

KNX Q2 2019 Earnings Presentation



Disclosure



This presentation, including documents incorporated herein by reference, will contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking statements. Please review our disclosures in filings with the United States Securities and Exchange Commission.

Non-GAAP Financial Data

This presentation includes the use of adjusted operating income, operating ratio, adjusted operating ratio, adjusted net income, adjusted earnings per share, adjusted pre-tax income, return on net tangible assets and free cash flow, which are financial measures that are not in accordance with United States generally accepted accounting principles (“GAAP”). Each such measure is a supplemental non-GAAP financial measure that is used by management and external users of our financial statements, such as industry analysts, investors and lenders. While management believes such measures are useful for investors, they should not be used as a replacement for financial measures that are in accordance with GAAP. In addition, our use of these non-GAAP measures should not be interpreted as indicating that these or similar items could not occur in future periods. In addition, adjusted operating ratio excludes trucking segment fuel surcharges from revenue and nets these surcharges against fuel expense.

Disclosure



On September 8, 2017, pursuant to the Agreement and Plan of Merger, dated as of April 9, 2017, by Swift Transportation Company (“Swift”), Bishop Merger Sub, Inc., a direct wholly owned subsidiary of Swift, (“Merger Sub”), and Knight Transportation, Inc. (“Knight”), Merger Sub merged with and into Knight, with Knight surviving as a direct wholly owned subsidiary of Swift (the “2017 Merger”). Knight was the accounting acquirer and Swift was the legal acquirer in the 2017 Merger. In accordance with the accounting treatment applicable to the 2017 Merger, throughout this presentation, the reported results do not include the results of operations of Swift and its subsidiaries on and prior to the 2017 Merger date of September 8, 2017 (the “2017 Merger Date”). However, where indicated, certain historical information of Swift and its subsidiaries on and prior to the 2017 Merger Date, including their results of operations and certain operational statistics (collectively, the “Swift Historical Information”), has been provided. Management believes that presentation of the Swift Historical Information will be useful to investors. The Swift Historical Information has not been prepared in accordance with the rules of the Securities and Exchange Commission, including Article 11 of Regulation S-X, and it therefore does not reflect any of the pro forma adjustments that would be required by Article 11 of Regulation S-X. The Swift Historical Information does not purport to indicate the results that would have been obtained had the Swift and Knight businesses been operated together during the periods presented, or which may be realized in the future.

KNX Overview

Proven Leader in the Industry

- History of industry leading margins
- Consistent free cash flow - \$240M Q2 TTM
- Return on Net Tangible Assets of 17.4%
- Strong balance sheet
- History of successful acquisitions
- Strong and diverse customer base
- Consistent quarterly dividends

Multiple Product Offerings

Trucking ~ 80% of Revenue

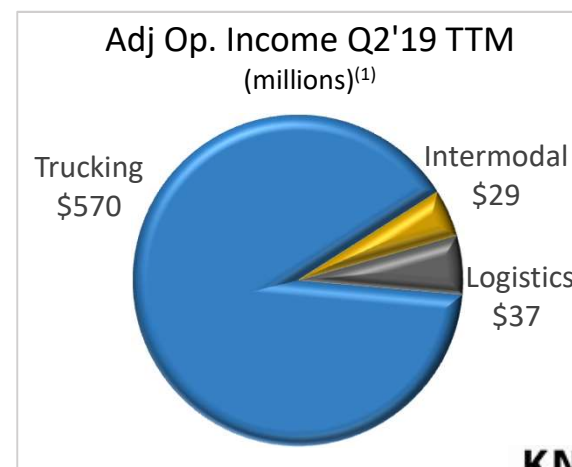
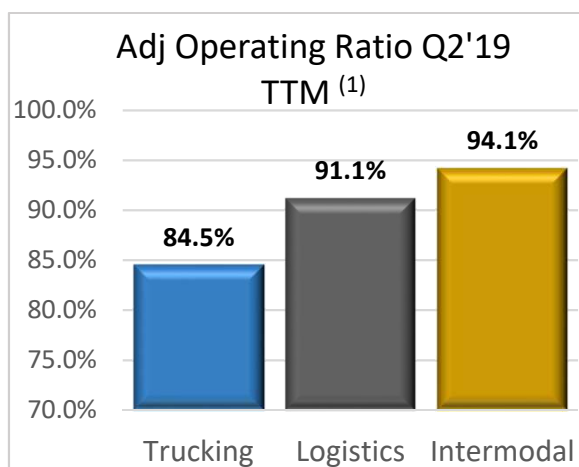
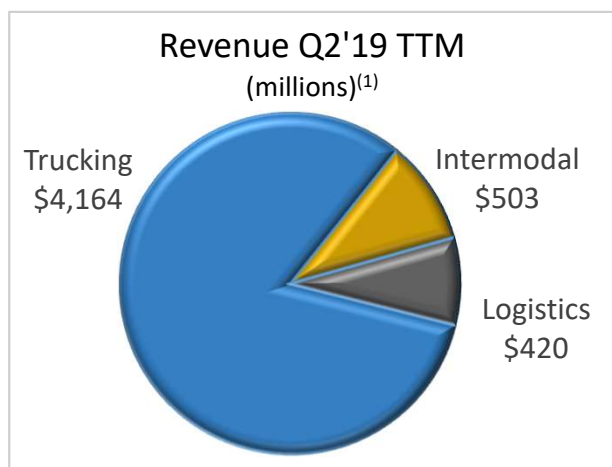
- Dry Van, Refrigerated, Dedicated, Flatbed, Drayage, and Expedited Service Offerings
- 18,985 Tractors, 58,263 Trailers

Logistics ~ 10% of Revenue

- \$420M in annual revenue Q2'19 TTM
- Access to over 40,000 carriers

Intermodal ~ 10% of Revenue

- \$503M in annual revenue Q2'19 TTM
- 9,863 containers and 651 tractors



(1) Excludes the results of certain non-reportable segments

Second Quarter 2019 Comparative Results

(dollars in thousands, except per share data)

	Quarter Ended June 30,		
	2019	2018	Change
Total Revenue	\$1,242,083	\$1,331,683	(6.7)%
Revenue xFSC	\$1,122,754	\$1,191,022	(5.7)%
Operating Income	\$108,593	\$124,242	(12.6)%
Adj. Operating Income ⁽¹⁾	\$136,967	\$134,929	1.5%
Net Income attributable to Knight-Swift	\$79,205	\$91,323	(13.3)%
Adj. Net income attributable to Knight Swift ⁽¹⁾	\$100,627	\$99,632	1.0%
Earnings per diluted share	\$0.46	\$0.51	(9.8)%
Adj. EPS ⁽¹⁾	\$0.58	\$0.56	3.6%

Adjustments

- \$15.5M in Q2 2019 of legal accruals
- \$10.7M in both Q2 2019 and Q2 2018 of amortization expense from mergers and acquisitions
- \$2.2M in Q2 2019 of impairments

(1) See GAAP to non-GAAP reconciliation in the schedules following this presentation

Operating Performance – Trucking

- 70 bps improvement in Adj. Operating Ratio
- Year over year Adj. OR improvement in all of the Swift trucking operating segments
- 84.2% Swift Truckload Adj. Operating Ratio
- 81.8% Knight Truckload Adj. Operating Ratio
- Sequential growth of 51 average tractors in Q2 from Q1
- 4.1% improvement in revenue excluding fsc per loaded mile from Q2 2018

Trucking Financial Metrics

(dollars in thousands)

	Q2'19	Q2'18	Change
Revenue xFSC	\$ 900,648	\$ 941,117	(4.3)%
Operating Income	\$ 125,772	\$ 126,657	(0.7)%
Adjusted Operating Income ⁽¹⁾	\$ 128,303	\$127,000	1.0%
Operating Ratio	87.7%	88.3%	(60) bps
Adjusted Operating Ratio ⁽¹⁾	85.8%	86.5%	(70) bps

Trucking Operating Statistics

	Q2'19	Q2'18	Change
Average revenue per Tractor	\$47,440	\$48,892	(3.0)%
Average Tractors	18,985	19,249	(1.4)%
Average Trailers	58,263	62,822	(7.3)%
Miles per Tractor	23,656	25,267	(6.4)%

(1) See GAAP to non-GAAP reconciliation in the schedules following this presentation.

Operating Performance – Logistics

- 8.8% increase in Operating Income to \$5.0M
- 10.3% reduction in revenue per load
- 3.9% reduction in load counts
- 150 bps improvement in Adj. Operating Ratio to 93.7%
- 330 bps improvement in Brokerage gross margin to 16.2%

Logistics Financial Metrics (dollars in thousands)

	Q2'19	Q2'18	Change
Revenue ex Intersegment	\$ 80,304	\$ 96,401	(16.7)%
Operating Income	\$ 5,021	\$ 4,615	8.8%
Operating Ratio	93.9%	95.3%	(140)bps
Adjusted Operating Ratio ⁽¹⁾	93.7%	95.2%	(150)bps

Brokerage Only Operating Statistics

	Q2'19	Q2'18	Change
Revenue per Load	\$1,475	\$1,644	(10.3)%
Gross Margin	16.2%	12.9%	330bps

(1) See GAAP to non-GAAP reconciliation in the schedules following this presentation.

Operating Performance – Intermodal

- Market conditions pressuring rate and volumes
- 1.8% reduction in Revenue excluding intersegment transactions
- 6.4% increase in revenue per load
- 7.7% reduction in load counts

Intermodal Financial Metrics

(dollars in thousands)

	Q2'19	Q2'18	Change
Revenue ex Intersegment	\$ 117,727	\$ 119,830	(1.8)%
Operating Income	\$ 4,192	\$ 4,480	(6.4)%
Operating Ratio	96.5%	96.3%	20 bps
Adjusted Operating Ratio ⁽¹⁾	96.4%	96.3%	10 bps

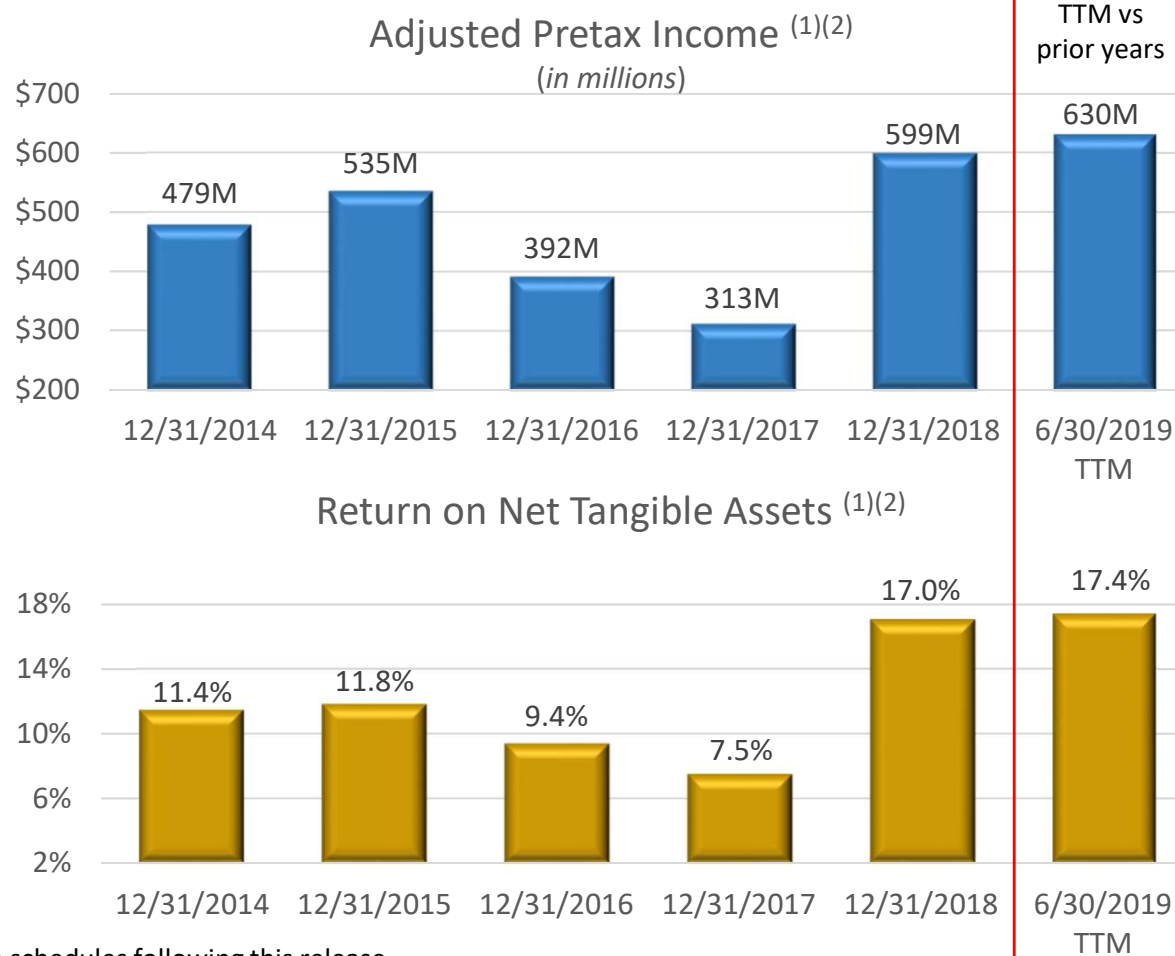
Intermodal Operating Statistics

	Q2'19	Q2'18	Change
Average revenue per load	\$2,438	\$2,291	6.4%
Load Count	48,290	52,315	(7.7)%
Average Tractors	651	621	4.8%
Average Containers	9,863	9,119	8.2%

(1) See GAAP to non-GAAP reconciliation in the schedules following this presentation.

Significant Value Creation

- Knight-Swift continues to generate meaningful income growth
- **17.4%** TTM Return on Net Tangible Assets



(1) See GAAP to non-GAAP reconciliation in the schedules following this release.

(2) Historical information prior to the Swift merger in Sept 2017 has not been prepared in accordance with the rules of the United States Securities and Exchange Commission, including Article 11 of Regulation S-X, and it therefore does not reflect any of the pro forma adjustments that would be required by Article 11 of Regulation S-X. The Swift Historical Information does not purport to indicate the results that would have been obtained had the Swift and Knight businesses been operated together during the period presented, or which may be realized in the future.

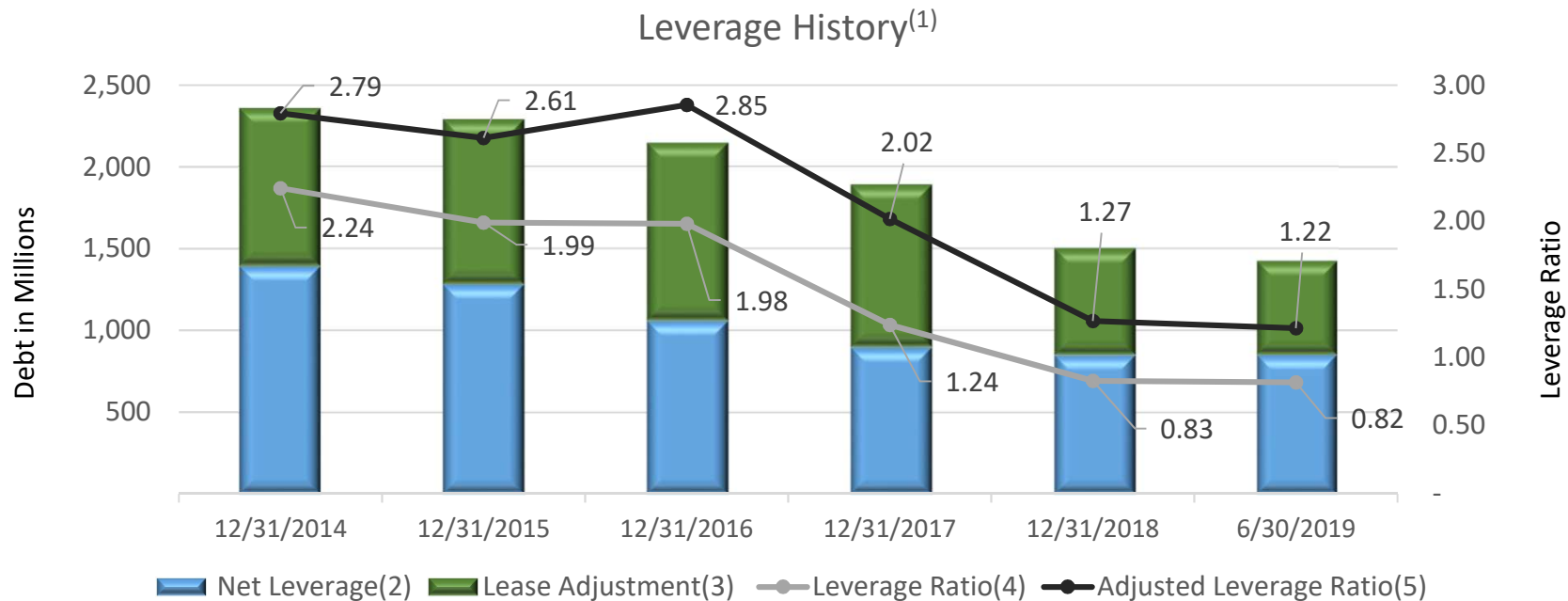
2019 Capital Deployment

- **\$143M** of YTD Free Cash Flow (Cash from Operations less Net Cash Capex)
- **\$60M** reduction in operating lease liabilities

\$363 Million Cash from Operations	
Investment in the Business • \$220 Million Net Cash CapEx	Shareholder Returns • \$87 Million Share Repurchases • \$21 Million Cash Dividends

Historical Leverage Ratio

Maintaining Target Leverage Ratio of 1.0-1.25X EBITDA



(1) Based on historical reported results for Swift for periods prior to the 2017 Merger and for combined Knight-Swift results for periods subsequent to the 2017 Merger.

(2) Net Leverage is on-balance sheet debt net of unrestricted cash and cash equivalents at the balance sheet date and is calculated in accordance with the provisions of Swift's senior credit facility for all periods prior to the 2017 Merger and Knight-Swift's senior credit facility for all periods subsequent to the 2017 Merger.

(3) Lease Adjustment is management's estimated value of operating leases as if they were capital leases. This number is used by management for analysis purposes only and does not purport to be calculated in the same manner or intended for the same purpose as the right-of-use asset and liability calculations prescribed under US GAAP.

(4) Leverage Ratio is calculated in accordance with the provisions of Swift's senior credit facility for all periods prior to the 2017 Merger and Knight-Swift's senior credit facility for all periods subsequent to the 2017 Merger.

(5) Adjusted Leverage Ratio represents the Leverage Ratio adjusted to include the Lease Adjustment in Net Leverage while also adding back the corresponding rent expense into Adjusted EBITDA in order to calculate the adjusted leverage ratio. (Adjusted EBITDA is EBITDA less certain adjustments pursuant to the credit facilities.)

2019 Market Outlook

- Signal of industry capacity reductions
 - Significantly less new truck and trailer orders
 - Increase in new truck order cancellations
 - Used equipment market continues to soften
 - Carrier bankruptcies increasing
- Revenue continues to be pressured
- Fewer and less attractive non-contract opportunities
- Increase in acquisition opportunities

Q3 & Q4 2019 Guidance

- Expected Adjusted EPS for the third quarter 2019 of \$0.54 - \$0.57
- Expected Adjusted EPS for the fourth quarter 2019 of \$0.73 - \$0.77

Guidance Assumptions

- Revenue per loaded mile will turn negative year over year as contract rate increases lap year over year comparisons and less favorable non contract opportunities exist in the market
- Similar Q3 to Q4 sequential seasonal trends
- The unfavorable year-over-year percent changes in miles per tractor will lessen
- Tax rate of 25-26%
- Expected 2019 net cash capex of \$550M - \$575M

These estimates represent Management's best estimates based on current information available. Actual results may differ materially from these estimates. We would refer you to the Risk Factors sections of the Company's annual report for a discussion of the risks that may affect results.

Appendix



Non-GAAP Reconciliation

Non-GAAP Reconciliation (Unaudited): Adjusted Operating Income and Adjusted Operating Ratio ^{1 2}

	Quarter-to-Date June 30,		Year-to-Date June 30,	
	2019	2018 (recast)	2019	2018 (recast)
GAAP Presentation	(Dollars in thousands)			
Total revenue	\$ 1,242,083	\$ 1,331,683	\$ 2,446,618	\$ 2,602,815
Total operating expenses	(1,133,490)	(1,207,441)	(2,221,726)	(2,384,829)
Operating income	\$ 108,593	\$ 124,242	\$ 224,892	\$ 217,986
Operating ratio	91.3%	90.7%	90.8%	91.6%
Non-GAAP Presentation				
Total revenue	\$ 1,242,083	\$ 1,331,683	\$ 2,446,618	\$ 2,602,815
Trucking fuel surcharge	(119,329)	(140,661)	(226,908)	(269,752)
Revenue, excluding trucking fuel surcharge	1,122,754	1,191,022	2,219,710	2,333,063
Total operating expenses	1,133,490	1,207,441	2,221,726	2,384,829
Adjusted for:				
Trucking fuel surcharge	(119,329)	(140,661)	(226,908)	(269,752)
Amortization of intangibles ³	(10,692)	(10,687)	(21,385)	(21,196)
Impairments ⁴	(2,182)	—	(2,182)	—
Legal accruals ⁵	(15,500)	—	(15,500)	—
Adjusted Operating Expenses	985,787	1,056,093	1,955,751	2,093,881
Adjusted Operating Income	\$ 136,967	\$ 134,929	\$ 263,959	\$ 239,182
Adjusted Operating Ratio	87.8%	88.7%	88.1%	89.7%

¹ Pursuant to the requirements of Regulation G, this table reconciles consolidated GAAP operating ratio to consolidated non-GAAP Adjusted Operating Ratio.

² The reported results do not include the results of operations of Abilene and its subsidiaries on and prior to its acquisition by Knight on March 16, 2018 in accordance with the accounting treatment applicable to the transaction.

³ "Amortization of intangibles" reflects the non-cash amortization expense relating to intangible assets identified in the 2017 Merger, Abilene Acquisition, and historical Knight acquisitions.

⁴ "Impairments" reflects the non-cash impairment of leasehold improvements incurred during the early termination of a lease related to one of our operating properties.

⁵ "Legal accruals" reflects anticipated costs associated with a jury verdict issued in July 2019 related to an ongoing lawsuit, which is included in "Miscellaneous operating expenses" in the condensed consolidated statements of comprehensive income for the quarter and year-to-date period ended June 30, 2019. The Company is reviewing all options including post-trial motions seeking to overturn the jury verdict and if necessary, an appeal.

Non-GAAP Reconciliation

Non-GAAP Reconciliation (Unaudited):

Adjusted Net Income Attributable to Knight-Swift and Adjusted EPS ^{1 2}

	Quarter-to-Date June 30,		Year-to-Date June 30,	
	2019	2018	2019	2018
	(Dollars In thousands)			
GAAP: Net income attributable to Knight-Swift	\$ 79,205	\$ 91,323	\$ 167,143	\$ 161,687
Adjusted for:				
Income tax expense attributable to Knight-Swift	26,076	27,217	53,999	46,192
Income before income taxes attributable to Knight-Swift	105,281	118,540	221,142	207,879
Amortization of intangibles ³	10,692	10,687	21,385	21,196
Impairments ⁴	2,182	—	2,182	—
Legal accruals ⁵	15,500	—	15,500	—
Adjusted income before income taxes	133,655	129,227	260,209	229,075
Provision for income tax expense at effective rate	(33,028)	(29,595)	(63,401)	(50,738)
Non-GAAP: Adjusted Net Income Attributable to Knight-Swift	\$ 100,627	\$ 99,632	\$ 196,808	\$ 178,337

1 Pursuant to the requirements of Regulation G, these tables reconcile consolidated GAAP net income attributable to Knight-Swift to non-GAAP consolidated Adjusted Net Income Attributable to Knight-Swift and consolidated GAAP diluted earnings per share to non-GAAP consolidated Adjusted EPS.

2 Refer to Non-GAAP Reconciliation (Unaudited): Adjusted Operating Income and Adjusted Operating Ratio – footnote 2.

3 Refer to Non-GAAP Reconciliation (Unaudited): Adjusted Operating Income and Adjusted Operating Ratio – footnote 3.

4 Refer to Non-GAAP Reconciliation (Unaudited): Adjusted Operating Income and Adjusted Operating Ratio – footnote 4.

5 Refer to Non-GAAP Reconciliation (Unaudited): Adjusted Operating Income and Adjusted Operating Ratio – footnote 5.

Non-GAAP Reconciliation

Non-GAAP Reconciliation (Unaudited):

Adjusted Net Income Attributable to Knight-Swift and Adjusted EPS ^{1 2}

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

	Quarter-to-Date June 30,		Year-to-Date June 30,	
	2019	2018	2019	2018
GAAP: Earnings per diluted share	\$ 0.46	\$ 0.51	\$ 0.97	\$ 0.90
Adjusted for:				
Income tax expense attributable to Knight-Swift	0.15	0.15	0.31	0.26
Income before income taxes attributable to Knight-Swift	0.61	0.66	1.28	1.16
Amortization of intangibles ³	0.06	0.06	0.12	0.12
Impairments ⁴	0.01	—	0.01	—
Legal accruals ⁵	0.09	—	0.09	—
Adjusted income before income taxes	0.77	0.72	1.50	1.28
Provision for income tax expense at effective rate	(0.19)	(0.16)	(0.37)	(0.28)
Non-GAAP: Adjusted EPS	\$ 0.58	\$ 0.56	\$ 1.14	\$ 0.99

1 Pursuant to the requirements of Regulation G, these tables reconcile consolidated GAAP net income attributable to Knight-Swift to non-GAAP consolidated Adjusted Net Income Attributable to Knight-Swift and consolidated GAAP diluted earnings per share to non-GAAP consolidated Adjusted EPS.

2 Refer to Non-GAAP Reconciliation (Unaudited): Adjusted Operating Income and Adjusted Operating Ratio – footnote 2.

3 Refer to Non-GAAP Reconciliation (Unaudited): Adjusted Operating Income and Adjusted Operating Ratio – footnote 3.

4 Refer to Non-GAAP Reconciliation (Unaudited): Adjusted Operating Income and Adjusted Operating Ratio – footnote 4.

5 Refer to Non-GAAP Reconciliation (Unaudited): Adjusted Operating Income and Adjusted Operating Ratio – footnote 5.

Non-GAAP Reconciliation

Non-GAAP Reconciliation (Unaudited):

Segment Adjusted Operating Income and Adjusted Operating Ratio — Continued ^{1 2}

	Quarter-to-Date June 30,		Year-to-Date June 30,	
	2019	2018 (recast)	2019	2018 (recast)
Trucking Segment				
GAAP Presentation				
	(Dollars in thousands)			
Total revenue	\$ 1,020,027	\$ 1,081,832	\$ 1,993,272	\$ 2,119,196
Total operating expenses	(894,255)	(955,175)	(1,752,325)	(1,892,288)
Operating income	\$ 125,772	\$ 126,657	\$ 240,947	\$ 226,908
Operating ratio	87.7%	88.3%	87.9%	89.3%
Non-GAAP Presentation				
Total revenue	\$ 1,020,027	\$ 1,081,832	\$ 1,993,272	\$ 2,119,196
Trucking fuel surcharge	(119,329)	(140,661)	(226,908)	(269,752)
Intersegment transactions	(50)	(54)	(86)	(73)
Revenue, excluding trucking fuel surcharge and intersegment transactions	900,648	941,117	1,766,278	1,849,371
Total operating expenses	894,255	955,175	1,752,325	1,892,288
Adjusted for:				
Trucking fuel surcharge	(119,329)	(140,661)	(226,908)	(269,752)
Intersegment transactions	(50)	(54)	(86)	(73)
Amortization of intangibles ³	(349)	(343)	(698)	(508)
Impairments ⁴	(2,182)	—	(2,182)	—
Adjusted Operating Expenses	772,345	814,117	1,522,451	1,621,955
Adjusted Operating Income	\$ 128,303	\$ 127,000	\$ 243,827	\$ 227,416
Adjusted Operating Ratio	85.8%	86.5%	86.2%	87.7%

1 Pursuant to the requirements of Regulation G, this table reconciles consolidated GAAP operating ratio to consolidated non-GAAP Adjusted Operating Ratio.

2 Refer to Non-GAAP Reconciliation (Unaudited): Adjusted Operating Income and Adjusted Operating Ratio – footnote 2.

3 Refer to Non-GAAP Reconciliation (Unaudited): Adjusted Operating Income and Adjusted Operating Ratio – footnote 3.

4 Refer to Non-GAAP Reconciliation (Unaudited): Adjusted Operating Income and Adjusted Operating Ratio – footnote 4.

Non-GAAP Reconciliation

Non-GAAP Reconciliation (Unaudited):

Segment Adjusted Operating Income and Adjusted Operating Ratio — Continued ^{1 2}

	Quarter-to-Date June 30,		Year-to-Date June 30,	
	2019	2018 (recast)	2019	2018 (recast)
Logistics Segment				
GAAP Presentation	(Dollars in thousands)			
Total revenue	\$ 82,929	\$ 99,188	\$ 171,881	\$ 188,377
Total operating expenses	(77,908)	(94,573)	(159,577)	(179,803)
Operating income	\$ 5,021	\$ 4,615	\$ 12,304	\$ 8,574
Operating ratio	93.9%	95.3%	92.8%	95.4%
Non-GAAP Presentation				
Total revenue	\$ 82,929	\$ 99,188	\$ 171,881	\$ 188,377
Intersegment transactions	(2,625)	(2,787)	(4,386)	(5,925)
Revenue, excluding intersegment transactions	80,304	96,401	167,495	182,452
Total operating expenses	77,908	94,573	159,577	179,803
Adjusted for:				
Intersegment transactions	(2,625)	(2,787)	(4,386)	(5,925)
Adjusted Operating Expenses	75,283	91,786	155,191	173,878
Adjusted Operating Income	\$ 5,021	\$ 4,615	\$ 12,304	\$ 8,574
Adjusted Operating Ratio	93.7%	95.2%	92.7%	95.3%

1 Pursuant to the requirements of Regulation G, this table reconciles consolidated GAAP operating ratio to consolidated non-GAAP Adjusted Operating Ratio.

2 Refer to Non-GAAP Reconciliation (Unaudited): Adjusted Operating Income and Adjusted Operating Ratio – footnote 2.

Non-GAAP Reconciliation

Non-GAAP Reconciliation (Unaudited):

Segment Adjusted Operating Income and Adjusted Operating Ratio — Continued ^{1 2}

	Quarter-to-Date June 30,		Year-to-Date June 30,	
	2019	2018 (recast)	2019	2018 (recast)
Intermodal Segment				
GAAP Presentation	(Dollars in thousands)			
Total revenue	\$ 118,195	\$ 120,047	\$ 234,562	\$ 230,314
Total operating expenses	(114,003)	(115,567)	(228,009)	(221,886)
Operating income	\$ 4,192	\$ 4,480	\$ 6,553	\$ 8,428
Operating ratio	96.5%	96.3%	97.2%	96.3%
Non-GAAP Presentation				
Total revenue	\$ 118,195	\$ 120,047	\$ 234,562	\$ 230,314
Intersegment transactions	(468)	(217)	(1,158)	(354)
Revenue, excluding intersegment transactions	117,727	119,830	233,404	229,960
Total operating expenses	114,003	115,567	228,009	221,886
Adjusted for:				
Intersegment transactions	(468)	(217)	(1,158)	(354)
Adjusted Operating Expenses	113,535	115,350	226,851	221,532
Adjusted Operating Income	\$ 4,192	\$ 4,480	\$ 6,553	\$ 8,428
Adjusted Operating Ratio	96.4%	96.3%	97.2%	96.3%

1 Pursuant to the requirements of Regulation G, this table reconciles consolidated GAAP operating ratio to consolidated non-GAAP Adjusted Operating Ratio.

2 Refer to Non-GAAP Reconciliation (Unaudited): Adjusted Operating Income and Adjusted Operating Ratio – footnote 2.

Non-GAAP Reconciliation

Non-GAAP Reconciliation (Unaudited): Return on Net Tangible Assets ^{(1) (2)}

	June 30,		December 31,					
	2019	2018	2018	2017	2016	2015	2014	2013
	(Dollars in thousands)							
Total Assets								
Consolidated: Post-merger	8,213,584	7,753,741	7,911,885	7,683,442	—	—	—	—
Knight: Pre-merger	—	—	—	—	1,078,525	1,120,232	1,082,285	807,121
Swift: Pre-merger	—	—	—	—	2,745,666	2,919,667	2,892,721	2,809,008
Adjusted for:								
Deferred income tax assets								
Consolidated: Post-merger	—	—	—	—	—	—	—	—
Knight: Pre-merger	—	—	—	—	—	—	(3,187)	(3,359)
Swift: Pre-merger	—	—	—	—	—	—	—	(46,833)
Intangible assets, net								
Consolidated: Post-merger	(1,399,534)	(1,442,707)	(1,420,919)	(1,440,903)	—	—	—	—
Knight: Pre-merger	—	—	—	—	(2,575)	(3,075)	(3,575)	—
Swift: Pre-merger	—	—	—	—	(266,305)	(283,119)	(299,933)	(316,747)
Goodwill								
Consolidated: Post-merger	(2,919,219)	(2,917,584)	(2,919,176)	(2,887,867)	—	—	—	—
Knight: Pre-merger	—	—	—	—	(47,031)	(47,050)	(47,067)	(10,257)
Swift: Pre-merger	—	—	—	—	(253,256)	(253,256)	(253,256)	(253,256)
Tangible Assets	3,894,831	3,393,450	3,571,790	3,354,672	3,255,024	3,453,399	3,367,988	2,985,677

Non-GAAP Reconciliation

Non-GAAP Reconciliation (Unaudited): Return on Net Tangible Assets ^{(1) (2)} - (Continued)

	June 30,		December 31,					
	2019	2018	2018	2017	2016	2015	2014	2013
Total Liabilities								
Consolidated: Post-merger	2,681,564	2,357,357	2,449,166	2,443,072	—	—	—	—
Knight: Pre-merger	—	—	—	—	289,794	379,860	403,010	252,588
Swift: Pre-merger	—	—	—	—	2,073,411	2,302,540	2,422,427	2,525,421
Adjusted for:								
Revolving line of credit, capital lease obligations, long-term debt and fair value of interest rate swaps								
Consolidated: Post-merger	(759,418)	(643,651)	(689,510)	(665,905)	—	—	—	—
Knight: Pre-merger	—	—	—	—	(18,000)	(112,000)	(134,400)	(38,000)
Swift: Pre-merger	—	—	—	—	(865,741)	(1,160,972)	(1,167,175)	(1,350,588)
Accounts receivable securitization								
Consolidated: Post-merger	(144,684)	(215,000)	(239,606)	(305,000)	—	—	—	—
Knight: Pre-merger	—	—	—	—	—	—	—	—
Swift: Pre-merger	—	—	—	—	(279,285)	(223,927)	(334,000)	(264,000)
Deferred income tax liabilities								
Consolidated: Post-merger	(749,077)	(684,595)	(739,538)	(679,077)	—	—	—	—
Knight: Pre-merger	—	—	—	—	(178,000)	(174,165)	(162,007)	(140,149)
Swift: Pre-merger	—	—	—	—	(427,722)	(463,832)	(437,389)	(484,200)
Non-Interest Bearing Liabilities, excluding deferred income tax liabilities	1,028,385	814,111	780,512	793,090	594,457	547,504	590,466	501,072
Net Tangible Assets	2,866,446	2,579,339	2,791,278	2,561,582	2,660,567	2,905,895	2,777,522	2,484,605
Average Net Tangible Assets	2,722,893		2,676,430	2,611,075	2,783,231	2,841,709	2,631,064	
Adjusted Net Income	474,541		456,070	195,545	260,894	335,340	301,221	
Return on Net Tangible Assets	17.4%		17.0%	7.5%	9.4%	11.8%	11.4%	

(1) Pursuant to the requirements of Regulation G, this table reconciles Total Assets and Total Liabilities to Average Net Tangible Assets.

(2) The Swift Historical Information has not been prepared in accordance with the rules of the Securities and Exchange Commission, including Article 11 of Regulation S-X, and it therefore does not reflect any of the pro forma adjustments that would be required by Article 11 of Regulation S-X. The Swift Historical Information does not purport to indicate the result that would have been obtained had the Swift and Knight businesses been operated together during the period presented, or which may be realized in the future.

Non-GAAP Reconciliation

Non-GAAP Reconciliation (Unaudited): Adjusted Income Before Income Taxes and Adjusted Net Income ^{(1) (2)}

	Six Months Ended June 30, 2019	Year Ended December 31, 2018	Six Months Ended June 30, 2018	TTM June 30, 2019
	(Dollars in thousands)			
GAAP: Net income attributable to Knight-Swift	\$ 167,143	419,264	161,687	424,720
Adjusted for:				
Income tax expense attributable to Knight-Swift	53,999	131,389	46,192	139,196
Income before income taxes attributable to Knight-Swift	221,142	550,653	207,879	563,916
Amortization of intangibles ⁽²⁾	21,385	42,584	21,196	42,773
Impairments ⁽³⁾	2,182	2,798	—	4,980
Severance expense ⁽⁴⁾	—	1,958	—	1,958
Legal accruals ⁽⁵⁾	15,500	1,000	—	16,500
Adjusted income before income taxes	260,209	598,993	229,075	630,127
Provision	(63,401)	(142,923)	(50,738)	(155,586)
Adjusted net income	196,808	456,070	178,337	474,541

- (1) Pursuant to the requirements of Regulation G, this table reconciles Knight-Swift's GAAP Income before income taxes to Knight-Swift's Adjusted Income before Income Taxes and Adjusted Net Income.
- (2) "Amortization of intangibles" reflects the non-cash amortization expense relating to intangible assets identified in the 2017 Merger, Abilene Acquisition, and historical Knight acquisitions.
- (3) During the second quarter of 2019, the Company incurred an impairment charge of leasehold improvements totaling \$2.2 million related to the early termination of a lease. During the fourth quarter of 2018, the Company incurred impairment charges related to the Company airplane of \$2.2 million and incurred impairment charges related to replaced software systems of \$0.6 million.
- (4) Severance expenses were incurred during the third and fourth quarters of 2018 in relation to certain organizational changes at Swift.
- (5) In 2018, the Company incurred expenses related to certain class action lawsuits involving employment-related claims. The 2019 adjustment reflects anticipated costs associated with a jury verdict issued in July 2019 related to an ongoing lawsuit. The Company is reviewing all options including post-trial motions seeking to overturn the jury verdict and if necessary, an appeal.

Non-GAAP Reconciliation

Non-GAAP Reconciliation (Unaudited):

Adjusted Income Before Income Taxes and Adjusted Net Income - Knight, Swift and Combined ^{(1) (2)}

	Knight				Swift				Combined			
	Year Ended December 31,				Year Ended December 31,				Year Ended December 31,			
	2017	2016	2015	2014	2017	2016	2015	2014	2017	2016	2015	2014
(Dollars in thousands)												
GAAP: Net income attributable to	\$ 130,453	\$ 93,863	\$ 116,718	\$ 102,862	\$ 365,135	\$ 149,267	\$ 197,577	\$ 161,152	\$ 495,588	\$ 243,130	\$ 314,295	\$ 264,014
Adjusted for: ⁽³⁾												
Income tax (benefit) expense	(25,314)	57,592	68,047	67,809	(263,506)	65,702	119,209	89,474	(288,820)	123,294	187,256	157,283
Income before income taxes attributable to	105,139	151,455	184,765	170,671	101,629	214,969	316,786	250,626	206,768	366,424	501,551	421,297
Amortization of intangibles ⁽⁴⁾	—	—	—	—	23,652	15,648	15,648	15,648	23,652	15,648	15,648	15,648
Impairments ⁽⁵⁾	—	—	—	—	22,318	807	1,480	2,308	22,318	807	1,480	2,308
Legal Accruals ⁽⁶⁾	1,900	2,450	7,163	—	—	—	—	—	1,900	2,450	7,163	—
Moyes retirement package	—	—	—	—	—	7,079	—	—	—	7,079	—	—
Loss on debt extinguishment	—	—	—	—	—	—	9,567	39,909	—	—	9,567	39,909
Merger and acquisition related expenses ⁽⁷⁾	23,112	—	—	—	35,123	—	—	—	58,235	—	—	—
Adjusted income before income taxes	130,151	153,905	191,928	170,671	182,722	238,503	343,481	308,491	312,873	392,408	535,409	479,162
Provision	(48,807)	(58,532)	(70,815)	(67,809)	(68,521)	(72,982)	(129,254)	(110,132)	(117,328)	(131,514)	(200,069)	(177,941)
Adjusted net income	\$ 81,344	\$ 95,373	\$ 121,113	\$ 102,862	\$ 114,201	\$ 165,521	\$ 214,227	\$ 198,359	\$ 195,545	\$ 260,894	\$ 335,340	\$ 301,221

(1) Pursuant to the requirements of Regulation G, this table reconciles GAAP net income to Adjusted Income before Income Taxes and Adjusted Net Income.

(2) The Swift Historical Information has not been prepared in accordance with the rules of the Securities and Exchange Commission, including Article 11 of Regulation S-X, and it therefore does not reflect any of the pro forma adjustments that would be required by Article 11 of Regulation S-X. The Combined Historical Information does not purport to indicate the result that would have been obtained had the Swift and Knight businesses been operated together during the period presented, or which may be realized in the future.

(3) For explanation of Swift's Adjustments prior to 2017, see Swift's GAAP to Non-GAAP reconciliation to consolidated Adjusted EPS under "Non-GAAP Financial Measures" included in Part II, Item 7 in Swift's 2016 Annual Report on Form 10-K.

(4) "Amortization of intangibles" in Swift's post-merger results specifically reflects the non-cash amortization expense relating to certain intangible assets identified in the 2017 Merger. "Amortization of intangibles" in Swift's pre-merger 2017 results reflects the non-cash amortization expense relating to certain intangible assets identified in the 2007 going-private transaction through which Swift Corporation acquired Swift Transportation Co.

(5) During 2017, Swift terminated the implementation of its enterprise resource planning system, resulting in an impairment loss.

(6) In 2017, 2016 and 2015, Knight incurred expenses related to certain class action lawsuits involving employment-related claims.

(7) In 2017, both Knight and Swift incurred certain merger-related expenses associated with the 2017 Merger.