



Knight-Swift Transportation Holdings Inc. (KNX)

Published February 3rd, 2025, by Josh Arnold

Key Metrics

Current Price:	\$56	5 Year CAGR Estimate:	10.7%	Market Cap:	\$9.2 B
Fair Value Price:	\$36	5 Year Growth Estimate:	20.0%	Ex-Dividend Date:	03/06/25 ¹
% Fair Value:	156%	5 Year Valuation Multiple Estimate:	-8.5%	Dividend Payment Date:	03/23/25
Dividend Yield:	0.9%	5 Year Price Target	\$90	Years Of Dividend Growth:	5
Dividend Risk Score:	D	Retirement Suitability Score:	F	Rating:	Buy

Overview & Current Events

Knight-Swift Transportation Holdings provides freight transportation services in the US and Mexico. The company operates in four segments, including: Truckload, Less-than-truckload, Logistics, and Intermodal. Through these segments, Knight-Swift operates over 100,000 trailers and roughly 30,000 tractors that offer dedicated, irregular route, refrigerated, expedited, flatbed, and cross-border operations. In addition, the company provides repair and maintenance, equipment leasing, warranty and insurance services, and other ancillary services. The company was founded in 1989, employs about 35,000 people, and generates annual revenue of \$7.8 billion.

Knight-Swift posted fourth quarter and full-year earnings on January 22nd, 2025, and results were somewhat mixed. Revenue for the quarter fell 3.6% year-on-year to \$1.86 billion, missing expectations by \$20 million. Adjusted earnings-per-share were 36 cents, three cents ahead of estimates.

Consolidated operating income was \$78 million for Q4, with the consolidated operating ratio at 95.8%, which improved over 300 basis points from the prior year.

The Truckload segment posted a 92.2% adjusted operating ratio, up 170 basis points year-over-year, and 340 basis points sequentially. Operating income was up 23% year-over-year despite the fact that revenue per loaded mile, excluding fuel surcharge and intersegment transactions, fell fractionally year-over-year, but rose 1.1% compare to the third quarter.

LTL saw shipments per day rise 13.3% year-over-year and revenue per hundredweight (excluding fuel surcharge) rise 9.6% year-over-year. Adjusted operating income fell 55% due to start-up costs and early operations at recently opened facilities, which should improve in the coming quarters.

We see \$2.00 in earnings-per-share for this year as Knight-Swift looks to rebound off multi-year lows in earnings. We believe the company well-positioned for higher earnings as margins improve and investments in infrastructure pay off.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$1.42	\$1.16	\$4.34	\$2.36	\$1.80	\$2.40	\$4.45	\$4.73	\$1.34	\$1.06	\$2.00	\$4.98
DPS	\$0.33	\$0.33	\$0.31	\$0.24	\$0.24	\$0.32	\$0.38	\$0.48	\$0.56	\$0.64	\$0.64	\$0.82
Shares²	81.0	80.2	178.0	172.8	170.7	166.6	166.0	160.7	161.4	161.9	162	165

Knight-Swift's earnings have been choppy to put it mildly. In the past decade, there have been 5 occasions where earnings declined year-over-year, including 2024. Logistics is a highly cyclical business and the fact is that much of the company's success is out of its control. It is beholden to shipment volumes and market pricing, in addition to things like fuel and labor costs. To put a point on this, the company's 2024 earnings were well below that of 2015.

¹ Estimated date

² Share count in millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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We think Knight-Swift can see rapid expansion in earnings from here, as we forecast 20% annualized growth off of 2025 levels. That is a long way from a normalized growth rate for Knight-Swift, but the base of earnings is so low that we think earnings will at least double in the next five years at a minimum.

The dividend should grow much less quickly than earnings, and we see the payout normalizing back into the sub-20% area where it has spent most of the past decade. It was elevated last year due to poor earnings, not a high payout.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	17.2	28.5	10.1	11.2	20.3	17.4	13.7	11.7	42.1	50.0	28.0	18.0
Avg. Yld.	1.4%	1.0%	0.7%	0.9%	0.7%	0.8%	0.6%	0.9%	1.0%	1.2%	1.1%	0.9%

The multiple stands at 28 today, but that’s reflective of depressed earnings. We see the middle of the range at 18 times earnings, and set fair value there. That makes the stock quite expensive today, but that should normalize as earnings rise in the coming years. The yield is relatively unattractive as it’s less than the S&P 500, and should decline should earnings growth come to fruition.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	23%	28%	7%	10%	13%	13%	9%	10%	42%	60%	32%	16%

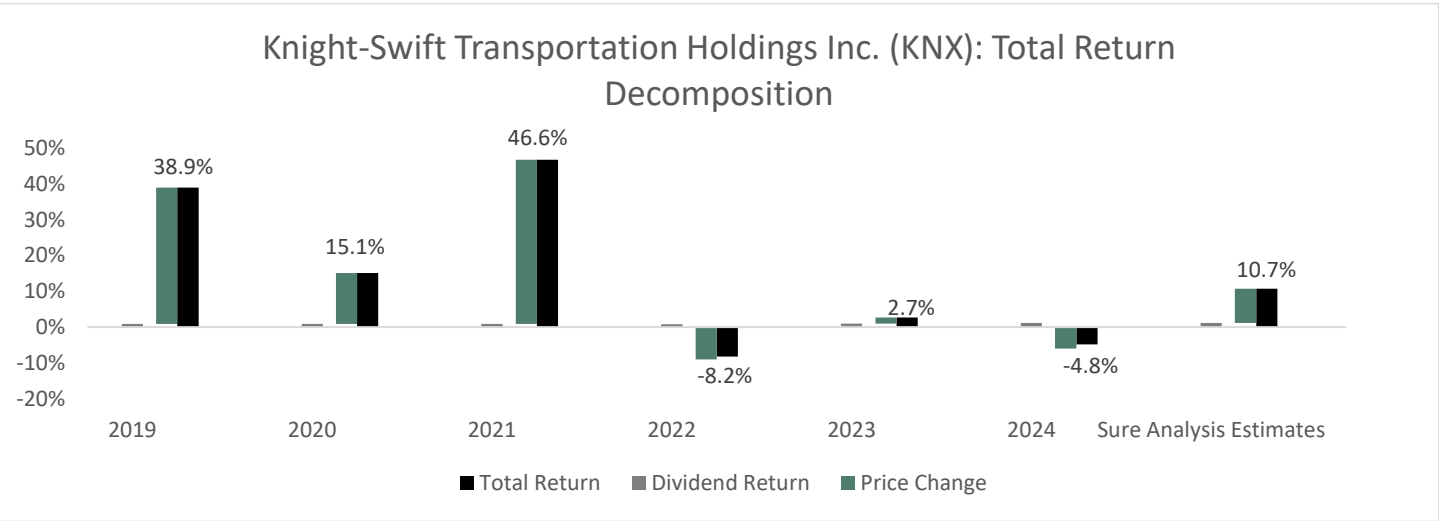
The payout ratio is generally extremely low and we expect last year’s elevated level to be an anomaly. As earnings growth drastically outpaces dividend growth, it should come well off of current levels. We see no risk of a cut today.

The company’s competitive advantage is fairly weak given it is just one of scale. Logistics is an industry where all of the players offer essentially the same thing; they take goods from one place to another. Knight-Swift operates an enormous number of trailers, giving it scale others cannot match. However, we caution there’s no other advantage as it operates in a commoditized business.

Final Thoughts & Recommendation

We see Knight-Swift as having 10.7% total returns projected annually. That consists of 20% earnings growth, the 1.1% yield, and a valuation headwind of 8.5%. The stock looks expensive because of depressed earnings, but we see earnings rising sharply off today’s levels, driving good returns. We initiate Knight-Swift at a buy rating, but note that it is likely to be volatile and speculative given the industry it competes in.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	1,183	1,118	2,425	5,344	4,844	4,674	5,998	7,429	7,142	7,410
Gross Profit	253	223	422	961	843	969	1,413	1,775	1,254	1,035
Gross Margin	21.4%	20.0%	17.4%	18.0%	17.4%	20.7%	23.6%	23.9%	17.6%	14.0%
D&A Exp.	111	116	207	430	463	507	578	660	735	---
Operating Profit	178	148	234	572	431	570	966	1,093	340	262
Operating Margin	15.0%	13.3%	9.6%	10.7%	8.9%	12.2%	16.1%	14.7%	4.8%	3.5%
Net Profit	117	94	484	419	309	410	743	771	217	118
Net Margin	9.9%	8.4%	20.0%	7.8%	6.4%	8.8%	12.4%	10.4%	3.0%	1.6%
Free Cash Flow	-16	89	-65	126	10	399	656	635	90	---
Income Tax	68	58	-292	131	104	150	231	249	55	33

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	1,120	1,079	7,683	7,912	8,282	8,468	10,656	10,952	12,871	12,699
Cash & Equivalents	9	8	77	82	160	157	261	197	169	218
Accounts Receivable	132	134	574	601	519	578	911	842	889	804
Goodwill & Int. Ass.	50	50	4,329	4,340	4,298	4,312	5,346	5,296	5,908	6,019
Total Liabilities	380	290	2,443	2,449	2,613	2,596	4,112	3,996	5,767	5,582
Accounts Payable	15	18	120	118	99	101	225	221	355	330
Long-Term Debt	112	18	795	799	484	509	1,576	1,486	1,817	2,136
Shareholder's Equity	738	786	5,238	5,461	5,666	5,870	6,533	6,945	7,087	7,109
LTD/E Ratio	0.15	0.02	0.15	0.15	0.09	0.09	0.24	0.21	0.26	0.30

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	10.6%	8.5%	11.1%	5.4%	3.8%	4.9%	7.8%	7.1%	1.8%	0.9%
Return on Equity	16.4%	12.3%	16.1%	7.8%	5.6%	7.1%	12.0%	11.4%	3.1%	1.7%
ROIC	14.0%	11.3%	14.2%	6.8%	5.0%	6.5%	10.3%	9.3%	2.5%	1.3%
Shares Out.	82.5	81.2	111.7	178.0	172.1	170.5	167.1	163.2	161.8	162.2
Revenue/Share	14.34	13.76	21.71	30.02	28.14	27.40	35.90	45.52	44.13	45.69
FCF/Share	-0.19	1.10	-0.58	0.71	0.06	2.34	3.93	3.89	0.56	---

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise. Not all 2024 data available yet from our data provider when this table was created.

Disclaimer

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