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Knight-Swift adding 25 LTL terminals, plans to buy more

The sale of Yellow terminals is helping to redraw the US less-than-truckload map. Photo credit: Kingfishcafe / Shutterstock.com.

William B. Cassidy, Senior Editor | Jan 26, 2024, 2:31 PM EST

Knight-Swift Transportation Holdings is expanding its less-than-truckload (LTL) business not by buying more carrier subsidiaries but acquiring terminals and property.

"We have brought 14 new service centers online since entering the business in late 2021, and efforts are underway with 25 more properties in various stages of procurement, development or reconditioning," CFO Adam Miller said during an earnings call this week.

And Knight-Swift, already the largest US truckload operator, isn't finished. "There are still some additional locations through the Yellow bankruptcy that we're pursuing," CEO David Jackson told Wall Street analysts on the earnings call. “We think…we expect that the 25 number will grow.”

By acquiring those properties, Knight-Swift is becoming a larger player in an LTL market dominated by large national carriers such as FedEx Freight, Old Dominion Freight Line and XPO, as well as regional providers such as Averitt and Southeastern Freight Lines.

The goal is to build the foundation for a new national LTL carrier. “We expect that map to look less super regional and more nationwide over the next two years,” Jackson said.

The 25 new properties include 15 terminals bought from bankrupt Yellow in two rounds of bidding in December. The other 10 terminals were acquired from other carriers.

In the first round, Knight-Swift spent $53.3 million to acquire terminals in Illinois, Indiana, Michigan, Missouri, North Carolina, Nebraska, Ohio, Washington and Wisconsin. In the second round, the holding company purchased the leases on terminals in Montana and Washington for $417,150.

When Yellow shut its doors on July 30, it closed 323 terminals. Yellow sold 153 of those for nearly $2 billion, and 170 more are waiting for their turn on the auction block. Most of those are leased facilities.

The Yellow terminals “have been wonderful gifts for us,” Jackson said. If Knight-Swift had to buy land and build from the ground up, “we would have had a much more significant capital investment,” he added.

Filling the gaps

Knight-Swift launched itself into the LTL business in 2021 by acquiring two regional carriers, AAA Cooper Transportation (ACT) in the South and Midwest Motor Express (MME) in the Great Plains and Midwest.

The LTL gambit is paying off for Knight-Swift. In the fourth quarter, the company’s LTL revenue rose 13.8% year over year, excluding fuel surcharges, to $232.1 million. LTL shipments volume rose 11.9% from the 2022 fourth quarter.

“The LTL market should continue to see solid demand as the recent capacity disruption in the industry continues to be sorted out,” Jackson said.

Research by SJ Consulting Group shows freight gained from Yellow boosted the average daily shipment count at Knight-Swift's LTL carriers by about 3.8% in the second half of 2023, or 814 shipments a day.

“They didn’t gain as much from Yellow as some other carriers because their footprint doesn’t overlap as much with Yellow’s regional subsidiaries Holland and New Penn,” said Satish Jindel, president of SJ Consulting Group.

Some of the new property deals address that; Jackson called them “gap fillers.”

“Those (terminals) fill in space (and are) part of a very intentional effort so that we can acquire some chunks, as you will,” he said, referring to LTL service territory.

Knight-Swift acquired terminals in Michigan and Ohio from Yellow, pushing into what had been Holland and New Penn regional markets in the industrial Midwest and mid-Atlantic states.

“Five of the 25 new terminals opened last week, Jackson said. “There's 20 more that we will cycle through the remainder of the year.”

Those five terminals – which were not former Yellow sites -- are in West Burlington, Iowa; Cherryvale, Kan.; Rock Island, Ill.; Forrest City, Ark.; and Wichita Falls, Texas.

“These are smaller markets, these are not huge facilities,” Jackson said. “We've been able to procure these (facilities) at attractive rates on a per-door basis.”

In the LTL market, when one dock door closes, another often opens. But those openings or re-openings take time. Once a terminal opens its doors time is needed to build business.

“It does take 60 to 90 days to build up volume to break even,” said Miller. Eventually, revenue generation “will more than offset the cost we experienced from ramping up.”

‘Property is huge’

Real estate obviously is a strategic priority for LTL carriers as they look to position themselves for an eventual recovery in freight demand.

“We’re all amazed at how much time we spend in real estate,” Kent Williams, executive vice president of sales and marketing for transportation provider Averitt, said this week at the SMC3 JumpStart 24 conference in Atlanta. “Property is huge for us.”

Averitt is a diversified provider with a regional LTL operation in the southern US at its core, with more than 80 terminals. Williams said Averitt’s capital spending is focused largely on technology investments and property.

"These facilities are very land-intensive and finding 30 acres in a city in the South that is zoned properly for trucking is very challenging," he said.

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