,159	18,196	20,054	18,072
Average trailers ³	95,976	75,432	85,125	73,476
LTL				
Average tractors ⁴	3,206	3,223	3,177	3,147
Average trailers ⁵	8,496	8,472	8,445	8,392
Intermodal				
Average tractors	677	628	647	612
Average containers	12,669	12,138	12,780	11,552

- 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.
- Our tractor fleet within the Truckload segment had a weighted average age of 2.5 years and 2.8 years as of September 30, 2023 and 2022, respectively.
- Our average trailers includes 8,432 and 7,952 trailers related to leasing activities recorded within our non-reportable segments for the quarters ended September 30, 2023 and 2022, respectively. Our trailer fleet within the Truckload segment had a weighted average age of 9.1 years and 9.5 years as of September 30, 2023 and 2022, respectively.
Our average trailers includes 8,599 and 7,282 trailers related to leasing activities recorded within our non-reportable segments for the year-to-date period September 30, 2023 and 2022, respectively.
- Our LTL tractor fleet had a weighted average age of 4.3 years and 4.3 years as of September 30, 2023 and 2022, respectively. Our LTL tractor fleet includes 609 and 720 tractors from ACT's and MME's dedicated and other businesses for the quarters ended September 30, 2023 and 2022, respectively. Our LTL tractor fleet includes 610 and 705 tractors from ACT's and MME's dedicated and other businesses for the year-to-date period September 30, 2023 and 2022, respectively.
- Our LTL trailer fleet had a weighted average age of 8.5 years and 8.0 years as of September 30, 2023 and 2022, respectively. Our LTL trailer fleet includes 777 and 999 trailers from ACT's and MME's dedicated and other businesses for the quarters ended September 30, 2023 and 2022, respectively. Our LTL trailer fleet includes 778 and 956 trailers from ACT's and MME's dedicated and other businesses for the year-to-date period September 30, 2023 and 2022, respectively.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

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

Market Trends and Outlook

The national unemployment rate was 3.8%¹ as of September 30, 2023, as compared to 3.5%¹ as of September 30, 2022. The US gross domestic product, which is the broadest measure of goods and services produced across the economy, increased by 4.9%² on a year-over-year basis, per preliminary third-party forecasts. The increase, compared to the 2022 increase of 2.6%, primarily reflected increases in consumer spending and inventory investment. Early estimates of the third quarter 2023 US employment cost index indicate a year-over-year increase of 4.3%¹ and a sequential increase of 1.1%¹.

The freight market outlook for the remainder of 2023 includes the following:

- LTL demand remains solid as recent market disruptions continue to be sorted out,
- LTL improvement in revenue (excluding fuel surcharge) per hundredweight year-over-year,
- Truckload muted peak season demand with limited non-contract opportunities,
- Truckload spot rates show minimal improvement in line with seasonal patterns,
- Truckload capacity continues to exit at an accelerating rate,
- Cost inflation continues to be a challenge, though pace eases,
- Equipment availability continues to improve,
- Demand in the used equipment market weakens further as small carriers struggle,
- Labor alternatives in the general economy remain attractive, providing a headwind to hiring and utilization until freight conditions improve.

Based on the above market factors, our Company outlook for the remainder of 2023 includes the following:

- Truckload rates stabilize at current levels for the fourth quarter,
- Truckload tractor count down modestly sequentially,
- Excluding the results of U.S. Xpress, miles per tractor increase low single digits year-over-year in the fourth quarter,
- LTL revenue, excluding fuel surcharge increases mid-teens year-over-year in the fourth quarter with a similar margin profile,
- LTL shipment count and revenue per hundredweight, excluding fuel surcharge improve high single digit percent year-over-year in the fourth quarter,
- U.S. Xpress Adjusted EPS dilutive impact in the fourth quarter expected to be approximately (\$0.05) as performance continues to improve,
- Logistics volume and revenue per load stabilize in the fourth quarter, with an operating ratio in the low 90s,
- Intermodal operating ratio slightly profitable with volumes stable sequentially,
- Non-reportable operating income to decline roughly \$10 million - \$15 million sequentially as third-party insurance losses are expected to be \$10 million - \$15 million and our other businesses experience their typical seasonal slowdown,
- Equipment gains to be in the range of \$8 million - \$12 million in the fourth quarter,
- Minimal increase in interest expense from the third quarter,
- Net cash capital expenditures for the full year 2023 expected range of \$700 million - \$750 million,
- Expected tax rate of approximately 26% for the fourth quarter of 2023.

In addition to the above, we expect the Truckload segment will continue to pursue opportunities, as we implement a decentralized operating model within our new U.S. Xpress locations, and the Logistics segment will continue to provide value to our customers through our power-only and traditional brokerage service offerings. Our ACT and MME teams are working together to further build out a super-regional network that we expect will provide additional yield and revenue opportunities, as we believe we have addressed the material challenges of integrating ACT's and MME's networks. The Intermodal segment continues to build out its network that aligns with our new rail partners. Our non-reportable segments are further expanding to complement our other service offerings even as we work to evaluate strategic alternatives for the insurance business, including potential reinsurance strategies for the outstanding liabilities, in order to help insulate our business from the volatility primarily arising from prior years.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

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

We anticipate that depreciation and amortization expense will increase, as a percentage of revenue, excluding truckload and LTL fuel surcharge, as we intend to purchase, rather than enter into operating leases, for a majority of our revenue equipment, terminal improvements, or terminal expansions in the remainder of 2023. With significant tightening in the insurance markets, we may also experience changes in premiums, retention limits, and excess coverage limits in the remainder of 2023. While fuel expense is generally offset by fuel surcharge revenue, our fuel expense, net of truckload and LTL fuel surcharge revenue, may increase in the future, particularly during periods of sharply rising fuel prices. In periods of declining prices the opposite is true. Overall, we remain committed to long-term profitability as we continue to leverage opportunities across the Knight-Swift brands, and efficiently deploy our assets, while maintaining a relentless focus on cost control. This includes seeking acquisition opportunities to improve earnings, gain customers, and reach more professional drivers, as illustrated by the acquisition of U.S. Xpress and our intention to expand the geographic footprint of our LTL network.

1 Source: bls.gov

2 Source: bea.gov

Results of Operations — Summary

Note: The reported results do not include U.S. Xpress's operating results prior to its acquisition by the Company on July 1, 2023, in accordance with the accounting treatment applicable to the transaction. Accordingly, comparisons between the Company's quarter and year-to-date September 30, 2023 results and prior periods may not be meaningful.

Operating Results: Third Quarter 2023 Compared to Third Quarter 2022

The \$134.6 million decrease in net income attributable to Knight-Swift to \$60.2 million during the third quarter of 2023 from \$194.8 million during the same period last year includes the following:

- **Contributor** — \$127.4 million decrease in operating income within our Truckload segment. Year-over-year 8.2% decrease in average revenue per tractor, offset by a 21.9% increase in revenue, excluding fuel surcharge and intersegment transactions, primarily due to the inclusion of U.S. Xpress in our results.
- **Contributor** — \$17.1 million decrease in operating income within our Logistics segment due to 10.3% decline in load count.
- **Contributor** — \$17.4 million decrease in operating income within our Intermodal segment, driven by a 26.6% decrease in revenue per load, partially offset by a 5.5% increase in load count.
- **Contributor** — \$23.9 million decrease in operating income within the non-reportable segments, primarily due to a \$15.9 million operating loss from our Iron Insurance line of business.
- **Contributor** — \$24.7 million increase in consolidated interest expense primarily driven by higher debt balances related to the U.S. Xpress Acquisition and higher interest rates.
- **Offset** — \$1.4 million increase in operating income within our LTL segment partly due to a 4.8% increase in shipments per day.
- **Offset** — \$2.9 million increase in "Other income (expenses), net," primarily driven by a net gain recorded within our portfolio of investments during the third quarter of 2023.
- **Offset** — \$66.9 million decrease in consolidated income tax expense, primarily due to a reduction of pre-tax income, a partial release of the valuation allowance associated with the U.S. Xpress net operating loss and tax credit carryforward benefits, an increase in stock compensation deductions, and a reduction in state deferred taxes. This resulted in an effective tax rate of (2.1)% for the third quarter of 2023, and 25.2% for the third quarter of 2022.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

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

Operating Results: Year-to-Date September 30, 2023 Compared to Year-to-Date September 30, 2022

The \$394.8 million decrease in net income attributable to Knight-Swift to \$227.8 million during the year-to-date period ended September 30, 2023 from \$622.6 million during the same period last year includes the following:

- **Contributor** — \$355.0 million decrease in operating income within our Truckload segment, primarily due to a 10.5% decrease in revenue, excluding fuel surcharge and intercompany transactions, per loaded mile which was partially offset by an 8.5% increase in miles per tractor during the year-to-date period ended September 30, 2023.
- **Contributor** — \$78.1 million decrease in operating income within our Logistics segment due to a 23.0% decline in load count.
- **Contributor** — \$48.2 million decrease in operating income within our Intermodal segment, driven by a 19.9% decrease in revenue per load.
- **Contributor** — \$76.2 million decrease in operating income within the non-reportable segments, primarily due to a \$53.8 million operating loss from our Iron Insurance line of business.
- **Contributor** — \$56.1 million increase in consolidated interest expense primarily driven by higher debt balances related to the U.S. Xpress Acquisition and higher interest rates.
- **Contributor** — \$11.9 million decrease in operating income within our LTL segment partly due to a 1.6% decrease in shipments per day, increased wages, and early year system disruption in transitioning MME to ACT's operational network.
- **Offset** — \$62.3 million increase in "Other income (expenses), net," primarily driven by an unrealized loss on our investment in Embark recorded in the year-to-date period ended September 30, 2022 and a net gain recorded within our portfolio of investments during the year-to-date period ended September 30, 2023.
- **Offset** — \$153.5 million decrease in consolidated income tax expense was primarily due to a reduction of pre-tax income, a partial release of the valuation allowance associated with the U.S. Xpress net operating loss and tax credit carryforward benefits, an increase in stock compensation deductions, and a reduction in state deferred taxes. This resulted in an effective tax rate of 19.1% for the year-to-date period ended September 30, 2023, and 24.9% for the year-to-date period ended September 30, 2022.

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

Results of Operations — Segment Review

The Company has four reportable segments: Truckload, LTL, Logistics, and Intermodal, as well as certain non-reportable segments.

Consolidating Tables for Total Revenue and Operating Income (Loss)

	Quarter Ended September 30,		Year-to-Date September 30,	
	2023	2022	2023	2022
Revenue:	(In thousands)			
Truckload	\$ 1,380,781	\$ 1,160,735	\$ 3,346,685	\$ 3,430,075
LTL	284,168	278,615	806,577	817,587
Logistics	159,489	210,673	417,715	741,374
Intermodal	101,219	130,777	316,118	372,870
Subtotal	\$ 1,925,657	\$ 1,780,800	\$ 4,887,095	\$ 5,361,906
Non-reportable segments	119,677	139,435	391,773	385,186
Intersegment eliminations	(25,398)	(23,396)	(69,021)	(62,133)
Total revenue	<u>\$ 2,019,936</u>	<u>\$ 1,896,839</u>	<u>\$ 5,209,847</u>	<u>\$ 5,684,959</u>

	Quarter Ended September 30,		Year-to-Date September 30,	
	2023	2022	2023	2022
Operating income (loss):	(In thousands)			
Truckload	\$ 48,361	\$ 175,802	\$ 232,171	\$ 587,215
LTL	32,275	30,859	89,095	101,003
Logistics	10,364	27,459	32,750	110,809
Intermodal	(4,524)	12,834	(6,054)	42,176
Subtotal	\$ 86,476	\$ 246,954	\$ 347,962	\$ 841,203
Non-reportable segments	(5,420)	18,487	(28,089)	48,102
Operating income	<u>\$ 81,056</u>	<u>\$ 265,441</u>	<u>\$ 319,873</u>	<u>\$ 889,305</u>

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

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

Revenue

- Our truckload services include irregular route and dedicated, refrigerated, expedited, flatbed, and cross-border transportation of various products, goods, and materials for our diverse customer base with approximately 17,000 irregular route and 7,200 dedicated tractors.
- Our LTL business, which was initially established in 2021 through the ACT acquisition and later the MME acquisition, provides our customers with regional LTL transportation service through our growing network of approximately 100 facilities and a door count of approximately 4,500. Our LTL segment operates approximately 3,200 tractors and approximately 8,500 trailers and also provides national coverage to our customers by utilizing partner carriers for areas outside of our direct network.
- Our Logistics and Intermodal segments 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. We continue to offer power-only services through our Logistics segment leveraging our fleet of nearly 96,000 trailers.
- Our non-reportable segments include support services provided to our customers and third-party carriers including insurance, equipment maintenance, equipment leasing, warehousing, trailer parts manufacturing, and warranty services. Our non-reportable segments also include 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 programs, which serve to recover a majority of our fuel costs. This generally applies only to loaded miles for our Truckload and LTL segments 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 Truckload and LTL segments.

Expenses

Our most significant expenses typically vary with miles traveled and include fuel, driving associate-related expenses (such as wages and benefits), and services purchased from third-party service providers (including other trucking companies, railroad and drayage providers, and independent contractors). 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 performance, fleet age, operating efficiency, and other factors. Our primary fixed costs are depreciation and lease expense for revenue equipment and terminals, non-driver employee compensation, amortization of intangible assets, and interest expenses.

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

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

Operating Statistic	Relevant Segment(s)	Description
Average Revenue per Tractor	Truckload	Measures productivity and represents revenue (excluding fuel surcharge and intersegment transactions) divided by average tractor count
Total Miles per Tractor	Truckload	Total miles (including loaded and empty miles) a tractor travels on average
Average Length of Haul	Truckload, LTL	For our Truckload segment this is calculated as average miles traveled with loaded trailer cargo per order. For our LTL segment this is calculated as average miles traveled from the origin service center to the destination service center.
Non-paid Empty Miles Percentage	Truckload	Percentage of miles without trailer cargo
Shipments per Day	LTL	Average number of shipments completed each business day
Weight per Shipment	LTL	Total weight (in pounds) divided by total shipments
Revenue per shipment	LTL	Total revenue divided by total shipments
Revenue xFSC per shipment	LTL	Total revenue, excluding fuel surcharge, divided by total shipments
Revenue per hundredweight	LTL	Measures yield and is calculated as total revenue divided by total weight (in pounds) times 100
Revenue xFSC per hundredweight	LTL	Total revenue, excluding fuel surcharge, divided by total weight (in pounds) times 100
Average Tractors	Truckload, LTL, Intermodal	Average tractors in operation during the period including company tractors and tractors provided by independent contractors
Average Trailers	Truckload, LTL	Average trailers in operation during the period
Average Revenue per Load	Logistics, Intermodal	Total revenue (excluding intersegment transactions) divided by load count
Gross Margin Percentage	Logistics	Logistics gross margin (revenue, excluding intersegment transactions, less purchased transportation expense, excluding intersegment transactions) as a percentage of logistics revenue, excluding intersegment transactions
Average Containers	Intermodal	Average containers in operation during the period
GAAP Operating Ratio	Truckload, LTL, Logistics, Intermodal	Measures operating efficiency and is widely used in our industry as an assessment of management's effectiveness in controlling all categories of operating expenses. Calculated as operating expenses as a percentage of total revenue, or the inverse of operating margin.
Non-GAAP Adjusted Operating Ratio	Truckload, LTL, 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
Truckload Segment

We generate revenue in the Truckload segment primarily through irregular route, dedicated, refrigerated, expedited, flatbed, and cross-border service operations across our brands. We operated approximately 17,000 irregular route tractors and approximately 7,200 dedicated route tractors in use during the quarter ended September 30, 2023. Generally, we are paid a predetermined rate per mile or per load for our truckload 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 Truckload 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 Truckload 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 Truckload segment are depreciation and rent expense from tractors, trailers, and terminals, as well as compensating our non-driver employees.

	Quarter Ended September 30,		Year-to-Date September 30,		QTD 2023 vs.	YTD 2023 vs.
	2023	2022	2023	2022	QTD 2022	YTD 2022
	(Dollars in thousands, except per tractor data)				Increase (Decrease)	
Total revenue	\$ 1,380,781	\$ 1,160,735	\$ 3,346,685	\$ 3,430,075	19.0 %	(2.4 %)
Revenue, excluding fuel surcharge and intersegment transactions	\$ 1,179,978	\$ 967,769	\$ 2,875,331	\$ 2,890,782	21.9 %	(0.5 %)
GAAP: Operating income	\$ 48,361	\$ 175,802	\$ 232,171	\$ 587,215	(72.5 %)	(60.5 %)
Non-GAAP: Adjusted Operating Income ¹	\$ 60,148	\$ 176,126	\$ 244,600	\$ 588,186	(65.8 %)	(58.4 %)
Average revenue per tractor ²	\$ 48,842	\$ 53,186	\$ 155,081	\$ 159,959	(8.2 %)	(3.0 %)
GAAP: Operating ratio ²	96.5 %	84.9 %	93.1 %	82.9 %	1,160 bps	1,020 bps
Non-GAAP: Adjusted Operating Ratio ^{1 2}	94.9 %	81.8 %	91.5 %	79.7 %	1,310 bps	1,180 bps
Non-paid empty miles percentage	13.6 %	14.8 %	14.5 %	14.5 %	(120 bps)	— bps
Average length of haul (miles) ²	400	398	393	395	0.5 %	(0.5 %)
Total miles per tractor ²	20,384	19,391	62,781	57,853	5.1 %	8.5 %
Average tractors ^{2 3}	24,159	18,196	20,054	18,072	32.8 %	11.0 %
Average trailers ^{2 4}	95,976	75,432	85,125	73,476	27.2 %	15.9 %

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

2 Defined under "Operating Statistics," above. In order to improve comparability, average tractors of 18,541 is used as the denominator in the average revenue per tractor and total miles per tractor calculations for year-to-date 2023, reflecting the pro-rata portion of the year for which U.S. Xpress' results of operations were reported following the close of the U.S. Xpress Acquisition.

3 Includes 21,676 and 16,283 average company-owned tractors for the third quarter of 2023 and 2022, respectively.

Includes 17,977 and 16,205 average company-owned tractors for the year-to-date periods ended September 30, 2023 and 2022, respectively.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

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

- 4 Our average trailers includes 8,432 and 7,952 trailers related to leasing activities recorded within our non-reportable operating segments for the quarters ended September 30, 2023 and 2022, respectively. Our average trailers includes 8,599 and 7,282 trailers related to leasing activities recorded within our non-reportable operating segments for the year-to-date periods ended September 30, 2023 and 2022, respectively.

Comparison Between the Quarters Ended September 30, 2023 and 2022 — The Truckload segment experienced an extremely difficult environment, operating with a 94.9% Adjusted Operating Ratio as ongoing soft demand and a sustained increase in fuel prices were headwinds during the quarter. The Adjusted Operating Ratio of the truckload business, excluding U.S. Xpress that was acquired at the beginning of the quarter, was slightly improved from the second quarter of 2023 as a result of our cost reduction efforts, while the inclusion of U.S. Xpress negatively impacted the Adjusted Operating Ratio by 340 basis points. Revenue per loaded mile, excluding fuel surcharge and intersegment transactions, declined 14.0% year-over-year (11.8% before including the U.S. Xpress truckload business) as the spring bid activity is now fully realized. Excluding U.S. Xpress, miles per tractor increased 1.0%, which represents the first year-over-year increase in 2023. Revenue, excluding fuel surcharge and intersegment transactions, was \$1.2 billion, an increase of 21.9% year-over-year.

Comparison Between Year-to-Date September 30, 2023 and 2022 — The Truckload segment operated with an 91.5% Adjusted Operating Ratio. The inclusion of U.S. Xpress negatively impacted the Adjusted Operating Ratio by 160 basis points. Revenue per loaded mile, excluding fuel surcharge and intersegment transactions, declined 10.5% year-over-year (10.8% before including the U.S. Xpress truckload business). Revenue, excluding fuel surcharge and intersegment transactions, was \$2.9 billion, a decrease of 0.5% year-over-year.

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

Dothan, Alabama-based ACT and Bismarck, North Dakota-based MME, both acquired in 2021, comprise our LTL segment. We provide regional direct service and serve our customers' national transportation needs by utilizing key partner carriers for coverage areas outside of our network. We primarily generate revenue by transporting freight for our customers through our core LTL services.

Our revenues are impacted by shipment volume and tonnage levels that flow through our network. Additional revenues are generated through fuel surcharges and accessorial services provided during transit from shipment origin to destination. We focus on the following multiple revenue generation factors when reviewing revenue yield: revenue per hundredweight, revenue per shipment, weight per shipment, and length of haul. Fluctuations within each of these metrics are analyzed when determining the revenue quality of our customers' shipment density.

Our most significant expense is related to direct costs associated with the transportation of our freight moves including direct salary, wage and benefit costs, fuel expense, and depreciation expense associated with revenue equipment costs. Other expenses associated with revenue generation that can fluctuate and impact operating results are insurance and claims expenses, as well as maintenance costs of our revenue equipment. These expenses can be influenced by multiple factors including our safety performance, equipment age, and other factors. A key component of lowering our operating costs is labor efficiency within our network. We continue to focus on technological advances to improve the customer experience and reduce our operating costs.

	Quarter Ended September 30,		Year-to-Date September 30,		QTD 2023 vs.	YTD 2023 vs.
	2023	2022	2023	2022	QTD 2022	YTD 2022
(Dollars in thousands, except per tractor data)					Increase (Decrease)	
Total revenue	\$ 284,168	\$ 278,615	\$ 806,577	\$ 817,587	2.0 %	(1.3 %)
Revenue, excluding fuel surcharge and intersegment transactions	\$ 239,984	\$ 224,443	\$ 682,491	\$ 663,296	6.9 %	2.9 %
GAAP: Operating income	\$ 32,275	\$ 30,859	\$ 89,095	\$ 101,003	4.6 %	(11.8 %)
Non-GAAP: Adjusted Operating Income ¹	\$ 36,195	\$ 34,891	\$ 100,855	\$ 112,975	3.7 %	(10.7 %)
GAAP: Operating ratio ²	88.6 %	88.9 %	89.0 %	87.6 %	(30 bps)	140 bps
Non-GAAP: Adjusted Operating Ratio	84.9 %	84.5 %	85.2 %	83.0 %	40 bps	220 bps
LTL shipments per day ²	19,712	18,809	18,771	19,083	4.8 %	(1.6 %)
LTL weight per shipment ²	1,042	1,052	1,053	1,072	(1.0 %)	(1.8 %)
LTL average length of haul (miles) ²	562	512	548	519	9.8 %	5.6 %
LTL revenue per shipment ²	\$ 196.59	\$ 188.18	\$ 191.36	\$ 186.05	4.5 %	2.9 %
LTL revenue xFSC per shipment ²	\$ 165.80	\$ 151.07	\$ 161.74	\$ 151.14	9.8 %	7.0 %
LTL revenue per hundredweight ²	\$ 18.86	\$ 17.89	\$ 18.17	\$ 17.35	5.4 %	4.7 %
LTL revenue xFSC per hundredweight	\$ 15.91	\$ 14.37	\$ 15.36	\$ 14.09	10.7 %	9.0 %
LTL average tractors ^{2 3}	3,206	3,223	3,177	3,147	(0.5 %)	1.0 %
LTL average trailers ^{2 4}	8,496	8,472	8,445	8,392	0.3 %	0.6 %

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

2 Defined under "Operating Statistics," above.

3 Our LTL tractor fleet includes 609 and 720 tractors from ACT's and MME's dedicated and other businesses for the third quarter of 2023 and 2022, respectively. Our LTL tractor fleet includes 610 and 705 tractors from ACT's and MME's dedicated and other businesses for the year-to-date period September 30, 2023 and 2022, respectively.

4 Our LTL trailer fleet includes 777 and 999 trailers from ACT's and MME's dedicated and other businesses for the third quarter of 2023 and 2022, respectively. Our LTL trailer fleet includes 778 and 956 trailers from ACT's and MME's dedicated and other businesses for the year-to-date period September 30, 2023 and 2022, respectively.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

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

Comparison Between the Quarters Ended September 30, 2023 and 2022 — Our LTL segment operated well, producing an 84.9% Adjusted Operating Ratio during the third quarter of 2023, as revenue, excluding fuel surcharge, grew 6.9% and Adjusted Operating Income increased 3.7% year-over-year. Volumes built throughout the quarter as a result of the disruption in the industry, though the operating leverage benefits of the incremental volumes were partially offset by the annual wage increase at the beginning of the quarter and the additional labor costs to maintain service levels as volume grew. Shipments per day increased 4.8% year-over-year. Revenue per hundredweight increased 10.7% excluding fuel surcharge, while revenue per shipment increased by 9.8%, excluding fuel surcharge, reflecting a 1.0% decrease in weight per shipment.

We expect our connected LTL network and the expanding use of shipment dimensioning technology will provide additional opportunities for revenue growth. We remain encouraged by the strong performance within our LTL segment, and we continue to look for both organic and inorganic opportunities to geographically expand our footprint within the LTL market.

Comparison Between Year-to-Date September 30, 2023 and 2022 — Our LTL segment produced an 85.2% Adjusted Operating Ratio during the year-to-date period ended September 30, 2023, a 220 basis point degradation over the year-to-date period ended September 30, 2022. Shipments per day decreased 1.6%. Revenue per hundredweight increased 9.0% excluding fuel surcharge, while revenue per shipment increased by 7.0%, excluding fuel surcharge, reflecting a 1.8% decrease in weight per shipment.

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 Truckload and LTL segments 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 September 30,		Year-to-Date September 30,		QTD 2023 vs.	YTD 2023 vs.
	2023	2022	2023	2022	QTD 2022	YTD 2022
	(Dollars in thousands, except per load data)				Increase (Decrease)	
Total revenue	\$ 159,489	\$ 210,673	\$ 417,715	\$ 741,374	(24.3 %)	(43.7 %)
Revenue, excluding intersegment transactions	\$ 158,601	\$ 209,964	\$ 413,160	\$ 737,454	(24.5 %)	(44.0 %)
GAAP: Operating income	\$ 10,364	\$ 27,459	\$ 32,750	\$ 110,809	(62.3 %)	(70.4 %)
Non-GAAP: Adjusted Operating Income ^{1 2}	\$ 10,699	\$ 27,794	\$ 33,753	\$ 111,812	(61.5 %)	(69.8 %)
Revenue per load ²	\$ 1,671	\$ 1,985	\$ 1,680	\$ 2,310	(15.8 %)	(27.3 %)
Gross margin percentage ²	18.0 %	20.9 %	19.0 %	21.8 %	(290 bps)	(280 bps)
GAAP: Operating ratio ²	93.5 %	87.0 %	92.2 %	85.1 %	650 bps	710 bps
Non-GAAP: Adjusted Operating Ratio ^{1 2}	93.3 %	86.8 %	91.8 %	84.8 %	650 bps	700 bps

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

2 Defined under "Operating Statistics," above.

Comparison Between the Quarters Ended September 30, 2023 and 2022 — The Logistics segment Adjusted Operating Ratio was 93.3%, with a gross margin of 18.0% in the third quarter of 2023, down from 20.9% in the third quarter of 2022 as pressure on top-line pricing is no longer being offset by corresponding reductions in purchased transportation costs. The logistics business effectively managed cost and navigated this challenging environment. The brokerage space continues to endure soft demand, causing our logistics load count to decline by 10.3% year-over-year. The soft demand resulted in revenue per load decreasing by 15.8% year-over-year. We continue to leverage our network of trailers as we build out our power-only service. We continue to innovate with technology intended to remove friction and allow seamless connectivity, leading to services that we expect will capture new opportunities for revenue growth.

Comparison Between Year-to-Date September 30, 2023 and 2022 — The Logistics segment Adjusted Operating Ratio was 91.8%, with a gross margin of 19.0% in the year-to-date period ended September 30, 2023, down from 21.8% in the year-to-date period ended September 30, 2022. The brokerage space continues to endure soft demand, causing our load count to decline by 23.0% and revenue per load to decrease by 27.3% during the year-to-date period ended September 30, 2023 when compared to the year-to-date period ended September 30, 2022.

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. While rail pricing is determined on an annual basis, 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 September 30,		Year-to-Date September 30,		QTD 2023 vs.	YTD 2023 vs.
	2023	2022	2023	2022	QTD 2022	YTD 2022
	(Dollars in thousands, except per load data)				Increase (Decrease)	
Total revenue	\$ 101,219	\$ 130,777	\$ 316,118	\$ 372,870	(22.6 %)	(15.2 %)
Revenue, excluding intersegment transactions	\$ 101,219	\$ 130,777	\$ 316,118	\$ 372,823	(22.6 %)	(15.2 %)
GAAP: Operating income	\$ (4,524)	\$ 12,834	\$ (6,054)	\$ 42,176	(135.3 %)	(114.4 %)
Average revenue per load ¹	\$ 2,714	\$ 3,699	\$ 2,889	\$ 3,608	(26.6 %)	(19.9 %)
GAAP: Operating ratio ¹	104.5 %	90.2 %	101.9 %	88.7 %	1,430 bps	1,320 bps
Load count	37,292	35,354	109,430	103,343	5.5 %	5.9 %
Average tractors ²	677	628	647	612	7.8 %	5.7 %
Average containers ²	12,669	12,138	12,780	11,552	4.4 %	10.6 %

¹ Defined under "Operating Statistics," above.

² Includes 612 and 542 company-owned tractors for the third quarter of 2023 and 2022, respectively.

Includes 583 and 544 company-owned tractors for the year-to-date periods ended September 30, 2023 and 2022, respectively.

Comparison Between the Quarters Ended September 30, 2023 and 2022 — The Intermodal segment operated with a 104.5% operating ratio while total revenue decreased 22.6% to \$101.2 million. While load count increased year-over-year by 5.5%, revenue per load declined 26.6% as a result of soft demand and competitive truck capacity. Improved rail partner pricing went into effect during the quarter, helping to offset the volume and price declines and improve operating margin slightly from the second quarter. This business reached breakeven in September, and we expect modest profitability in the fourth quarter.

We expect to continue to grow with new customers and expand with existing customers. With our container fleet count now approximately 12,700, we do not expect to order additional containers until we achieve meaningful improvement in our turns per container. Our capex strategy is shifting to chassis moving forward as we work to better optimize our operation and reduce equipment costs. We remain focused on growing our load count and improving the efficiency of our assets as Intermodal continues to provide value to our customers and is complementary to the many services we offer.

Comparison Between Year-to-Date September 30, 2023 and 2022 — The Intermodal segment operated with a 101.9% operating ratio while revenue excluding intersegment transactions decreased 15.2% to \$316.1 million. Load count increased year-over-year by 5.9%, reflecting continued load growth since transitioning western rail partners in January 2022.

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

Our non-reportable segments include support services provided to our customers and third-party carriers including insurance, equipment maintenance, equipment leasing, warehousing, trailer parts manufacturing, and warranty services. Our non-reportable segments also include certain corporate expenses (such as legal settlements and accruals, certain impairments, and \$18.9 million in quarterly amortization of intangibles related to the 2017 Merger and various acquisitions).

	Quarter Ended September 30,		Year-to-Date September 30,		QTD 2023 vs.	YTD 2023 vs.
	2023	2022	2023	2022	QTD 2022	YTD 2022
	(Dollars in thousands)				Increase (Decrease)	
Total revenue	\$ 119,677	\$ 139,435	\$ 391,773	\$ 385,186	(14.2 %)	1.7 %
Operating (loss) income	\$ (5,420)	\$ 18,487	\$ (28,089)	\$ 48,102	(129.3 %)	(158.4 %)

Comparison Between the Quarters Ended September 30, 2023 and 2022 — Revenue declined 14.2% year-over-year, largely as a result of our actions designed to address the recent challenges within our third-party insurance program, including significantly reducing exposures. The \$5.4 million operating loss within our non-reportable segments is modestly improved from the \$7.1 million operating loss in the second quarter as improvement within other services provided greater offset to the ongoing losses in the third-party insurance business.

Comparison Between Year-to-Date September 30, 2023 and 2022 — Revenue growth of 1.7% between the year-to-date period ended September 30, 2023 and the year-to-date period ended September 30, 2022 was offset by the challenges within our third-party insurance program, resulting in a \$28.1 million operating loss within our non-reportable segments. Overall, our Iron Insurance line of business produced a \$53.8 million operating loss (or \$0.27 per diluted share) during the year-to-date period ended September 30, 2023, primarily due to increased frequency and unfavorable claim development as well as insurance premium collection issues associated with small carriers who are struggling given the soft freight market conditions.

It will take some time for these changes in the insurance business to fully materialize in the results, but we are evaluating strategic alternatives for the insurance business, including potential reinsurance strategies for the outstanding liabilities, in order to help insulate our business from the volatility primarily arising from prior years.

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

Results of Operations — Consolidated Operating and Other Expenses

Consolidated Operating Expenses

The following tables present certain operating expenses from our condensed consolidated statements of comprehensive income, including each operating expense as a percentage of total revenue and as a percentage of revenue, excluding truckload and LTL fuel surcharge. Truckload and LTL 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 truckload and LTL fuel surcharge is a better measure for analyzing many of our expenses and operating metrics.

Note: The reported results do not include U.S. Xpress's operating results prior to its acquisition by the Company on July 1, 2023, in accordance with the accounting treatment applicable to the transaction. Accordingly, comparisons between the Company's quarter and year-to-date September 30, 2023 results and prior periods may not be meaningful.

	Quarter Ended September 30,		Year-to-Date September 30,		QTD 2023 vs.	YTD 2023 vs.
	2023	2022	2023	2022	QTD 2022	YTD 2022
	(Dollars in thousands)				Increase (Decrease)	
Salaries, wages, and benefits	\$ 710,543	\$ 559,849	\$ 1,780,522	\$ 1,645,861	26.9 %	8.2 %
% of total revenue	35.2 %	29.5 %	34.2 %	29.0 %	570 bps	520 bps
% of revenue, excluding truckload and LTL fuel surcharge	40.0 %	33.9 %	38.6 %	33.0 %	610 bps	560 bps

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

Several ongoing market factors have reduced the pool of available driving associates, contributing to a challenging driver sourcing market, which we believe will continue. Having a sufficient number of qualified driving associates is a significant headwind, although we continue to seek ways to attract and retain qualified driving associates, including heavily investing in our recruiting efforts, our driving academies, technology, our equipment, and our terminals that improve the experience of driving associates. We expect labor costs (related to both driving associates and non-driver employees) to remain inflationary, which we expect will result in additional pay increases in the future, thereby increasing our salaries, wages, and benefits expense.

Comparison Between the Quarters Ended September 30, 2023 and 2022 — The \$150.7 million increase in consolidated salaries, wages, and benefits for the third quarter of 2023, as compared to the third quarter of 2022, includes \$177.3 million from the results of U.S. Xpress. This was partially offset by a decrease primarily related to a decrease in non-driver salaries and wages.

Comparison Between Year-to-Date September 30, 2023 and 2022 — The \$134.7 million increase in consolidated salaries, wages, and benefits for the year-to-date period ended September 30, 2023, as compared to the year-to-date period ended September 30, 2022, includes \$177.3 million from the results of U.S. Xpress. This was partially offset by a decrease primarily related to a decrease in non-driver salaries and wages.

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

	Quarter Ended September 30,		Year-to-Date September 30,		QTD 2023 vs.	YTD 2023 vs.
	2023	2022	2023	2022	QTD 2022	YTD 2022
	(Dollars in thousands)				Increase (Decrease)	
Fuel	\$ 272,376	\$ 231,128	\$ 628,435	\$ 678,763	17.8 %	(7.4 %)
% of total revenue	13.5 %	12.2 %	12.1 %	11.9 %	130 bps	20 bps
% of revenue, excluding truckload and LTL fuel surcharge	15.3 %	14.0 %	13.6 %	13.6 %	130 bps	— bps

Fuel expense consists primarily of diesel fuel expense for our company-owned tractors. 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 generally apply only to loaded miles for our Truckload and LTL segments 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 Truckload and LTL segments. Therefore, many of these programs have a time lag between when fuel costs change and when the change is reflected in fuel surcharge revenue. Due to this time lag, our fuel expense, net of fuel surcharge, negatively impacts our operating income during periods of sharply rising fuel costs and positively impacts our operating income during periods of falling fuel costs. We continue to utilize our fuel efficiency initiatives such as trailer blades, idle-control, management of tractor speeds, fleet updates for more fuel-efficient engines, management of fuel procurement, and driving associate training programs that we believe contribute to controlling our fuel expense.

Comparison Between Quarters Ended September 30, 2023 and 2022 — The \$41.2 million increase in consolidated fuel expense for the third quarter includes \$73.5 million from the results of U.S. Xpress. The increase is partially offset in part due to lower average weekly DOE fuel prices for the third quarter of 2023 as compared to the third quarter of 2022. Average weekly DOE fuel prices were \$4.27 per gallon for the third quarter of 2023 and \$5.09 per gallon for the third quarter of 2022.

Comparison Between Year-to-Date September 30, 2023 and 2022 — The \$50.3 million decrease in consolidated fuel expense for the year-to-date period ended September 30, 2023 includes \$73.5 million from the results of U.S. Xpress. The inclusion of U.S. Xpress's fuel expense was offset by lower average weekly DOE fuel prices for the year-to-date period ended September 30, 2023 as compared to the year-to-date period ended September 30, 2022. Average weekly DOE fuel prices were \$4.20 per gallon for the year-to-date period ended September 30, 2023 and \$4.99 per gallon for the year-to-date period ended September 30, 2022.

	Quarter Ended September 30,		Year-to-Date September 30,		QTD 2023 vs.	YTD 2023 vs.
	2023	2022	2023	2022	QTD 2022	YTD 2022
	(Dollars in thousands)				Increase (Decrease)	
Operations and maintenance	\$ 142,913	\$ 115,918	\$ 343,604	\$ 318,525	23.3 %	7.9 %
% of total revenue	7.1 %	6.1 %	6.6 %	5.6 %	100 bps	100 bps
% of revenue, excluding truckload and LTL fuel surcharge	8.1 %	7.0 %	7.4 %	6.4 %	110 bps	100 bps

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

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 typically 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 2023, 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, subject to availability of new revenue equipment, to maintain the average age of our equipment.

Operations and maintenance expense increased \$27.0 million for the third quarter of 2023 and \$25.1 million for the year-to-date period ended September 30, 2023 as compared to the same periods last year. The increases for the third quarter and the year-to-date period ended September 30, 2023 include \$42.6 million from the results of U.S. Xpress, partially offset by lower hiring and labor expense as well as lower road expense.

	Quarter Ended September 30,		Year-to-Date September 30,		QTD 2023 vs.	YTD 2023 vs.
	2023	2022	2023	2022	QTD 2022	YTD 2022
	(Dollars in thousands)				Increase (Decrease)	
Insurance and claims	\$ 148,865	\$ 116,493	\$ 424,210	\$ 316,769	27.8 %	33.9 %
% of total revenue	7.4 %	6.1 %	8.1 %	5.6 %	130 bps	250 bps
% of revenue, excluding truckload and LTL fuel surcharge	8.4 %	7.1 %	9.2 %	6.3 %	130 bps	290 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, 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. In addition, our Iron Insurance line of business offers insurance products to third-party carriers, earning additional premium revenues, which are partially offset by increased insurance reserves, but does increase our exposure to claims and inability to collect premiums. 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, lower excess coverage limits, and exposure through Iron Insurance may cause increased volatility in our consolidated insurance and claims expense. We are evaluating strategic alternatives for the insurance business, including potential reinsurance strategies for the outstanding liabilities, in order to help insulate our business from the volatility primarily arising from prior years.

Consolidated insurance and claims expense increased by \$32.4 million for the third quarter of 2023 and \$107.4 million for the year-to-date period ended September 30, 2023, as compared to the same periods last year. The increases for the third quarter and the year-to-date period ended September 30, 2023 include \$30.0 million from the results of U.S. Xpress. The remaining increase in the year-to-date period was predominately due to increased frequency and unfavorable claim development during the periods within our Iron Insurance line of business as well as negative developments within our self-insured retention limits.

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

	Quarter Ended September 30,		Year-to-Date September 30,		QTD 2023 vs.	YTD 2023 vs.
	2023	2022	2023	2022	QTD 2022	YTD 2022
	(Dollars in thousands)				Increase (Decrease)	
Operating taxes and licenses	\$ 30,506	\$ 26,628	\$ 84,728	\$ 85,869	14.6 %	(1.3 %)
% of total revenue	1.5 %	1.4 %	1.6 %	1.5 %	10 bps	10 bps
% of revenue, excluding truckload and LTL fuel surcharge	1.7 %	1.6 %	1.8 %	1.7 %	10 bps	10 bps

Operating taxes and licenses include state franchise taxes, state and federal highway use taxes, property taxes, vehicle license and registration fees, and 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 expenses increased by \$3.9 million for the third quarter of 2023 and decreased \$1.1 million for the year-to-date period ended September 30, 2023 but remained relatively flat as a percentage of revenue, excluding truckload and LTL fuel surcharge, as compared to the same periods last year. The changes include \$4.2 million from the results of U.S. Xpress.

	Quarter Ended September 30,		Year-to-Date September 30,		QTD 2023 vs.	YTD 2023 vs.
	2023	2022	2023	2022	QTD 2022	YTD 2022
	(Dollars in thousands)				Increase (Decrease)	
Communications	\$ 8,411	\$ 5,095	\$ 20,344	\$ 16,709	65.1 %	21.8 %
% of total revenue	0.4 %	0.3 %	0.4 %	0.3 %	10 bps	10 bps
% of revenue, excluding truckload and LTL fuel surcharge	0.5 %	0.3 %	0.4 %	0.3 %	20 bps	10 bps

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

Communications expense increased \$3.3 million for the third quarter of 2023 and \$3.6 million for the year-to-date period ended September 30, 2023 but remained relatively flat as a percentage of revenue, excluding truckload and LTL fuel surcharge, as compared to the same periods last year. The changes include \$3.2 million from the results of U.S. Xpress.

	Quarter Ended September 30,		Year-to-Date September 30,		QTD 2023 vs.	YTD 2023 vs.
	2023	2022	2023	2022	QTD 2022	YTD 2022
	(Dollars in thousands)				Increase (Decrease)	
Depreciation and amortization of property and equipment	\$ 176,613	\$ 150,363	\$ 488,960	\$ 442,889	17.5 %	10.4 %
% of total revenue	8.7 %	7.9 %	9.4 %	7.8 %	80 bps	160 bps
% of revenue, excluding truckload and LTL fuel surcharge	9.9 %	9.1 %	10.6 %	8.9 %	80 bps	170 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. 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 practices.

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

Consolidated depreciation and amortization of property and equipment increased by \$26.3 million for the third quarter of 2023 and \$46.1 million for the year-to-date period ended September 30, 2023, as compared to the same periods last year. The increases include \$19.6 million from the results of U.S. Xpress. The additional increase was related to an increase in owned versus leased equipment and higher depreciation for capital improvements made to our terminals. We anticipate that depreciation and amortization expense will increase, as a percentage of revenue, excluding truckload and LTL fuel surcharge, as we intend to purchase, rather than enter into operating leases, for a majority of our revenue equipment, terminal improvements, or terminal expansions in the remainder of 2023.

	Quarter Ended September 30,		Year-to-Date September 30,		QTD 2023 vs.	YTD 2023 vs.
	2023	2022	2023	2022	QTD 2022	YTD 2022
	(Dollars in thousands)				Increase (Decrease)	
Amortization of intangibles	\$ 18,907	\$ 16,254	\$ 51,595	\$ 48,635	16.3 %	6.1 %
% of total revenue	0.9 %	0.9 %	1.0 %	0.9 %	— bps	10 bps
% of revenue, excluding truckload and LTL fuel surcharge	1.1 %	1.0 %	1.1 %	1.0 %	10 bps	10 bps

Amortization of intangibles relates to intangible assets identified with the 2017 Merger and various acquisitions. See Note 3 in Part I, Item 1, of this Quarterly Report for more details regarding details of our acquisitions.

The increases of \$2.7 million and \$3.0 million for the third quarter and year-to-date period ended September 30, 2023, as compared to the same periods last year, were primarily attributed to the U.S. Xpress Acquisition during 2023.

	Quarter Ended September 30,		Year-to-Date September 30,		QTD 2023 vs.	YTD 2023 vs.
	2023	2022	2023	2022	QTD 2022	YTD 2022
	(Dollars in thousands)				Increase (Decrease)	
Rental expense	\$ 50,401	\$ 15,216	\$ 81,542	\$ 42,109	231.2 %	93.6 %
% of total revenue	2.5 %	0.8 %	1.6 %	0.7 %	170 bps	90 bps
% of revenue, excluding truckload and LTL fuel surcharge	2.8 %	0.9 %	1.8 %	0.8 %	190 bps	100 bps

Rental expense consists primarily of payments for our terminals and other real estate leases and, to a lesser extent, payments for revenue equipment from operating leases. The primary factors affecting the expense are the size and location of our leased properties.

Consolidated rental expense increased \$35.2 million for the third quarter of 2023 and \$39.4 million for the year-to-date period ended September 30, 2023, as compared to the same periods last year. The increase is primarily related to the inclusion of \$34.0 million from the results of U.S. Xpress. Additional increases relate to the incorporation of new facilities as we expand our network and were partially offset by a decrease in the rental expense for revenue equipment.

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

	Quarter Ended September 30,		Year-to-Date September 30,		QTD 2023 vs.	YTD 2023 vs.
	2023	2022	2023	2022	QTD 2022	YTD 2022
	(Dollars in thousands)				Increase (Decrease)	
Purchased transportation	\$ 330,683	\$ 364,394	\$ 869,671	\$ 1,135,750	(9.3 %)	(23.4 %)
% of total revenue	16.4 %	19.2 %	16.7 %	20.0 %	(280 bps)	(330 bps)
% of revenue, excluding truckload and LTL fuel surcharge	18.6 %	22.1 %	18.8 %	22.7 %	(350 bps)	(390 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.

Consolidated purchased transportation expense decreased by \$33.7 million for the third quarter of 2023 and \$266.1 million for the year-to-date period ended September 30, 2023, as compared to the same periods last year. The decrease is primarily due to decreased load volume within our logistics business, partially offset by increased intermodal load volume, higher miles driven by independent contractors, and \$78.6 million from the results of U.S. Xpress

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

	Quarter Ended September 30,		Year-to-Date September 30,		QTD 2023 vs.	YTD 2023 vs.
	2023	2022	2023	2022	QTD 2022	YTD 2022
	(Dollars in thousands)				Increase (Decrease)	
Impairments	\$ —	\$ —	\$ —	\$ 810	— %	(100.0 %)

In 2022, we incurred impairment charges associated with building improvements (within our non-reportable segments). In connection with our acquisitions, changes to estimates following the acquisition date could require the Company to record impairment charges.

	Quarter Ended September 30,		Year-to-Date September 30,		QTD 2023 vs.	YTD 2023 vs.
	2023	2022	2023	2022	QTD 2022	YTD 2022
	(Dollars in thousands)				Increase (Decrease)	
Miscellaneous operating expenses	\$ 48,662	\$ 30,060	\$ 116,363	\$ 62,965	61.9 %	84.8 %

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

Comparison Between the Quarters Ended September 30, 2023 and 2022 — The \$18.6 million increase in net consolidated miscellaneous operating expenses is primarily due to the inclusion of \$12.2 million from the results of U.S. Xpress as well as a \$3.6 million decrease in gain on sales of equipment.

Comparison Between Year-to-Date September 30, 2023 and 2022 — The \$53.4 million increase in net consolidated miscellaneous operating expenses is primarily due to a \$26.2 million decrease in gain on sales of equipment as well as the inclusion of \$12.2 million from the results of U.S. Xpress and \$6.9 million in transaction fees related to the acquisition of U.S. Xpress.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED
Consolidated Other Expenses (Income)

	Quarter Ended September 30,		Year-to-Date September 30,		QTD 2023 vs.	YTD 2023 vs.
	2023	2022	2023	2022	QTD 2022	YTD 2022
	(Dollars in thousands)				Increase (Decrease)	
Interest expense	\$ 39,354	\$ 14,679	\$ 86,799	\$ 30,704	168.1 %	182.7 %
Other (income) expenses, net	(11,433)	(8,488)	(30,815)	31,493	34.7 %	(197.8 %)
Income tax (benefit) expense	(1,220)	65,679	53,474	206,943	(101.9 %)	(74.2 %)

Interest expense — Interest expense is comprised of debt and finance lease interest expense as well as amortization of deferred loan costs. The increase in interest expense during the third quarter and the year-to-date period ended September 30, 2023 was primarily due to higher debt balances related to the acquisition of U.S. Xpress as well as higher interest rates. Additional details regarding our debt are discussed in Note 6 in Part I, Item 1 of this Quarterly Report.

Other (income) expenses, net — Other (income) expenses, net is primarily comprised of losses and (gains) from our various equity investments, including our investment in Embark, as well as certain other non-operating income and expense items that may arise outside of the normal course of business.

Comparison Between the Quarters Ended September 30, 2023 and 2022 — The \$2.9 million increase in other (income) expenses, net is primarily driven by a net gain recorded within our portfolio of investments during the third quarter of 2023.

Comparison Between Year-to-Date September 30, 2023 and 2022 — The \$62.3 million increase in other (income) expenses, net is primarily driven by an unrealized loss on our investment in Embark recorded in the year-to-date period ended September 30, 2022 and a net gain recorded within our portfolio of investments during the year-to-date period ended September 30, 2023.

Income tax expense — In addition to the discussion below, Note 4 in Part I, Item 1 of this Quarterly Report provides further analysis related to income taxes.

Comparison Between the Quarters Ended September 30, 2023 and 2022 — The \$66.9 million decrease in consolidated income tax expense was primarily due to a reduction of pre-tax income, a partial release of the valuation allowance associated with the U.S. Xpress net operating loss and tax credit carryforward benefits, an increase in stock compensation deductions, and a reduction in state deferred taxes. This resulted in an effective tax rate of (2.1)% for the third quarter of 2023, and 25.2% for the third quarter of 2022.

Comparison Between Year-to-Date September 30, 2023 and 2022 — The \$153.5 million decrease in consolidated income tax expense was primarily due to a reduction of pre-tax income, a partial release of the valuation allowance associated with the U.S. Xpress net operating loss and tax credit carryforward benefits, an increase in stock compensation deductions, and a reduction in state deferred taxes. This resulted in an effective tax rate of 19.1% for the year-to-date period ended September 30, 2023, and 24.9% for the year-to-date period ended September 30, 2022.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

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

Non-GAAP Financial Measures

The terms "Adjusted Net Income Attributable to Knight-Swift," "Adjusted EPS," "Adjusted Operating Income," "Adjusted Operating Ratio," and "Free Cash Flow," 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. Management and the Board use Free Cash Flow as a key measure of our liquidity. Free Cash Flow does not represent residual cash flow available for discretionary expenditures. 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, Adjusted Operating Ratio, and Free Cash Flow 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, GAAP reportable segment operating ratio to non-GAAP reportable segment Adjusted Operating Ratio, and GAAP cash flow from operations to non-GAAP Free Cash Flow.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED
Non-GAAP Reconciliation: Consolidated Adjusted Net Income Attributable to Knight-Swift and Adjusted EPS

	Quarter Ended September 30,		Year-to-Date September 30,	
	2023	2022	2023	2022
	(In thousands)			
GAAP: Net income attributable to Knight-Swift	\$ 60,194	\$ 194,795	\$ 227,804	\$ 622,624
Adjusted for:				
Income tax expense attributable to Knight-Swift	(1,220)	65,679	53,474	206,943
Income before income taxes attributable to Knight-Swift	58,974	260,474	281,278	829,567
Amortization of intangibles ¹	18,907	16,254	51,595	48,635
Impairments ²	—	—	—	810
Legal accruals ³	150	(2,640)	1,150	415
Transaction fees ⁴	—	—	6,868	—
Other acquisition related expenses ⁵	6,546	—	6,546	—
Severance expense ⁶	3,699	—	5,151	—
Change in fair value of deferred earnout ⁷	(859)	—	(3,359)	—
Adjusted income before income taxes	87,417	274,088	349,229	879,427
Provision for income tax expense at effective rate ⁸	(20,255)	(69,121)	(84,958)	(219,408)
Non-GAAP: Adjusted Net Income Attributable to Knight-Swift	\$ 67,162	\$ 204,967	\$ 264,271	\$ 660,019

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 September 30,		Year-to-Date September 30,	
	2023	2022	2023	2022
GAAP: Earnings per diluted share	\$ 0.37	\$ 1.21	\$ 1.41	\$ 3.80
Adjusted for:				
Income tax expense attributable to Knight-Swift	(0.01)	0.41	0.33	1.26
Income before income taxes attributable to Knight-Swift	0.36	1.61	1.74	5.07
Amortization of intangibles ¹	0.12	0.10	0.32	0.30
Impairments ²	—	—	—	—
Legal accruals ³	—	(0.02)	0.01	—
Transaction fees ⁴	—	—	0.04	—
Other acquisition related expenses ⁵	0.04	—	0.04	—
Severance expense ⁶	0.02	—	0.03	—
Change in fair value of deferred earnout ⁷	(0.01)	—	(0.02)	—
Adjusted income before income taxes	0.54	1.70	2.16	5.37
Provision for income tax expense at effective rate ⁸	(0.13)	(0.43)	(0.53)	(1.34)
Non-GAAP: Adjusted EPS	\$ 0.41	\$ 1.27	\$ 1.63	\$ 4.03

- "Amortization of intangibles" reflects the non-cash amortization expense relating to intangible assets identified in the 2017 Merger, the ACT Acquisition, the U.S. Xpress Acquisition, and other acquisitions. Refer to Note 3 in Part I, Item 1 of this Quarterly Report for additional details regarding our acquisitions.
- "Impairments" reflects the non-cash impairment of building improvements (within our non-reportable segments).
- "Legal accruals" are included in "Miscellaneous operating expenses" in the condensed consolidated statements of comprehensive income and reflect the following:
 - During the second and third quarters of 2023, legal expense reflects the increased estimated exposures for accrued legal matters based on recent settlement agreements. First quarter 2023 legal expense reflects a decrease in the estimated exposure related to an accrued legal matter previously identified as probable and estimable in prior periods based on a recent settlement agreement.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

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

- During the second and third quarters of 2022, the Company decreased the estimated exposure related to an accrued legal matter previously identified as probable and estimable in prior periods based on a recent settlement agreement. Additional 2022 legal costs relate to certain lawsuits arising from employee and contract related matters.
- 4 "Transaction fees" consists of legal and professional fees associated with the July 1, 2023 acquisition of U.S. Xpress. The transaction fees are primarily included within "Miscellaneous operating expenses" and "Salaries, wages, and benefits" and with smaller amounts included in other line items in the condensed statements of comprehensive income.
 - 5 "Other acquisition related expenses" represents one-time expenses associated with the U.S. Xpress acquisition, including acceleration of stock compensation expense and other operating expenses. These are primarily included within "Salaries, wages, and benefits" in the condensed statements of comprehensive income.
 - 6 "Severance expense" is included within "Salaries, wages, and benefits" in the condensed statements of comprehensive income.
 - 7 "Change in fair value of deferred earnout" reflects the benefit for the change in fair value of a deferred earnout related to various acquisitions, which is recorded in "Miscellaneous operating expenses."
 - 8 For the third quarter and year-to-date of 2023, an effective tax rate of 23.2% and 24.3%, respectively was applied in our Adjusted EPS calculation to exclude the tax benefit from the partial release of the valuation allowance associated with the U.S. Xpress net operating loss and tax credit carryforward benefits.

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 September 30,		Year-to-Date September 30,	
	2023	2022	2023	2022
GAAP Presentation	(Dollars in thousands)			
Total revenue	\$ 2,019,936	\$ 1,896,839	\$ 5,209,847	\$ 5,684,959
Total operating expenses	(1,938,880)	(1,631,398)	(4,889,974)	(4,795,654)
Operating income	<u>\$ 81,056</u>	<u>\$ 265,441</u>	<u>\$ 319,873</u>	<u>\$ 889,305</u>
Operating ratio	96.0 %	86.0 %	93.9 %	84.4 %
Non-GAAP Presentation				
Total revenue	\$ 2,019,936	\$ 1,896,839	\$ 5,209,847	\$ 5,684,959
Truckload and LTL fuel surcharge	(244,687)	(246,857)	(593,857)	(692,568)
Revenue, excluding truckload and LTL fuel surcharge	<u>1,775,249</u>	<u>1,649,982</u>	<u>4,615,990</u>	<u>4,992,391</u>
Total operating expenses	1,938,880	1,631,398	4,889,974	4,795,654
Adjusted for:				
Truckload and LTL fuel surcharge	(244,687)	(246,857)	(593,857)	(692,568)
Amortization of intangibles ¹	(18,907)	(16,254)	(51,595)	(48,635)
Impairments ²	—	—	—	(810)
Legal accruals ³	(150)	2,640	(1,150)	(415)
Transaction fees ⁴	—	—	(6,868)	—
Other acquisition related expenses ⁵	(6,546)	—	(6,546)	—
Severance expense ⁶	(3,699)	—	(5,151)	—
Change in fair value of deferred earnout ⁷	859	—	3,359	—
Adjusted Operating Expenses	<u>1,665,750</u>	<u>1,370,927</u>	<u>4,228,166</u>	<u>4,053,226</u>
Adjusted Operating Income	<u>\$ 109,499</u>	<u>\$ 279,055</u>	<u>\$ 387,824</u>	<u>\$ 939,165</u>
Adjusted Operating Ratio	<u>93.8 %</u>	<u>83.1 %</u>	<u>91.6 %</u>	<u>81.2 %</u>

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

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

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

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

5 See Non-GAAP Reconciliation: Consolidated Adjusted Net Income Attributable to Knight-Swift and Adjusted EPS footnote 5.

6 See Non-GAAP Reconciliation: Consolidated Adjusted Net Income Attributable to Knight-Swift and Adjusted EPS footnote 6.

7 See Non-GAAP Reconciliation: Consolidated Adjusted Net Income Attributable to Knight-Swift and Adjusted EPS footnote 7.

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
Truckload Segment

	Quarter Ended September 30,		Year-to-Date September 30,	
	2023	2022	2023	2022
GAAP Presentation				
	(Dollars in thousands)			
Total revenue	\$ 1,380,781	\$ 1,160,735	\$ 3,346,685	\$ 3,430,075
Total operating expenses	(1,332,420)	(984,933)	(3,114,514)	(2,842,860)
Operating income	\$ 48,361	\$ 175,802	\$ 232,171	\$ 587,215
Operating ratio	96.5 %	84.9 %	93.1 %	82.9 %
Non-GAAP Presentation				
Total revenue	\$ 1,380,781	\$ 1,160,735	\$ 3,346,685	\$ 3,430,075
Fuel surcharge	(200,503)	(192,685)	(469,771)	(538,277)
Intersegment transactions	(300)	(281)	(1,583)	(1,016)
Revenue, excluding fuel surcharge and intersegment transactions	1,179,978	967,769	2,875,331	2,890,782
Total operating expenses	1,332,420	984,933	3,114,514	2,842,860
Adjusted for:				
Fuel surcharge	(200,503)	(192,685)	(469,771)	(538,277)
Intersegment transactions	(300)	(281)	(1,583)	(1,016)
Amortization of intangibles ¹	(2,605)	(324)	(3,247)	(971)
Other acquisition related expenses ²	(6,546)	—	(6,546)	—
Severance expense ³	(2,636)	—	(2,636)	—
Adjusted Operating Expenses	1,119,830	791,643	2,630,731	2,302,596
Adjusted Operating Income	\$ 60,148	\$ 176,126	\$ 244,600	\$ 588,186
Adjusted Operating Ratio	94.9 %	81.8 %	91.5 %	79.7 %

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

2 See Non-GAAP Reconciliation: Consolidated Adjusted Net Income Attributable to Knight-Swift and Adjusted EPS footnote 5.

3 See Non-GAAP Reconciliation: Consolidated Adjusted Net Income Attributable to Knight-Swift and Adjusted EPS footnote 6.

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

	Quarter Ended September 30,		Year-to-Date September 30,	
	2023	2022	2023	2022
GAAP Presentation	(Dollars in thousands)			
Total revenue	\$ 284,168	\$ 278,615	\$ 806,577	\$ 817,587
Total operating expenses	(251,893)	(247,756)	(717,482)	(716,584)
Operating income	\$ 32,275	\$ 30,859	\$ 89,095	\$ 101,003
Operating ratio	88.6 %	88.9 %	89.0 %	87.6 %
Non-GAAP Presentation				
Total revenue	\$ 284,168	\$ 278,615	\$ 806,577	\$ 817,587
Fuel surcharge	(44,184)	(54,172)	(124,086)	(154,291)
Revenue, excluding fuel surcharge and intersegment transactions	239,984	224,443	682,491	663,296
Total operating expenses	251,893	247,756	717,482	716,584
Adjusted for:				
Fuel surcharge	(44,184)	(54,172)	(124,086)	(154,291)
Amortization of intangibles ¹	(3,920)	(4,032)	(11,760)	(11,972)
Adjusted Operating Expenses	203,789	189,552	581,636	550,321
Adjusted Operating Income	\$ 36,195	\$ 34,891	\$ 100,855	\$ 112,975
Adjusted Operating Ratio	84.9 %	84.5 %	85.2 %	83.0 %

1 "Amortization of intangibles" reflects the non-cash amortization expense relating to intangible assets identified with the ACT and MME acquisitions.

Logistics Segment

	Quarter Ended September 30,		Year-to-Date September 30,	
	2023	2022	2023	2022
GAAP Presentation	(Dollars in thousands)			
Total revenue	\$ 159,489	\$ 210,673	\$ 417,715	\$ 741,374
Total operating expenses	(149,125)	(183,214)	(384,965)	(630,565)
Operating income	\$ 10,364	\$ 27,459	\$ 32,750	\$ 110,809
Operating ratio	93.5 %	87.0 %	92.2 %	85.1 %
Non-GAAP Presentation				
Total revenue	\$ 159,489	\$ 210,673	\$ 417,715	\$ 741,374
Intersegment transactions	(888)	(709)	(4,555)	(3,920)
Revenue, excluding intersegment transactions	158,601	209,964	413,160	737,454
Total operating expenses	149,125	183,214	384,965	630,565
Adjusted for:				
Intersegment transactions	(888)	(709)	(4,555)	(3,920)
Amortization of intangibles ¹	(335)	(335)	(1,003)	(1,003)
Adjusted Operating Expenses	147,902	182,170	379,407	625,642
Adjusted Operating Income	\$ 10,699	\$ 27,794	\$ 33,753	\$ 111,812
Adjusted Operating Ratio	93.3 %	86.8 %	91.8 %	84.8 %

1 "Amortization of intangibles" reflects the non-cash amortization expense relating to intangible assets identified in the UTXL acquisition.

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

	Quarter Ended September 30,		Year-to-Date September 30,	
	2023	2022	2023	2022
GAAP Presentation				
	(Dollars in thousands)			
Total revenue	\$ 101,219	\$ 130,777	\$ 316,118	\$ 372,870
Total operating expenses	(105,743)	(117,943)	(322,172)	(330,694)
Operating income	\$ (4,524)	\$ 12,834	\$ (6,054)	\$ 42,176
Operating ratio	104.5 %	90.2 %	101.9 %	88.7 %
Non-GAAP Presentation				
Total revenue	\$ 101,219	\$ 130,777	\$ 316,118	\$ 372,870
Intersegment transactions	—	—	—	(47)
Revenue, excluding intersegment transactions	101,219	130,777	316,118	372,823
Total operating expenses	105,743	117,943	322,172	330,694
Adjusted for:				
Intersegment transactions	—	—	—	(47)
Adjusted Operating Expenses	105,743	117,943	322,172	330,647
Adjusted Operating Income	\$ (4,524)	\$ 12,834	\$ (6,054)	\$ 42,176
Adjusted Operating Ratio	104.5 %	90.2 %	101.9 %	88.7 %

Non-GAAP Reconciliation: Free Cash Flow

	Year-to-Date September 30, 2023
GAAP: Cash flows from operations	\$ 873,502
Adjusted for:	
Proceeds from sale of property and equipment, including assets held for sale	214,234
Purchases of property and equipment	(852,677)
Non-GAAP: Free Cash Flow	\$ 235,059

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

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

Liquidity and Capital Resources**Sources of Liquidity**

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

Source	September 30, 2023
	(In thousands)
Cash and cash equivalents, excluding restricted cash	\$ 193,372
Availability under 2021 Revolver, due September 2026 ¹	778,825
Availability under 2022 RSA, due October 2025 ²	1,800
Total unrestricted liquidity	\$ 973,997
Cash and cash equivalents – restricted ³	263,535
Restricted investments, held-to-maturity, amortized cost ³	1,028
Total liquidity, including restricted cash and restricted investments	\$ 1,238,560

- 1 As of September 30, 2023, we had \$300.0 million borrowings under our \$1.1 billion 2021 Revolver. We additionally had \$21.2 million in outstanding letters of credit (discussed below) issued under the 2021 Revolver, leaving \$778.8 million available under the 2021 Revolver.
- 2 Based on eligible receivables at September 30, 2023, our borrowing base for the 2022 RSA was \$363.8 million, while outstanding borrowings were \$362.0 million, leaving \$1.8 million available under the 2022 RSA. Refer to Note 5 in Part I, Item 1 of this Quarterly Report for more information regarding the 2022 RSA.
- 3 Restricted cash and restricted investments are primarily held by our captive insurance companies for claims payments. "Cash and cash equivalents – restricted" consists of \$260.0 million included in "Cash and cash equivalents – restricted" on the condensed consolidated balance sheet held by Mohave and Red Rock for claims payments. The remaining \$3.6 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 and expand our trailer fleet, expand our network of LTL service centers, and, to a lesser extent, fund upgrades to our terminals and technology in our various service offerings. In connection with our business strategy, we regularly evaluate acquisition and strategic partnership opportunities. We expect net cash capital expenditures, will be in the range of \$700.0 – \$750.0 million for full-year 2023. This range excludes cash outlays for completed and potential acquisitions. We believe we have ample flexibility in our trade cycle and purchase agreements to alter our current plans if economic and 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 2021 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 2021 Revolver will be sufficient to fund our expected capital expenditures for at least the next twelve months.

Principal and Interest Payments — As of September 30, 2023, we had debt, accounts receivable securitization, and finance lease obligations of \$2.7 billion, 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 2021 Debt Agreement and the 2022 RSA, our lenders may issue standby letters of credit on our behalf. When we have certain letters of credit outstanding, the availability under the 2021 Revolver or 2022 RSA is reduced accordingly. As of September 30, 2023, we also had outstanding letters of credit of \$264.3 million pursuant to a bilateral agreement which do not impact the availability of the 2021 Revolver and 2022 RSA. 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 Flow¹ availability, debt levels, common stock prices, general economic and market conditions, as well as internal approval requirements, we may repurchase shares of our outstanding common stock. As of September 30, 2023, the Company had \$200.0 million remaining under the 2022 Knight-Swift Share Repurchase Plan. Additional details regarding our share repurchase plans are discussed in Note 10 in Part I, Item 1 of this Quarterly Report.

Working Capital

We had a working capital surplus of \$30.8 million as of September 30, 2023 and \$599.6 million as of December 31, 2022. The decrease in our working capital surplus is primarily due to the assumption of liabilities from the U.S. Xpress Acquisition as well as the 2021 Term Loan A-2 maturing September 2024.

¹ Refer to "Non-GAAP Financial Measures."

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

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

Material Debt Agreements

As of September 30, 2023, we had \$2.7 billion in material debt obligations at the following carrying values:

- \$199.9 million: 2021 Term Loan A-2, due September 2024, net of \$0.1 million in deferred loan costs
- \$799.0 million: 2021 Term Loan A-3, due September 2026, net of \$1.0 million in deferred loan costs
- \$249.1 million: 2023 Term Loan, due September 2026, net of \$0.9 million in deferred loan costs
- \$361.7 million: 2022 RSA outstanding borrowings, net of \$0.3 million in deferred loan costs
- \$434.7 million: Finance lease obligations
- \$300.0 million: 2021 Revolver, due September 2026
- \$296.9 million: Revenue equipment installment notes
- \$37.4 million: Other, net of approximately \$28,000 in deferred loan costs

As of December 31, 2022, we had \$1.9 billion in material debt obligations at the following carrying values:

- \$199.8 million: 2021 Term Loan A-2, due September 2024, net of \$0.2 million in deferred loan costs
- \$798.7 million: 2021 Term Loan A-3, due September 2026, net of \$1.3 million in deferred loan costs
- \$418.6 million: 2022 RSA outstanding borrowings, net of \$0.4 million in deferred loan costs
- \$403.0 million: Finance lease obligations
- \$43.0 million: 2021 Revolver, due September 2026
- \$39.0 million: Other, net of \$0.1 million in deferred loan costs

Cash Flow Analysis

	Year-to-Date September 30,		Change
	2023	2022	
	(In thousands)		
Net cash provided by operating activities	\$ 873,502	\$ 1,099,195	\$ (225,693)
Net cash used in investing activities	(1,088,030)	(358,626)	(729,404)
Net cash provided by (used in) financing activities	286,090	(748,829)	1,034,919

Net Cash Provided by Operating Activities

Comparison Between Year-to-Date September 30, 2023 and 2022 — The \$225.7 million decrease in net cash provided by operating activities included a \$569.4 million decrease in operating income for year-to-date September 30, 2023 and a \$55.0 million increase in cash paid for interest. This was partially offset by a \$128.2 million increase in our cash resulting from changes in the trade receivables balances and a \$195.8 million decrease in cash paid for taxes. **Note:** Factors affecting the increase in operating income are discussed in "Results of Operations — Consolidated Operating and Other Expenses."

Net Cash Used in Investing Activities

Comparison Between Year-to-Date September 30, 2023 and 2022 — The \$729.4 million increase in net cash used in investing activities was primarily due to a \$457.0 million increase in net cash invested in acquisitions primarily from the U.S. Xpress Acquisition and a \$281.8 million increase in net cash capital expenditures.

Net Cash Used in Financing Activities

Comparison Between Year-to-Date September 30, 2023 and 2022 — Net cash provided by (used in) financing activities increased by \$1.0 billion, primarily due to \$371.0 million in net proceeds from our 2021 Revolver, \$250.0 million in proceeds from the 2023 Term Loan, and a \$299.9 million decrease in repurchases of our common stock.

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

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

Most of our operating expenses are inflation-sensitive, with inflation generally leading to increased costs of operations. Price increases in manufacturer revenue equipment has impacted the cost for us to acquire new equipment. Cost increases have also impacted the cost of parts for equipment repairs and maintenance. The qualified driver shortage experienced by the trucking industry overall has had the effect of increasing compensation paid to our driving associates. We have also experienced inflation in insurance and claims cost related to health insurance and claims as well as auto liability insurance and claims. Prolonged periods of inflation have recently and could continue to cause interest rates, fuel, wages, and other costs to increase as well. Any of these factors could adversely affect our results of operations unless freight rates correspondingly increase.

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.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**Interest Rate Risk**

We have exposure from variable interest rates, primarily related to our 2021 Debt Agreement, 2023 Term Loan, and 2022 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 6.2% as of September 30, 2023) and fixed rate equipment lease financing. Assuming the level of borrowings as of September 30, 2023, a hypothetical one percentage point increase in interest rates would increase our annual interest expense by \$22.5 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 diesel price per gallon in the US decreased to \$4.27 for the third quarter of 2023 from an average of \$5.09 in the third quarter of 2022. The weekly average diesel price per gallon decreased to \$4.20 for year-to-date September 30, 2023 from an average price of \$4.99 for year-to-date September 30, 2022. 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.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

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

Except as set forth below, 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 September 30, 2023, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

During the quarter ended September 30, 2023, we completed the U.S. Xpress Acquisition. We are in the process of evaluating the existing controls and procedures of U.S. Xpress and integrating U.S. Xpress into our internal controls over financial reporting. As permitted by SEC staff interpretative guidance that an assessment of a recently acquired business may be omitted from the scope of an assessment for a period not to exceed one year from the date of acquisition, the scope of our assessment of our internal controls over financial reporting at September 30, 2023 does not include U.S. Xpress.

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.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information about our legal proceedings is included in Note 9 of the notes to our condensed consolidated financial statements, included in Part I, Item 1, of this Quarterly Report for the period ended September 30, 2023, and is incorporated by reference herein.

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 2022 Annual Report and our Quarterly Report for the quarter period ended March 31, 2023 in the sections entitled "Item 1A. Risk Factors," describe some of the risks and uncertainties associated with our business.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value That May Yet be Purchased Under the Plans or Programs ¹
(in thousands, except per share data)				
July 1, 2023 to July 31, 2023	—	\$ —	—	\$ 200,041
August 1, 2023 to August 31, 2023	—	\$ —	—	\$ 200,041
September 1, 2023 to September 30, 2023	—	\$ —	—	\$ 200,041
Total	—	\$ —	—	\$ 200,041

- ¹ On April 25, 2022, we announced that the Board had approved the \$350.0 million 2022 Knight-Swift Share Repurchase Plan, replacing the 2020 Knight-Swift Share Repurchase Plan. There is no expiration date associated with the 2022 Knight-Swift Share Repurchase Plan. See Note 10 in Part I, Item 1 of this Quarterly Report regarding our share repurchase plans.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

During the quarter ended September 30, 2023, no director or officer adopted or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

ITEM 6. EXHIBITS

Exhibit Number	Description	Page or Method of Filing
2.1	Agreement and Plan of Merger, dated as of March 20, 2023, by and among Knight-Swift Transportation Holdings Inc., U.S. Xpress Enterprises, Inc., and Liberty Merger Sub Inc.	Incorporated by reference to Exhibit 2.1 of Form 8-K filed on March 21, 2023
3.1	Fourth Amended and Restated Certificate of Incorporation of Knight-Swift Transportation Holdings Inc.	Incorporated by reference to Exhibit 3.1 of Form 10-Q for the quarter ended June 30, 2020
3.2	Fourth Amended and Restated By-laws of Knight-Swift Transportation Holdings Inc.	Incorporated by reference to Exhibit 3.1 of Form 8-K filed on February 9, 2022
31.1	Certification pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, by David A. Jackson, the Company's Chief Executive Officer (principal executive officer).	Filed herewith
31.2	Certification pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, by Adam W. Miller, the Company's Chief Financial Officer (principal financial officer).	Filed herewith
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by David A. Jackson, the Company's Chief Executive Officer.	Furnished herewith
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by Adam W. Miller, the Company's Chief Financial Officer.	Furnished herewith
101.INS	Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document	
101.SCH	XBRL Taxonomy Extension Schema Document	Filed herewith
101.CAL	XBRL Taxonomy Calculation Linkbase Document	Filed herewith
101.LAB	XBRL Taxonomy Label Linkbase Document	Filed herewith
101.PRE	XBRL Taxonomy Presentation Linkbase Document	Filed herewith
101.DEF	XBRL Taxonomy Extension Definition Document	Filed herewith
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)	Filed herewith

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: November 1, 2023

/s/ David A. Jackson

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

Date: November 1, 2023

/s/ Adam W. Miller

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: November 1, 2023

/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: November 1, 2023

/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 September 30, 2023, 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: November 1, 2023

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 September 30, 2023, 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: November 1, 2023

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.