**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, 2020**
**OR**
☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**Commission File No. 000-22490**

# FORWARD AIR CORPORATION

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Tennessee** | **62-1120025** |
| (State or other jurisdiction of incorporation) | (I.R.S. Employer Identification No.) |
| **1915 Snapps Ferry Road Building N Greeneville TN** | **37745** |
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code: **(423) 636-7000**

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| **Common Stock, $0.01 par value** | **FWRD** | **The Nasdaq Stock Market LLC** |

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 and posted 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 definition 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 ☒

The number of shares outstanding of the registrant's common stock, $0.01 par value, as of October 27, 2020 was 27,507,750.

## Table of Contents

**Forward Air Corporation**

**Part I. Financial Information**

**Item 1. Financial Statements (Unaudited).**

**Forward Air Corporation**
**Consolidated Balance Sheets**
**(Dollars in thousands, except share and per share amounts)**
**(Unaudited)**

| | September 30, 2020 | December 31, 2019 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 42,990 | $ 64,749 |
| Accounts receivable, less allowance of $2,448 in 2020 and $2,053 in 2019 | 153,070 | 136,214 |
| Other current assets | 22,062 | 20,403 |
| Current assets held for sale | 16,925 | 14,952 |
| Total current assets | 235,047 | 236,318 |
| Property and equipment | 379,306 | 373,571 |
| Less accumulated depreciation and amortization | 189,042 | 180,815 |
| Total property and equipment, net | 190,264 | 192,756 |
| Operating lease right-of-use assets | 115,551 | 105,170 |
| Goodwill and other acquired intangibles: | | |
| Goodwill | 240,933 | 215,699 |
| Other acquired intangibles, net of accumulated amortization of $89,540 in 2020 and $79,250 in 2019 | 145,086 | 124,857 |
| Total goodwill and other acquired intangibles, net | 386,019 | 340,556 |
| Other assets | 43,266 | 39,374 |
| Noncurrent assets held for sale | 78,063 | 76,704 |
| Total assets | $ 1,048,210 | $ 990,878 |
| **Liabilities and Shareholders' Equity** | | |
| Current liabilities: | | |
| Accounts payable | $ 32,581 | $ 25,411 |
| Accrued expenses | 52,454 | 44,154 |
| Other current liabilities | 4,277 | 5,318 |
| Current portion of debt and finance lease obligations | 1,557 | 1,421 |
| Current portion of operating lease obligations | 40,258 | 35,886 |
| Current liabilities held for sale | 26,006 | 24,974 |
| Total current liabilities | 157,133 | 137,164 |
| Debt and finance lease obligations, less current portion | 116,583 | 72,249 |
| Operating lease obligations, less current portion | 76,003 | 69,678 |
| Other long-term liabilities | 61,536 | 56,448 |
| Deferred income taxes | 45,532 | 41,214 |
| Noncurrent liabilities held for sale | 39,227 | 36,943 |
| Shareholders' equity: | | |
| Preferred stock | — | — |
| Common stock, $0.01 par value: Authorized shares - 50,000,000, Issued and outstanding shares - 27,258,493 in 2020 and 27,850,233 in 2019 | 273 | 279 |
| Additional paid-in capital | 237,497 | 226,869 |
| Retained earnings | 314,426 | 350,034 |
| Total shareholders' equity | 552,196 | 577,182 |
| Total liabilities and shareholders' equity | $ 1,048,210 | $ 990,878 |

*The accompanying notes are an integral part of the financial statements.*

**Forward Air Corporation**
**Consolidated Statements of Comprehensive Income**
**(Dollars in thousands, except share and per share amounts)**
**(Unaudited)**

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | September 30, 2020 | September 30, 2019 | September 30, 2020 | September 30, 2019 |
| **Operating revenue** | $ 331,997 | $ 313,683 | $ 919,232 | $ 895,531 |
| | | | | |
| **Operating expenses:** | | | | |
| Purchased transportation | 173,054 | 150,296 | 465,721 | 426,283 |
| Salaries, wages and employee benefits | 66,927 | 68,532 | 200,258 | 192,330 |
| Operating leases | 17,327 | 15,860 | 52,598 | 46,861 |
| Depreciation and amortization | 9,172 | 9,016 | 27,919 | 27,531 |
| Insurance and claims | 8,671 | 9,532 | 26,437 | 29,276 |
| Fuel expense | 2,715 | 4,637 | 9,247 | 13,219 |
| Other operating expenses | 30,621 | 26,624 | 83,854 | 78,071 |
| Total operating expenses | 308,487 | 284,497 | 866,034 | 813,571 |
| Income from continuing operations | 23,510 | 29,186 | 53,198 | 81,960 |
| | | | | |
| **Other expense:** | | | | |
| Interest expense | (1,304) | (761) | (3,355) | (1,917) |
| Other, net | — | 1 | — | (1) |
| Total other expense | (1,304) | (760) | (3,355) | (1,918) |
| Income before income taxes | 22,206 | 28,426 | 49,843 | 80,042 |
| Income tax expense | 5,214 | 7,372 | 12,209 | 20,055 |
| Net income from continuing operations | 16,992 | 21,054 | 37,634 | 59,987 |
| (Loss) income from discontinued operations, net of tax | (345) | 1,141 | (9,458) | 2,945 |
| Net income and comprehensive income | $ 16,647 | $ 22,195 | $ 28,176 | $ 62,932 |
| | | | | |
| **Basic net income (loss) per share:** | | | | |
| Continuing operations | $ 0.61 | $ 0.74 | $ 1.35 | $ 2.10 |
| Discontinued operations | (0.01) | 0.04 | (0.34) | 0.10 |
| Net income per share | $ 0.60 | $ 0.78 | $ 1.01 | $ 2.20 |
| | | | | |
| **Diluted net income (loss) per share:** | | | | |
| Continuing operations | $ 0.61 | $ 0.74 | $ 1.35 | $ 2.09 |
| Discontinued operations | (0.01) | 0.04 | (0.34) | 0.10 |
| Net income per share | $ 0.60 | $ 0.78 | $ 1.01 | $ 2.19 |
| | | | | |
| **Dividends per share:** | $ 0.18 | $ 0.18 | $ 0.54 | $ 0.54 |

*The accompanying notes are an integral part of the financial statements.*

**Forward Air Corporation**
**Consolidated Statements of Cash Flows**
**(In thousands)**
**(Unaudited)**

| | Nine months ended | |
|---|---|---|
| | **September 30, 2020** | **September 30, 2019** |
| **Operating activities:** | | |
| Net income from continuing operations | $ 37,634 | $ 59,987 |
| Adjustments to reconcile net income of continuing operations to net cash provided by operating activities of continuing operations | | |
| Depreciation and amortization | 27,919 | 27,531 |
| Change in fair value of earn-out liability | (2,209) | 890 |
| Share-based compensation | 7,852 | 8,536 |
| Loss on disposal of property and equipment, net | 108 | 781 |
| Provision for loss on receivables | 606 | 819 |
| Provision for revenue adjustments | 2,972 | 2,239 |
| Deferred income tax expense | 4,317 | 5,881 |
| Changes in operating assets and liabilities | | |
| Accounts receivable | (20,436) | (3,778) |
| Prepaid expenses and other current assets | (173) | (4,380) |
| Income taxes | 1,426 | (2,557) |
| Accounts payable and accrued expenses | 20,477 | 11,876 |
| Net cash provided by operating activities of continuing operations | 80,493 | 107,825 |
| **Investing activities:** | | |
| Proceeds from disposal of property and equipment | 1,415 | 1,693 |
| Purchases of property and equipment | (16,439) | (23,240) |
| Acquisition of business, net of cash acquired | (55,931) | (39,000) |
| Net cash used in investing activities of continuing operations | (70,955) | (60,547) |
| **Financing activities:** | | |
| Payments of finance lease obligations | (529) | (528) |
| Proceeds from senior credit facility | 65,000 | 20,000 |
| Payments on senior credit facility | (20,000) | — |
| Payments on earn-out liability | (5,284) | — |
| Proceeds from exercise of stock options | 1,901 | 2,063 |
| Payments of cash dividends | (15,090) | (15,421) |
| Repurchase of common stock (repurchase program) | (45,248) | (47,906) |
| Proceeds from common stock issued under employee stock purchase plan | 294 | 261 |
| Cash settlement of share-based awards for tax withholdings | (3,444) | (3,032) |
| (Distributions to) contributions from subsidiary held for sale | (8,897) | 6,452 |
| Net cash used in financing activities from continuing operations | (31,297) | (38,111) |
| Net (decrease) increase in cash of continuing operations | (21,759) | 9,167 |
| **Cash from discontinued operations:** | | |
| Cash (used in) provided by operating activities of discontinued operations, net | (8,090) | 9,906 |
| Cash used in investing activities of discontinued operations, net | (807) | (3,454) |
| Cash provided by (used in) financing activities of discontinued operations, net | 8,897 | (6,452) |
| **Net (decrease) increase in cash** | (21,759) | 9,167 |
| Cash at beginning of period of continuing operations | 64,749 | 25,657 |
| Cash at beginning of period of discontinued operations/held for sale | — | — |
| **Net (decrease) increase in cash** | (21,759) | 9,167 |
| Less: cash at end of period of discontinued operations/held for sale | — | — |
| Cash at end of period of continuing operations | $ 42,990 | $ 34,824 |

*The accompanying notes are an integral part of the financial statements.*

**Forward Air Corporation**
**Consolidated Statements of Shareholders' Equity**
**(In thousands)**
**(Unaudited)**

| | Common Stock | | Additional Paid-in Capital | Retained Earnings | Total Shareholders' Equity |
|---|---|---|---|---|---|
| | Shares | Amount | | | |
| Balance at December 31, 2019 | 27,850 | $ 279 | $ 226,869 | $ 350,034 | $ 577,182 |
| Net income and comprehensive income | — | — | — | 8,375 | 8,375 |
| Share-based compensation | — | — | 3,266 | — | 3,266 |
| Dividends ($0.18 per share) | — | — | 2 | (5,052) | (5,050) |
| Cash settlement of share-based awards for tax withholdings | (42) | — | — | (2,672) | (2,672) |
| Share repurchases | (268) | (3) | — | (15,256) | (15,259) |
| Vesting of previously non-vested shares | 139 | 1 | (2) | — | (1) |
| Balance at March 31, 2020 | 27,679 | $ 277 | $ 230,135 | $ 335,429 | $ 565,841 |
| Net income and comprehensive income | — | — | — | 3,155 | 3,155 |
| Common stock issued under employee stock purchase plan | 7 | — | 295 | — | 295 |
| Share-based compensation | — | — | 2,654 | — | 2,654 |
| Dividends ($0.18 per share) | — | — | 3 | (5,042) | (5,039) |
| Cash settlement of share-based awards for tax withholdings | (13) | — | — | (613) | (613) |
| Vesting of previously non-vested shares | 56 | — | (1) | — | (1) |
| Balance at June 30, 2020 | 27,729 | $ 277 | $ 233,086 | $ 332,929 | $ 566,292 |
| Net income and comprehensive income | — | — | — | 16,647 | 16,647 |
| Exercise of stock options | 42 | 1 | 1,901 | — | 1,902 |
| Share-based compensation | — | — | 2,507 | — | 2,507 |
| Dividends ($0.18 per share) | — | — | 3 | (5,008) | (5,005) |
| Cash settlement of share-based awards for tax withholdings | (3) | — | — | (158) | (158) |
| Share repurchases | (519) | (5) | — | (29,984) | (29,989) |
| Vesting of previously non-vested shares | 9 | — | — | — | — |
| Balance at September 30, 2020 | 27,258 | 273 | 237,497 | 314,426 | 552,196 |

**Forward Air Corporation**
**Consolidated Statements of Shareholders' Equity,** ***continued***
**(In thousands, except share data)**

| | Common Stock Shares | Common Stock Amount | Additional Paid-in Capital | Retained Earnings | Total Shareholders' Equity |
|---|---|---|---|---|---|
| Balance at December 31, 2018 | 28,535 | $ 285 | $ 210,296 | $ 342,663 | $ 553,244 |
| Net income and comprehensive income | — | — | — | 18,407 | 18,407 |
| Other | — | 2 | — | — | 2 |
| Exercise of stock options | 18 | — | 830 | — | 830 |
| Share-based compensation | — | — | 3,047 | — | 3,047 |
| Dividends ($0.18 per share) | — | — | 1 | (5,190) | (5,189) |
| Cash settlement of share-based awards for tax withholdings | (44) | (1) | — | (2,720) | (2,721) |
| Share repurchases | (230) | (2) | — | (14,179) | (14,181) |
| Vesting of previously non-vested shares | 136 | — | — | — | — |
| Balance at March 31, 2019 | 28,415 | $ 284 | $ 214,174 | $ 338,981 | $ 553,439 |
| Net income and comprehensive income | — | — | — | 22,330 | 22,330 |
| Other | — | — | (2) | (2) | (4) |
| Exercise of stock options | 10 | — | 448 | — | 448 |
| Common stock issued under employee stock purchase plan | 5 | — | 261 | — | 261 |
| Share-based compensation | — | — | 3,197 | — | 3,197 |
| Dividends ($0.18 per share) | — | — | 2 | (5,146) | (5,144) |
| Cash settlement of share-based awards for tax withholdings | (1) | — | — | (49) | (49) |
| Share repurchases | (407) | (4) | — | (24,432) | (24,436) |
| Vesting of previously non-vested shares | 18 | — | — | — | — |
| Balance at June 30, 2019 | 28,040 | $ 280 | $ 218,080 | $ 331,682 | $ 550,042 |
| Net income and comprehensive income | — | — | — | 22,195 | 22,195 |
| Exercise of stock options | 17 | — | 785 | — | 785 |
| Share-based compensation | — | — | 2,762 | — | 2,762 |
| Dividends ($0.18 per share) | — | — | 2 | (5,090) | (5,088) |
| Cash settlement of share-based awards for tax withholdings | (4) | — | — | (262) | (262) |
| Share repurchases | (152) | (1) | — | (9,288) | (9,289) |
| Vesting of previously non-vested shares | 14 | — | — | — | — |
| Balance at September 30, 2019 | 27,915 | 279 | 221,629 | 339,237 | 561,145 |

*The accompanying notes are an integral part of the financial statements.*

**Forward Air Corporation**
**Notes to Consolidated Financial Statements**
**(In thousands, except per share data)**
**(Unaudited)**
**September 30, 2020**

## 1. Description of Business and Basis of Presentation

*Basis of Presentation and Principles of Consolidation*

Forward Air Corporation ("the Company", "We", "Our") is a leading asset-light freight and logistics company. Prior to the Company’s Board of Directors’ (the "Board") approval of a strategy to divest the Company's Pool Distribution business (“Pool”), its services were classified into three principal reportable segments: Expedited Freight, Intermodal and Pool. As a result of the decision to divest Pool, which has been classified as a discontinued operation, the Company now has two principal reportable segments: Expedited Freight and Intermodal (see Note 14, *Segment Reporting*). See Note 4, *Discontinued Operations and Held for Sale*, for additional information regarding the decision to divest Pool.
Through the Expedited Freight segment, the Company operates a comprehensive national network to provide expedited regional, inter-regional and national less-than-truckload ("LTL") services. Expedited Freight offers customers local pick-up and delivery and other services including final mile, truckload, shipment consolidation and deconsolidation, warehousing, customs brokerage and other handling.

The Company's Intermodal segment provides first- and last-mile high value intermodal container drayage services both to and from seaports and railheads. Intermodal also offers dedicated contract and container freight station ("CFS") warehouse and handling services. Today, Intermodal operates primarily in the Midwest and Southeast, with a smaller operational presence in the Southwest United States.

Pool, which has been classified as a discontinued operation, provides high-frequency handling and distribution of time sensitive product to numerous destinations within a specific geographic region. Pool offers this service throughout the Mid-Atlantic, Southeast, Midwest and Southwest United States.

The accompanying unaudited consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by United States generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The Company’s operating results are subject to seasonal trends (as described in the Company's 2019 Form 10-K) when measured on a quarterly basis; therefore operating results for the nine months ended September 30, 2020 are not necessarily indicative of the results that may be expected for the year ending December 31, 2020. For further information, refer to the consolidated financial statements and notes thereto included in the Forward Air Corporation Annual Report on Form 10-K for the year ended December 31, 2019.

The accompanying unaudited consolidated financial statements of the Company include Forward Air Corporation and its subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation. Certain reclassifications have been made to the prior period financial information to conform to the current year presentation.

*Discontinued Operations*

On April 23, 2020, the Board approved a strategy to divest Pool within the next year and accordingly, has been classified as assets held for sale as of September 30, 2020 and for all prior periods presented. Pool assets and liabilities are reflected as “Assets and liabilities held for sale” on the Consolidated Balance Sheets in this report. In addition, the results of operations for Pool have been presented in this report as discontinued operations. Amounts for all periods discussed below reflect the results of operations, financial condition and cash flows from Forward Air’s continuing operations, unless otherwise noted. See Note 4, *Discontinued Operations and Held for Sale*.

*Use of Estimates*

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

In particular, management has made estimates and assumptions related to the impact of the novel coronavirus ("COVID-19") on its business. The current environment resulting from COVID-19 is unprecedented and comes with a great deal of uncertainty as discussed further throughout this document.

## 2. Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326), which replaces the incurred loss methodology previously employed to measure credit losses for most financial assets and requires the use of a forward-looking expected loss model. Under current accounting guidance, credit losses are recognized when it is probable a loss has been incurred. The updated guidance will require financial assets to be measured at amortized costs less a reserve, equal to the net amount expected to be collected. This standard is effective for annual periods beginning after December 15, 2019, including interim periods within those fiscal years, with early adoption permitted. The Company adopted this standard as of January 1, 2020, which resulted in the Company revising its allowance for doubtful accounts policy on a prospective basis. The adoption of this standard did not have a material impact on the Company's financial statements.

The Company has a broad range of customers, including freight forwarders, third-party logistics (“3PL”) companies, passenger and cargo airlines, steamship lines, and retailers, located across a diverse geography. In addition, the Company does not have a significant concentration of credit risk; no single customer accounts for more than 10% of its consolidated revenue. In circumstances in which the Company is aware of a specific customer’s inability to meet its financial obligations to the Company (for example, bankruptcy filings, accounts turned over for collection, or litigation), the Company records a specific reserve for these bad debts against amounts due, in order to reduce the net recognized receivable to the amount the Company reasonably believes will be collected. For all other customers, the Company recognizes a general reserve based on a percentage of revenue to ensure accounts receivables are properly recorded at the net amount expected to be collected. Management evaluates the collectability of its accounts receivables at least quarterly and sets the reserve based on historical and current collection history and reasonable and supportable forecasts about any expected changes to our collection experience in the future due to changing economic conditions. If circumstances change (i.e., the Company experiences higher than expected defaults or an unexpected material adverse change in a customer’s ability to meet its financial obligations to the Company), the estimates of the recoverability of amounts due to the Company could be changed by a material amount. Accounts are written off after all means of collection, including legal action, have been exhausted.

## 3. Revenue

The Company's revenue is generated from providing transportation and related services to customers in accordance with contractual agreements, bill of lading ("BOL") contracts and general tariff provisions. Related services include accessorial charges such as terminal handling, storage, equipment rentals and customs brokerage. These services are distinct and are accounted for as separate performance obligations. Generally, the Company's performance obligations begin when a customer's BOL is received and are satisfied when the delivery of a shipment and related services are completed. The Company generally recognizes revenue for its services over time to coincide with when its customers simultaneously receive and consume the benefits of these services. Performance obligations are short-term with transit days typically less than a week. Upon delivery of a shipment or related service, customers are billed and remit payment according to payment terms.

Excluding Pool, the Company's revenue from contracts with customers is disclosed withintwo reportable segments: Expedited Freight and Intermodal. This is consistent with disclosures in earnings releases and annual reports and with the information regularly reviewed by the Chief Operating Decision Maker ("CODM") for evaluating financial performance. See additional discussion in Note 14, *Segment Reporting*.

## 4. Discontinued Operations and Held for Sale

On April 23, 2020, the Board approved a strategy to divest Pool within the next year. Accordingly, Pool has been classified as assets held for sale as of September 30, 2020 and for all prior periods presented. Pool assets and liabilities are reflected as "Assets and liabilities held for sale" on the Consolidated Balance Sheets in this report. In addition, the results of operations for Pool have been presented in this report as discontinued operations.

Upon meeting the assets held for sale criteria and during its annual goodwill impairment analysis, the Company evaluated whether Pool's estimated fair value, less costs to sell, exceeded the carrying value of its assets and liabilities. As a result of that assessment, we determined that the fair value of Pool exceeded its carrying value by approximately 5%. In addition, during the three months ended September 30, 2020, no indicators of goodwill impairment were identified, and the Company believes the fair value of Pool exceeds its carrying value.

The results of Pool were previously included in its own segment. The Company will continue to have two reporting segments: Expedited Freight and Intermodal, which is consistent with the way the CODM reviews operating results and makes resource decisions (See Note 14, *Segment Reporting*). Certain corporate overhead and other costs previously allocated to Pool for segment reporting purposes did not qualify for classification within discontinued operations and have been reallocated to continuing operations. These costs have been reclassified to the eliminations and other column in the segment reconciliation that appears in Note 14, *Segment Reporting*.

**Forward Air Corporation**
**Notes to Consolidated Financial Statements**
**(In thousands, except per share data)**
**(Unaudited)**
**September 30, 2020**

*Summarized Held for Sale and Discontinued Operations Financial Information*

The following table provides a reconciliation of the carrying amounts of major classes of assets and liabilities which are included in assets and liabilities held for sale in the accompanying Consolidated Balance Sheets as of each of the periods presented below:

| | September 30, 2020 | December 31, 2019 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Accounts receivable, less allowance of $108 in 2020 and $49 in 2019 | $ 16,164 | $ 13,983 |
| Other current assets | 761 | 969 |
| Total current assets held for sale | $ 16,925 | $ 14,952 |
| | | |
| Property and equipment | $ 51,199 | $ 53,166 |
| Less accumulated depreciation and amortization | 31,480 | 32,891 |
| Total property and equipment, net | 19,719 | 20,275 |
| Operating lease right-of-use assets | 47,568 | 46,487 |
| Goodwill and other acquired intangibles: | | |
| Goodwill | 5,406 | 5,406 |
| Other acquired intangibles, net of accumulated amortization of $12,679 in 2020 and $12,359 in 2019 | 2,621 | 2,941 |
| Total goodwill and other acquired intangibles, net | 8,027 | 8,347 |
| Other assets | 2,749 | 1,595 |
| Total noncurrent assets held for sale | $ 78,063 | $ 76,704 |
| | | |
| **Liabilities** | | |
| Current liabilities: | | |
| Accounts payable | $ 3,501 | $ 4,575 |
| Accrued expenses | 5,720 | 5,668 |
| Other current liabilities | — | 2 |
| Current portion of operating lease obligations | 16,785 | 14,729 |
| Total current liabilities held for sale | $ 26,006 | $ 24,974 |
| | | |
| Operating lease obligations, less current portion | $ 30,851 | $ 31,847 |
| Other long-term liabilities | 4,192 | 2,368 |
| Deferred income taxes | 4,184 | 2,728 |
| Total noncurrent liabilities held for sale | $ 39,227 | $ 36,943 |

**Forward Air Corporation**
**Notes to Consolidated Financial Statements**
**(In thousands, except per share data)**
**(Unaudited)**
**September 30, 2020**

The following table summarizes the results of operations classified as discontinued operations, net of tax, in the Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2020 and 2019:

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | September 30, 2020 | September 30, 2019 | September 30, 2020 | September 30, 2019 |
| **Operating revenue** | $ 37,521 | $ 47,980 | $ 88,447 | $ 133,359 |
| **Operating expenses:** | | | | |
| Purchased transportation | 8,700 | 13,310 | 21,383 | 36,461 |
| Salaries, wages and employee benefits | 17,012 | 18,727 | 42,519 | 51,569 |
| Operating leases | 5,304 | 4,661 | 15,950 | 13,159 |
| Depreciation and amortization | — | 1,512 | 1,657 | 4,505 |
| Insurance and claims | 1,525 | 1,398 | 4,538 | 4,254 |
| Fuel expense | 1,045 | 1,468 | 2,785 | 4,423 |
| Other operating expenses | 4,467 | 5,401 | 12,309 | 14,975 |
| Total operating expenses | 38,053 | 46,477 | 101,141 | 129,346 |
| (Loss) income from discontinued operations before income taxes | (532) | 1,503 | (12,694) | 4,013 |
| Income tax (benefit) expense | (187) | 362 | (3,236) | 1,068 |
| (Loss) income from discontinued operations, net of tax | $ (345) | $ 1,141 | $ (9,458) | $ 2,945 |

## 5. Acquisitions and Long-Lived Assets

*Expedited Freight Acquisitions*

As part of the Company's strategy to expand final mile pickup and delivery operations, in January 2020, the Company acquired certain assets and liabilities of Linn Star Holdings, Inc., Linn Star Transfer, Inc. and Linn Star Logistics, LLC (collectively, “Linn Star”) for $57,239. This acquisition increased the Company's Final Mile capabilities with an additional 20 locations. In addition, in April 2019, the Company acquired certain assets and liabilities of FSA Network, Inc., doing business as FSA Logistix (“FSA”), for $27,000 and a potential earnout of up to $15,000. Both transactions were funded using cash flows from operations. The assets, liabilities, and operating results of these acquisitions have been included in the Company's consolidated financial statements from the date of acquisition and have been assigned to the Expedited Freight reportable segment.

The FSA acquisition agreement provides the sellers an earnout opportunity of up to $15,000 based on the achievement of certain revenue milestones over two one-year periods, beginning May 1, 2019. Upon acquisition, the fair value of the earn-out liability was $11,803 and was included in other current and long-term liabilities in the opening consolidated balance sheet. The earn-out liability was classified as level 3 of the fair value hierarchy as defined in the FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles (“the FASB Codification”) and the value was determined based on estimated revenues and the probability of achieving them. The fair value was based on the two-year performance of FSA's acquired customer revenue and was estimated using a Monte Carlo simulation.

**Forward Air Corporation**
**Notes to Consolidated Financial Statements**
**(In thousands, except per share data)**
**(Unaudited)**
**September 30, 2020**

The initial weighted average assumptions used in the Monte Carlo simulation are summarized in the following table:

| | FSA Earn-out | | |
|---|---|---|---|
| | **April 21, 2019** | **December 31, 2019** | **September 30, 2020** |
| Risk-free rate | 2.9% | 2.2% | 2.0% |
| Revenue discount rate | 4.4% | 4.4% | 3.2% |
| Revenue volatility | 3.0% | 5.0% | 7.0% |

In June 2020, the Company paid the first period earn-out payment of $5,284; the second and final payment is expected to be paid in the second quarter of 2021. During the three months ended September 30, 2020, the earn-out fair value increased $493 to $4,277, which is classified as a current liability. The change in fair value is included in other operating expenses and is based on changes in expected cash flows and expected new business wins.

*Intermodal Acquisitions*

As part of the Company's strategy to expand its Intermodal operations, in July 2019, the Company acquired certain assets and liabilities of O.S.T. Logistics, Inc. and O.S.T. Trucking Co., Inc. (together referred to as “OST”) for $12,000. OST is a drayage company and expanded the Company's intermodal footprint on the East Coast, primarily in Baltimore, Maryland, with additional locations in Pennsylvania, Virginia, South Carolina and Georgia. This transaction was funded using cash flows from operations. The assets, liabilities, and operating results of the acquisition have been included in the Company's consolidated financial statements from the date of acquisition and have been included in the Intermodal reportable segment.

**Forward Air Corporation**
**Notes to Consolidated Financial Statements**
**(In thousands, except per share data)**
**(Unaudited)**
**September 30, 2020**

*Allocations of Purchase Price*

The following table presents the allocations of the previously discussed acquisition purchase prices to the assets acquired and liabilities assumed based on their estimated fair values and resulting residual goodwill (in thousands):

| | FSA April 21, 2019 | OST July 14, 2019 | Linn Star January 12, 2020 |
|---|---|---|---|
| **Tangible assets:** | | | |
| Cash | $ 202 | $ — | $ 1,308 |
| Other receivables | 1,491 | — | — |
| Prepaid expenses and other current assets | — | — | 1,182 |
| Property and equipment | 40 | 10,371 | 605 |
| Operating lease right-of-use assets | 3,209 | 1,672 | 10,011 |
| **Total tangible assets** | 4,942 | 12,043 | 13,106 |
| **Intangible assets:** | | | |
| Non-compete agreements | 900 | 850 | 450 |
| Customer relationships | 17,900 | 5,700 | 29,800 |
| Goodwill | 19,963 | 2,050 | 25,234 |
| **Total intangible assets** | 38,763 | 8,600 | 55,484 |
| **Total assets acquired** | 43,705 | 20,643 | 68,590 |
| | | | |
| **Liabilities assumed:** | | | |
| Current liabilities | 8,466 | — | 1,340 |
| Other liabilities | 5,030 | — | — |
| Debt and finance lease obligations | — | 6,971 | — |
| Operating lease obligations | 3,209 | 1,672 | 10,011 |
| **Total liabilities assumed** | 16,705 | 8,643 | 11,351 |
| **Net assets acquired** | $ 27,000 | $ 12,000 | $ 57,239 |

The above purchase price allocation for Linn Star is preliminary as the Company is still in the process of finalizing the valuation of the acquired assets and liabilities assumed. The above estimated fair values of assets acquired and liabilities assumed are based on the information that was available as of the acquisition date through the date of this filing. The acquired definite-lived intangible assets have the following useful lives:

| | Useful Lives | | |
|---|---|---|---|
| | **FSA** | **OST** | **Linn Star** |
| Non-compete agreements | 5 years | 3 years | 1 year |
| Customer relationships | 15 years | 10 years | 15 years |

The fair value of the non-compete agreements and customer relationships were estimated using an income approach (level 3). Under this method, an intangible asset's fair value is equal to the present value of the incremental after-tax cash flows (excess earnings) attributable solely to the intangible asset over its remaining useful life. To estimate fair value, the Company used cash flows discounted at rates considered appropriate given the inherent risks associated with each type of asset. The Company believed the level and timing of cash flows appropriately reflected market participant assumptions. Cash flows were assumed to extend through the remaining economic useful life of each class of intangible asset.

**Forward Air Corporation**
**Notes to Consolidated Financial Statements**
**(In thousands, except per share data)**
**(Unaudited)**
**September 30, 2020**

*Goodwill*

Goodwill is allocated to reporting units that are expected to benefit from the business combinations generating the goodwill. Excluding Pool, the Company has four reporting units - Expedited LTL, Truckload, Final Mile and Intermodal. As discussed in Note 4, *Discontinued Operations and Held for Sale*, the carrying amounts of Pool's assets and liabilities, including goodwill, are classified as held for sale in the accompanying Consolidated Balance Sheets and its operating results are not part of the continuing operations of the Company.

In evaluating whether events or changes in circumstances indicate that an interim impairment assessment is required, management considers if there were any indicators that exist that may impair the carrying value of the Company's goodwill. During the three months ended September 30, 2020, no indicators of goodwill impairment were identified and an interim impairment test was not required as the Company does not believe it is more likely than not that the carrying value of any of its reporting units exceeds its fair value.

The following is a summary of the Company's goodwill as of September 30, 2020. Approximately $161,789 of goodwill is deductible for tax purposes.

| | Beginning balance, December 31, 2019 | Linn Star Acquisition | Ending balance, September 30, 2020 |
|---|---|---|---|
| **Expedited LTL** | | | |
| Goodwill | $ 97,593 | $ — | $ 97,593 |
| Accumulated Impairment | — | — | — |
| **Truckload** | | | |
| Goodwill | 45,164 | — | 45,164 |
| Accumulated Impairment | (25,686) | — | (25,686) |
| **Final Mile** | | | |
| Goodwill | 19,963 | 25,234 | 45,197 |
| Accumulated Impairment | — | — | — |
| **Intermodal** | | | |
| Goodwill | 78,665 | — | 78,665 |
| Accumulated Impairment | — | — | — |
| **Total** | | | |
| **Goodwill** | 241,385 | 25,234 | 266,619 |
| Accumulated Impairment | (25,686) | — | (25,686) |
| | $ 215,699 | $ 25,234 | $ 240,933 |

*Other Long-Lived Assets*

The Company tests its long-lived assets (asset groups) for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Management evaluates long-lived assets for impairment at the lowest level for which cashflows are identifiable. In general, these assets are reviewed at the reporting unit level, discussed above, by significant asset category. Examples of significant asset categories include land, buildings, tractors, trailers, other equipment, leasehold improvements, right-of-use lease assets, customer relationships, non-compete agreements, software and inventory.

During the three months ended September 30, 2020, the Company determined no indicators of an impairment existed and all of its assets were recoverable. As such, no impairments to the Company's long-lived assets were identified.

(In thousands, except per share data)

## 6. Share-Based Payments

The Company’s general practice has been to make a single annual grant of share-based compensation in the first quarter to key employees and to make other employee grants only in connection with new employment or promotions. Forms of share-based compensation granted to employees by the Company include stock options, non-vested shares of common stock (“non-vested shares”), and performance shares. The Company also typically makes a single annual grant of non-vested shares to non-employee directors in conjunction with the annual election of non-employee directors to the Board of Directors. Share-based compensation is based on the grant date fair value of the instrument and is recognized ratably over the requisite service period or vesting period. All share-based compensation expense is recognized in salaries, wages and employee benefits. Share-based compensation amounts below are disclosed on both a continuing and discontinuing basis.

*Employee Activity - Stock Options*

Stock option grants to employees generally expire seven years from the grant date and typically vest ratably over a three-year period. All forfeitures were recognized as they occurred. The Company used the Black-Scholes option-pricing model to estimate the grant-date fair value of options granted. On a continuing basis, there were no options granted during the nine months ended September 30, 2019. Further, there were no options granted to employees of the Company's discontinued operations during the nine months ended September 30, 2020 or 2019. The weighted-average fair value of options granted and assumptions used to estimate their fair value during the nine months ended September 30, 2020 were as follows (on a continuing basis):

| | Nine months ended September 30, 2020 |
|---|---|
| Expected dividend yield | 1.1 % |
| Expected stock price volatility | 24.1 % |
| Weighted average risk-free interest rate | 1.5 % |
| Expected life of options (years) | 5.9 |
| Weighted average grant date fair value | $ 15 |

The following tables summarize the Company’s employee stock option activity and related information on a continuing basis:

| | Nine months ended September 30, 2020 | | | |
|---|---|---|---|---|
| | Options | Weighted-Average Exercise Price | Aggregate Intrinsic Value | Weighted-Average Remaining Contractual Term |
| Outstanding at December 31, 2019 | 417 | $ 53 | | |
| Granted | 36 | 66 | | |
| Exercised | (42) | 46 | | |
| Forfeited | (4) | 60 | | |
| Outstanding at September 30, 2020 | 407 | $ 55 | $ (133) | 3.8 |
| Exercisable at September 30, 2020 | 311 | $ 53 | $ 682 | 3.4 |

**Forward Air Corporation**
**Notes to Consolidated Financial Statements**
**(In thousands, except per share data)**
**(Unaudited)**
**September 30, 2020**

| | Nine months ended | |
|---|---|---|
| | September 30, 2020 | September 30, 2019 |
| Share-based compensation for options | $ 869 | $ 1,178 |
| Tax benefit for option compensation | $ 225 | $ 304 |
| Unrecognized compensation cost for options | $ 1,065 | $ 1,846 |
| Weighted average period over which unrecognized compensation will be recognized (years) | 1.4 | |

The following tables summarize the Company's employee stock option activity and related information on a discontinued basis:

| | Nine months ended September 30, 2020 | | | |
|---|---|---|---|---|
| | Options | Weighted-Average Exercise Price | Aggregate Intrinsic Value | Weighted-Average Remaining Contractual Term |
| Outstanding at December 31, 2019 | 14 | $ 52 | | |
| Granted | — | — | | |
| Exercised | — | — | | |
| Forfeited | — | — | | |
| Outstanding at September 30, 2020 | 14 | $ 52 | $ 37 | 3.0 |
| Exercisable at September 30, 2020 | 12 | $ 52 | $ 41 | 2.9 |

| | Nine months ended | |
|---|---|---|
| | September 30, 2020 | September 30, 2019 |
| Share-based compensation for options | $ 16 | $ 31 |
| Tax benefit for option compensation | $ 4 | $ 8 |
| Unrecognized compensation cost for options | $ 6 | $ 32 |
| Weighted average period over which unrecognized compensation will be recognized (years) | 0.4 | |

*Employee Activity - Non-vested Shares*

The fair value of non-vested shares issued was estimated using the closing market prices for the business day of the grant. The share-based compensation for the non-vested shares is recognized ratably over the requisite service period or vesting period, which is a three-year period. All forfeitures were recognized as they occurred.

The following tables summarize the Company's employee non-vested share activity and related information on a continuing basis:

**(In thousands, except per share data)**

| | Nine months ended September 30, 2020 | | |
|---|---|---|---|
| | Non-vested Shares | Weighted-Average Grant Date Fair Value | Aggregate Grant Date Fair Value |
| Outstanding and non-vested at December 31, 2019 | 264 | $ 58 | |
| Granted | 114 | 66 | |
| Vested | (149) | 57 | |
| Forfeited | (16) | 62 | |
| Outstanding and non-vested at September 30, 2020 | 213 | $ 63 | $ 13,409 |

| | Nine months ended | |
|---|---|---|
| | September 30, 2020 | September 30, 2019 |
| Share-based compensation for non-vested shares | $ 5,416 | $ 5,934 |
| Tax benefit for non-vested share compensation | $ 1,399 | $ 1,510 |
| Unrecognized compensation cost for non-vested shares | $ 9,397 | $ 10,243 |
| Weighted average period over which unrecognized compensation will be recognized (years) | 1.9 | |

The following tables summarize the Company’s employee non-vested share activity and related information on a discontinued basis:

| | Nine months ended September 30, 2020 | | |
|---|---|---|---|
| | Non-vested Shares | Weighted-Average Grant Date Fair Value | Aggregate Grant Date Fair Value |
| Outstanding and non-vested at December 31, 2019 | 13 | $ 58 | |
| Granted | 6 | 63 | |
| Vested | (8) | 58 | |
| Forfeited | — | — | |
| Outstanding and non-vested at September 30, 2020 | 11 | $ 61 | $ 678 |

| | Nine months ended | |
|---|---|---|
| | September 30, 2020 | September 30, 2019 |
| Share-based compensation for non-vested shares | $ 282 | $ 276 |
| Tax benefit for non-vested share compensation | $ 73 | $ 71 |
| Unrecognized compensation cost for non-vested shares | $ 471 | $ 462 |
| Weighted average period over which unrecognized compensation will be recognized (years) | 1.9 | |

**(In thousands, except per share data)**

*Employee Activity - Performance Shares*

The Company annually grants performance shares to key employees. Under the terms of the performance share agreements, following the end of a three-year performance period, the Company may issue to these employees a calculated number of common stock shares if certain performance targets are met. For shares granted during the three and nine months ended September 30, 2020 and 2019, 50% of the performance share issuances will be based on meeting three-year earnings before interest, taxes, depreciation and amortization ("EBITDA") per share targets and the remaining 50% of the performance share issuances will be based on the three-year performance of the Company's total shareholder return ("TSR") as compared to the TSR of a selected peer group. All forfeitures were recognized as they occurred.

Depending upon the EBITDA per share targets met, 0% to 200% of the granted shares may ultimately be issued. For shares granted based on total shareholder return, 0% of the shares will be issued if the Company's total shareholder return outperforms 25% or less of the peer group, but 200% of the shares will be issued if the Company's total shareholder return performs better than 90% of the peer group.

The fair value of the performance shares granted based on meeting EBITDA per share targets were estimated using the closing market prices on the day of grant and the probability of meeting these targets as of the measurement date. The fair value of the performance shares granted based on the three-year performance of the Company's total shareholder return was estimated using a Monte Carlo simulation. The following table contains the weighted-average assumptions, on both a continuing and discontinued basis, used to estimate the fair value of performance shares granted using the Monte Carlo simulation. These assumptions are subjective and changes in these assumptions can materially affect the fair value estimate.

| | Nine months ended | |
|---|---|---|
| | September 30, 2020 | September 30, 2019 |
| Expected stock price volatility | 23.5 % | 23.4 % |
| Weighted average risk-free interest rate | 1.4 % | 2.5 % |

The following tables summarize the Company's employee performance share activity, assuming median share awards, and related information on a continuing basis:

| | Nine months ended September 30, 2020 | | |
|---|---|---|---|
| | Performance Shares | Weighted-Average Grant Date Fair Value | Aggregate Grant Date Fair Value |
| Outstanding and non-vested at December 31, 2019 | 58 | $ 62 | |
| Granted | 38 | 69 | |
| Additional shares awarded based on performance | 13 | 51 | |
| Vested | (33) | 51 | |
| Forfeited | (11) | 66 | |
| Outstanding and non-vested at September 30, 2020 | 65 | $ 68 | $ 4,425 |

**Forward Air Corporation**
**Notes to Consolidated Financial Statements**
**(In thousands, except per share data)**
**(Unaudited)**
**September 30, 2020**

| | Nine months ended | | | |
|---|---|---|---|---|
| | September 30, 2020 | | September 30, 2019 | |
| Share-based compensation for performance shares | $ | 1,007 | $ | 767 |
| Tax benefit for performance share compensation | $ | 260 | $ | 198 |
| Unrecognized compensation cost for performance shares | $ | 2,466 | $ | 1,766 |
| Weighted average period over which unrecognized compensation will be recognized (years) | | 2.1 | | |

The following tables summarize the Company's employee performance share activity, assuming median share awards, and related information on a discontinued basis:

| | Nine months ended September 30, 2020 | | | | |
|---|---|---|---|---|---|
| | Performance Shares | Weighted-Average Grant Date Fair Value | | Aggregate Grant Date Fair Value | |
| Outstanding and non-vested at December 31, 2019 | 4 | $ | 62 | | |
| Granted | 2 | | 69 | | |
| Additional shares awarded based on performance | 1 | | 51 | | |
| Vested | (2) | | 51 | | |
| Forfeited | — | | — | | |
| Outstanding and non-vested at September 30, 2020 | 5 | $ | 66 | $ | 275 |

| | Nine months ended | | | |
|---|---|---|---|---|
| | September 30, 2020 | | September 30, 2019 | |
| Share-based compensation for performance shares | $ | 62 | $ | 54 |
| Tax benefit for performance share compensation | $ | 16 | $ | 14 |
| Unrecognized compensation cost for performance shares | $ | 142 | $ | 118 |
| Weighted average period over which unrecognized compensation will be recognized (years) | | 1.9 | | |

*Employee Activity – Employee Stock Purchase Plan*

Under the 2005 Employee Stock Purchase Plan (the "ESPP"), which has been approved by shareholders, the Company is authorized to issue up to a remaining344 shares of common stock to employees of the Company. These shares may be issued at a price equal to 90% of the lesser of the market value on the first day or the last day of each six-month purchase period. Common stock purchases are paid for through periodic payroll deductions and/or up to two large lump sum contributions.

The following table summarizes the Company's employee stock purchase activity and related information on a continuing basis:

(In thousands, except per share data)

| | Nine months ended | |
|---|---|---|
| | September 30, 2020 | September 30, 2019 |
| Shares purchased by participants under plan | 6 | 4 |
| Average purchase price | $ 45 | $ 49 |
| Weighted-average fair value of each purchase right under the ESPP granted [1] | $ 5 | $ 10 |
| Share-based compensation for ESPP shares | $ 30 | $ 46 |

[1] Equal to the discount from the market value of the common stock at the end of each six month purchase period

The following table summarizes the Company's employee stock purchase activity and related information on a discontinued basis:

| | Nine months ended | |
|---|---|---|
| | September 30, 2020 | September 30, 2019 |
| Shares purchased by participants under plan | 1 | 1 |
| Average purchase price | $ 45 | $ 49 |
| Weighted-average fair value of each purchase right under the ESPP granted [1] | $ 5 | $ 10 |
| Share-based compensation for ESPP shares | $ 3 | $ 6 |

[1] Equal to the discount from the market value of the common stock at the end of each six month purchase period

*Non-employee Director Activity - Non-vested Shares*

In May 2006, the Company's shareholders approved the Company's 2006 Non-Employee Director Stock Plan (the "2006 Plan"). The Company's shareholders then approved the Company's Amended and Restated Non-Employee Director Stock Plan (the "Amended Plan") on May 22, 2007. The Amended Plan was then further amended and restated on December 17, 2008. Under the Amended Plan, on the first business day after each Annual Meeting of Shareholders, each non-employee director will automatically be granted an award (the "Annual Grant"), in such form and size as the Board determines from year to year. Unless otherwise determined by the Board, Annual Grants will become vested and nonforfeitable on the earlier of (a) the day immediately prior to the first Annual Meeting that occurs after the Grant Date or (b) the first anniversary of the Grant Date so long as the non-employee director's service with the Company does not earlier terminate. Each director may elect to defer receipt of the shares under a non-vested share award until the director terminates service on the Board of Directors. If a director elects to defer receipt, the Company will issue deferred stock units to the director, which do not represent actual ownership in shares and the director will not have voting rights or other incidents of ownership until the shares are issued. However, the Company will credit the director with dividend equivalent payments in the form of additional deferred stock units for each cash dividend payment made by the Company. All forfeitures were recognized as they occurred.

In May 2016, with the approval of shareholders, the Company further amended the Amended Plan to reserve for issuance an additional160 common shares, increasing the total number of reserved common shares under the Amended Plan to 360. As of September 30, 2020, there were approximately 92 shares remaining available for grant. There were no shares granted to non-employee directors classified as discontinued operations in any period.

The following tables summarize the Company's non-employee non-vested share activity and related information on a continuing basis:

**Forward Air Corporation**
**Notes to Consolidated Financial Statements**
**(In thousands, except per share data)**
**(Unaudited)**
**September 30, 2020**

| | Nine months ended September 30, 2020 | | |
|---|---|---|---|
| | Non-vested Shares | Weighted-Average Grant Date Fair Value | Aggregate Grant Date Fair Value |
| Outstanding and non-vested at December 31, 2019 | 16 | $ 62 | |
| Granted | 24 | 43 | |
| Vested | (16) | 62 | |
| Forfeited | — | — | |
| Outstanding and non-vested at September 30, 2020 | 24 | $ 43 | $ 1,035 |

| | Nine months ended | |
|---|---|---|
| | September 30, 2020 | September 30, 2019 |
| Share-based compensation for non-vested shares | $ 766 | $ 714 |
| Tax benefit for non-vested share compensation | $ 198 | $ 184 |
| Unrecognized compensation cost for non-vested shares | $ 636 | $ 554 |
| Weighted average period over which unrecognized compensation will be recognized (years) | 0.6 | |

## 7. Senior Credit Facility

The Company has a five-year senior unsecured revolving credit facility (the “Facility”) that was entered into on September 29, 2017 and amended on April 16, 2020. The Facility has a maximum aggregate principal amount of $225,000, with a sublimit of $30,000 for letters of credit and a sublimit of $30,000 for swing line loans. The Facility may be increased by up to $25,000 to a maximum aggregate principal amount of $250,000 pursuant to the terms of the credit agreement, subject to the lenders’ agreement to increase their commitments or the addition of new lenders extending such commitments. Such increases to the Facility may be in the form of additional revolving credit loans, term loans or a combination thereof, and are contingent upon there being no events of default under the Facility and satisfaction of other conditions precedent and are subject to the other limitations set forth in the credit agreement.

The Facility is scheduled to mature in September 2022 and may be used to refinance existing indebtedness of the Company and for working capital, capital expenditures and other general corporate purposes. The Facility refinanced the Company’s obligations for its unsecured credit facility under the credit agreement dated as of February 4, 2015, as amended, which was terminated as of the date of the new Facility.

Unless the Company elects otherwise under the credit agreement, interest on borrowings under the Facility will be at the base interest rate (which cannot be less than 3.00%) and will be the highest of (a) the federal funds rate (which cannot be less than 0.00%) plus 0.50%, (b) the administrative agent's prime rate and (c) the LIBOR Rate (which cannot be less than 1.00%) plus 1.00% and, in each case, a margin for LIBOR Rate Loans and Letter of Credit Fees that can range from 1.25% to 1.75% with respect to the Facility depending on the Company’s ratio of consolidated funded indebtedness to earnings before interest, taxes, depreciation and amortization, as set forth in the credit agreement. Payments of interest for each loan that is based on the LIBOR Rate are due in arrears on the last day of the interest period applicable to such loan (with interest periods of one, two or three months being available, at the Company’s option). Payments of interest on loans that are not based on the LIBOR Rate are due on the last day of each quarter ended March 31, June 30, September 30 and December 31 of each year. All unpaid amounts of principal and interest are due at maturity.

As of September 30, 2020, the Company had $112,500 in borrowings outstanding under the revolving credit facility, $15,367 utilized for outstanding letters of credit and $97,133 of available borrowing capacity under the revolving credit facility. The interest rate on the outstanding borrowing under the revolving credit facility was 3.27% as of September 30, 2020.

**Forward Air Corporation**
**Notes to Consolidated Financial Statements**
**(In thousands, except per share data)**
**(Unaudited)**
**September 30, 2020**

The Facility contains customary events of default including, among other things, payment defaults, breach of covenants, cross acceleration to material indebtedness, bankruptcy-related defaults, material judgment defaults, and the occurrence of certain change of control events. The occurrence of an event of default may result in, among other things, the termination of the Facilities, acceleration of repayment obligations and the exercise of remedies by the lenders with respect to the Company and its subsidiaries that are party to the Facility. The Facility also contains financial covenants and other covenants that, among other things, restrict the ability of the Company and its subsidiaries, without the approval of the required lenders, to engage in certain mergers, consolidations, asset sales, dividends and stock repurchases, investments, and other transactions or to incur liens or indebtedness in excess of agreed thresholds, as set forth in the credit agreement. As of September 30, 2020, the Company was in compliance with the aforementioned covenants.

## 8. Net Income Per Share

The following table sets forth the computation of basic and diluted net income per share:

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | September 30, 2020 | September 30, 2019 | September 30, 2020 | September 30, 2019 |
| **Numerator:** | | | | |
| Net income and comprehensive income from continuing operations | $ 16,992 | $ 21,054 | $ 37,634 | $ 59,987 |
| Net (loss) income and comprehensive (loss) income from discontinued operations | (345) | 1,141 | (9,458) | 2,945 |
| Net income attributable to Forward Air shareholders | $ 16,647 | $ 22,195 | $ 28,176 | $ 62,932 |
| | | | | |
| Income allocated to participating securities | (150) | (236) | (184) | (696) |
| | | | | |
| Numerator for basic and diluted net income per share for continuing operations | $ 16,842 | $ 20,818 | $ 37,450 | $ 59,291 |
| Numerator for basic and diluted net (loss) income per share for discontinued operations | $ (345) | $ 1,141 | $ (9,458) | $ 2,945 |
| | | | | |
| **Denominator:** | | | | |
| Denominator for basic income per share - weighted-average shares | 27,559 | 27,981 | 27,732 | 28,286 |
| Effect of dilutive stock options | 32 | 74 | 34 | 76 |
| Effect of dilutive performance shares | 15 | 27 | 23 | 31 |
| Denominator for diluted income per share - adjusted weighted-average shares | 27,606 | 28,082 | 27,789 | 28,393 |
| | | | | |
| **Basic net income (loss) per share:** | | | | |
| Continuing operations | $ 0.61 | $ 0.74 | $ 1.35 | $ 2.10 |
| Discontinued operations | (0.01) | 0.04 | (0.34) | 0.10 |
| Net income per share | $ 0.60 | $ 0.78 | $ 1.01 | $ 2.20 |
| | | | | |
| **Diluted net income (loss) per share:** | | | | |
| Continuing operations | $ 0.61 | $ 0.74 | $ 1.35 | $ 2.09 |
| Discontinued operations | (0.01) | 0.04 | (0.34) | 0.10 |
| Net income per share | $ 0.60 | $ 0.78 | $ 1.01 | $ 2.19 |

**Forward Air Corporation**
**Notes to Consolidated Financial Statements**
**(In thousands, except per share data)**
**(Unaudited)**
**September 30, 2020**

The number of instruments that could potentially dilute net income per basic share in the future, but that were not included in the computation of net income per diluted share because to do so would have been anti-dilutive for the periods presented, are as follows:

| | September 30, 2020 | September 30, 2019 |
|---|---|---|
| Anti-dilutive stock options | 219 | 188 |
| Anti-dilutive performance shares | 31 | — |
| Anti-dilutive non-vested shares and deferred stock units | 100 | — |
| Total anti-dilutive shares | 350 | 188 |

## 9. Income Taxes

The Company or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction, various states and Canada. With a few exceptions, the Company is no longer subject to U.S. federal, state and local, or Canadian examinations by tax authorities for years before 2012.

For the nine months ended September 30, 2020 and 2019, the effective income tax rates varied from the statutory federal income tax rate of 21.0%, primarily as a result of the effect of state income taxes, net of the federal benefit, and permanent differences between book and tax net income. The combined federal and state effective tax rate for continuing operations for the nine months ended September 30, 2020 was 24.5% compared to a rate of 25.1% for the same period in 2019. The lower tax rate for the nine months ended September 30, 2020 was primarily due to decreased stock based compensation vesting and exercises and return to provision adjustments that were recorded in the current period when compared to the same period in 2019.

## 10. Leases

A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. An entity controls the use of the identified asset if both of the following are true: (1) the entity obtains the right to substantially all of the economic benefits from use of the identified asset and (2) the entity has the right to direct the use of the identified asset. For the three and nine months ended September 30, 2020, the Company leased facilities and equipment under operating and finance leases, which were accounted for in accordance with ASU 2016-02, Leases.

The Company elected the practical expedients as allowed per this guidance to combine lease and non-lease components and to keep leases with an initial term of 12 months or less, after the consideration of options, off the balance sheet. Additionally, variable lease and variable nonlease components were not contemplated in the calculation of the right-of-use asset and corresponding liability.

For leases and subleases with terms greater than 12 months, the Company records the related right-of-use asset as the balance of the related lease liability, adjusted for any prepaid or accrued lease payments. Unamortized initial direct costs and lease incentives were not significant as of September 30, 2020. The lease liability was recorded at the present value of the lease payments over the term. Many of the Company's leases include rental escalation clauses, renewal options and/or termination options that were contemplated in the determination of lease payments when appropriate. As of September 30, 2020, the Company was not reasonably certain of exercising any renewal options. Further, as of September 30, 2020, it was reasonably certain that all termination options would not be exercised. As such, there were no adjustments made to its right-of-use lease assets or corresponding liabilities as a result. In addition, the Company does not have any leases with residual value guarantees or material restrictions or covenants as of September 30, 2020.

For these leases with an initial term of 12 months or less, after the consideration of options, the Company recognizes the corresponding lease expense on a straight-line basis over the lease term.

**Forward Air Corporation**
**Notes to Consolidated Financial Statements**
**(In thousands, except per share data)**
**(Unaudited)**
**September 30, 2020**

*Operating Leases*

The Company leases some of its facilities under noncancelable operating leases that expire in various years through 2028. Certain leases may be renewed for periods varying from 1 to 10 years. In conjunction with the acquisition of Linn Star in January 2020, discussed further in Note 5, *Acquisitions and Long-Lived Assets*, the Company assumed operating facility leases that expire in various years through 2025 and had a right-of-use asset and corresponding lease liability of approximately $10,011 at acquisition.

The Company has also historically entered into or assumed through acquisition several equipment operating leases for assets including tractors, straight trucks and trailers with original lease terms between 2 and 6 years. These leases expire in various years through 2025 and certain leases may be renewed for periods varying from 1 to 3 years. The Company did not enter into any material equipment leases outside the normal course of business during the nine months ended September 30, 2020.

As of September 30, 2020, the Company has certain obligations to lease tractors, which will be delivered throughout 2020. These leases are expected to have terms of approximately 3 to 4 years and are not expected to materially impact the Company's right-of-use lease assets or liabilities as of September 30, 2020.

*Finance Leases*

Primarily through acquisitions, the Company assumes equipment leases that meet the criteria for classification as a finance lease with remaining lease terms between 2 and 7 years. These leases expire in various years through 2025 with no options to renew. The finance leased equipment is being amortized over the shorter of the lease term or useful life. The Company did not enter into any new finance leases during the nine months ended September 30, 2020.

**11. Financial Instruments**

*Off Balance Sheet Risk*

As of September 30, 2020, the Company had letters of credit outstanding totaling $15,367.

*Fair Value of Financial Instruments*

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Accounts receivable and accounts payable: The carrying amounts reported in the balance sheet for accounts receivable and accounts payable approximate their fair value based on their short-term nature.

Revolving credit facility: The Company’s revolving credit facility bears variable interest rates plus additional basis points based upon covenants related to total indebtedness to earnings. As the revolving credit facility bears a variable interest rate, the carrying value approximates fair value.

The fair value estimates of earn-outs are discussed in Note 5, *Acquisitions and Long-Lived Assets.*

Using interest rate quotes and discounted cash flows, the Company estimated the fair value of its outstanding finance lease obligations as follows:

| | September 30, 2020 | |
|---|---|---|
| | **Carrying Value** | **Fair Value** |
| Finance leases | $ 5,757 | $ 5,827 |

The carrying value of the finance lease obligations are included within the Equipment section of Property and equipment on the Company’s Consolidated Balance Sheets. The Company's fair value estimates for the above financial instruments are classified within level 3 of the fair value hierarchy as defined in the FASB Codification.

## 12. Shareholders' Equity

During the fourth quarter of 2020, the Company’s Board of Directors declared a cash dividend of $0.21 per share of common stock. During each quarter of 2019 and the first, second and third quarter of 2020, the Company's Board of Directors declared a cash dividend of $0.18 per share of common stock. The Company expects to continue to pay regular quarterly cash dividends, though each subsequent quarterly dividend is subject to review and approval by the Board of Directors.

On July 21, 2016, the Company's Board of Directors approved a stock repurchase authorization for up to3,000 shares of the Company’s common stock (the "2016 Repurchase Plan"). On February 5, 2019, the Company's Board of Directors canceled the Company’s 2016 Repurchase Plan and approved a new stock repurchase plan authorizing the repurchase of up to 5,000 shares of the Company’s common stock (the “2019 Repurchase Plan”) that shall remain in effect until such time as the shares authorized for repurchase are exhausted or the plan is canceled. The Company is not obligated to repurchase any specific number of shares and may suspend or cancel the plan at any time. The Company does not expect to repurchase any shares under this plan during the third quarter of 2020.

The following tables summarize the Company's share repurchases for the three and nine months ended September 30, 2020 and 2019 (shares and dollars in thousands, except average cost per share).

| | Three months ended | | | | | |
|---|---|---|---|---|---|---|
| | September 30, 2020 | | | September 30, 2019 | | |
| | Shares repurchased | Cost of shares repurchased | Average cost per share | Shares repurchased | Cost of shares repurchased | Average cost per share |
| 2019 Repurchase Plan | 519 | $ 29,990 | $ 57.84 | 152 | $ 9,289 | $ 61.01 |
| Total | 519 | $ 29,990 | $ 57.84 | 152 | $ 9,289 | $ 61.01 |

| | Nine months ended | | | | | |
|---|---|---|---|---|---|---|
| | September 30, 2020 | | | September 30, 2019 | | |
| | Shares repurchased | Cost of shares repurchased | Average cost per share | Shares repurchased | Cost of shares repurchased | Average cost per share |
| 2016 Repurchase Plan | — | $ — | $ — | 68 | $ 3,850 | $ 56.97 |
| 2019 Repurchase Plan | 787 | 45,248 | 57.53 | 721 | 44,056 | 61.07 |
| Total | 787 | $ 45,248 | $ 57.53 | 789 | $ 47,906 | $ 60.72 |

As of September 30, 2020, 3,368 shares were available to be purchased under the 2019 Plan.

## 13. Commitments and Contingencies

*Self-Insurance Reserves*

From time to time, the Company is party to ordinary, routine litigation incidental to and arising in the normal course of business. The Company does not believe that any of these pending actions, individually or in the aggregate, will have a material adverse effect on its business, financial condition, results of operations or cash flows. The primary claims in the Company’s business relate to workers’ compensation, property damage, vehicle liability and employee medical benefits. Most of the Company’s insurance coverage provides for self-insurance levels with primary and excess coverage which management believes is sufficient to adequately protect the Company from catastrophic claims. Such insurance coverage above the applicable self-insurance levels continues to be an important part of the Company's risk management process.

In the opinion of management, adequate provision has been made for all incurred claims up to the self-insured limits, including provision for estimated claims incurred but not reported. The Company is responsible for the first $7,500 per incident until it meets the $6,000 aggregate deductible for incidents resulting in claims between $3,000 and $5,000 and the $2,500 aggregate deductible for incidents resulting in claims between $5,000 and $10,000. Due to the uncertainty of the ultimate resolution of outstanding claims, as well as uncertainty regarding claims incurred but not reported, it is possible that management's provision for these losses could change materially in the near term. However, no estimate can currently be made of the range of additional loss that is at least reasonably possible.

*Litigation*

Occasionally, the Company is a party to various legal proceedings, regulatory examinations, investigations, administrative actions, and other legal matters, arising for the most part in the ordinary course of business, incidental to its operations. The Company aggressively defends these matters and has established liability provisions that management believes are adequate to cover expected costs. The outcome of litigation and other legal matters is always uncertain. The Company believes it has valid defenses to the legal matters currently pending against it, is defending itself vigorously, and has recorded accruals determined in accordance with U.S. GAAP, where appropriate. In making a determination regarding accruals, using available information, the Company evaluates the likelihood of an unfavorable outcome in legal or regulatory proceedings to which it is a party to and records a loss contingency when it is probable a liability has been incurred and the amount of the loss can be reasonably estimated. These subjective determinations are based on the status of such legal or regulatory proceedings, the merits of the Company's defenses and consultation with legal counsel. Actual outcomes of these legal and regulatory proceedings may materially differ from the current estimates. It is possible that resolution of one or more of the legal matters currently pending or threatened could result in losses material to the Company's consolidated results of operations, liquidity or financial condition.

## 14. Segment Reporting

The Company operates in two reportable segments based on information available to and used by the CODM. This classification is consistent with how the CODM makes decisions about resource allocation and assesses the Company's performance. The Company evaluates the performance of its segments based on income from operations. The Company's business is conducted in the U.S. and Canada.

Expedited Freight operates a comprehensive national network to provide expedited regional, inter-regional and national LTL services and offers customers local pick-up and delivery and other services including final mile, truckload, shipment consolidation and deconsolidation, warehousing, customs brokerage and other handling. Intermodal primarily provides first- and last-mile high value intermodal container drayage services both to and from seaports and railheads.

Except for certain insurance activity, the accounting policies of the segments are the same as those described in the summary of significant accounting policies disclosed in Note 1, *Description of Business and Basis of Presentation,* to the Forward Air Corporation Annual Report on Form 10-K for the year ended December 31, 2019. For workers compensation and vehicle claims, each segment is charged an insurance premium and is also charged a deductible that corresponds with each segment's individual self-retention limit. However, any losses beyond these deductibles and any loss development factors applied to outstanding claims as a result of actuary analysis are not passed to the segments, but recorded at the corporate level ("Eliminations & other").

Segment data includes intersegment revenues and shared costs. Costs of the corporate headquarters, shared services and shared assets, such as trailers, are allocated to the segments based on usage. The cost basis of shared assets are not allocated. Instead, the cost basis for the majority of shared assets, such as trailers, are included in Expedited Freight.

The following tables summarize segment information from continuing operations for the three and nine months ended September 30, 2020 and 2019:

**Forward Air Corporation**
**Notes to Consolidated Financial Statements**
**(In thousands, except per share data)**
**(Unaudited)**
**September 30, 2020**

| | Three Months Ended September 30, 2020 | | | |
|---|---|---|---|---|
| | Expedited Freight | Intermodal | Eliminations & other | Continuing Operations |
| External revenues | $ 283,025 | $ 48,940 | $ 34 | $ 331,999 |
| Intersegment revenues | 489 | 8 | (499) | (2) |
| Depreciation | 4,981 | 789 | 36 | 5,806 |
| Amortization | 1,799 | 1,567 | — | 3,366 |
| Share-based compensation expense | 2,208 | 415 | (278) | 2,345 |
| Interest expense | 3 | 38 | 1,263 | 1,304 |
| Income (loss) from operations | 23,461 | 4,837 | (4,788) | 23,510 |
| Total assets | 882,214 | 217,813 | (146,805) | 953,222 |
| Capital expenditures | 2,037 | 188 | — | 2,225 |

| | Three months ended September 30, 2019 (As Adjusted) | | | |
|---|---|---|---|---|
| | Expedited Freight | Intermodal | Eliminations & other | Continuing Operations |
| External revenues | $ 255,404 | $ 58,317 | $ — | $ 313,721 |
| Intersegment revenues | 711 | 29 | (778) | (38) |
| Depreciation | 5,256 | 1,050 | (27) | 6,279 |
| Amortization | 1,195 | 1,542 | — | 2,737 |
| Share-based compensation expense | 1,895 | 340 | 392 | 2,627 |
| Interest expense | 2 | 67 | 692 | 761 |
| Income (loss) from operations | 27,131 | 6,900 | (4,845) | 29,186 |
| Total assets | 706,632 | 205,444 | (25,489) | 886,587 |
| Capital expenditures | 8,818 | 207 | — | 9,025 |

**Forward Air Corporation**
**Notes to Consolidated Financial Statements**
**(In thousands, except per share data)**
**(Unaudited)**
**September 30, 2020**

| | Nine months ended September 30, 2020 | | | |
|---|---|---|---|---|
| | Expedited Freight | Intermodal | Eliminations & other | Continuing Operations |
| External revenues | $ 771,585 | $ 147,815 | $ 33 | $ 919,433 |
| Intersegment revenues | 1,216 | 21 | (1,438) | (201) |
| Depreciation | 14,897 | 2,923 | 79 | 17,899 |
| Amortization | 5,318 | 4,702 | — | 10,020 |
| Share-based compensation expense | 6,937 | 1,276 | (361) | 7,852 |
| Interest expense | 9 | 151 | 3,195 | 3,355 |
| Income (loss) from operations | 50,394 | 12,963 | (10,159) | 53,198 |
| Total assets | 882,214 | 217,813 | (146,805) | 953,222 |
| Capital expenditures | 15,987 | 452 | — | 16,439 |

| | Nine months ended September 30, 2019 (As Adjusted) | | | |
|---|---|---|---|---|
| | Expedited Freight | Intermodal | Eliminations & other | Continuing Operations |
| External revenues | $ 732,825 | $ 162,936 | $ — | $ 895,761 |
| Intersegment revenues | 2,230 | 64 | (2,524) | (230) |
| Depreciation | 18,261 | 1,983 | (113) | 20,131 |
| Amortization | 3,122 | 4,278 | — | 7,400 |
| Share-based compensation expense | 6,454 | 1,313 | 769 | 8,536 |
| Interest expense | 7 | 69 | 1,841 | 1,917 |
| Income (loss) from operations | 76,222 | 18,326 | (12,588) | 81,960 |
| Total assets | 706,632 | 205,444 | (25,489) | 886,587 |
| Capital expenditures | 22,818 | 422 | — | 23,240 |

The following table summarizes revenue from the defined services included within Expedited Freight revenue for the three and nine months ended September 30, 2020 and 2019:

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | September 30, 2020 | September 30, 2019 | September 30, 2020 | September 30, 2019 |
| **Expedited freight revenue:** | | | | |
| Network revenue | $ 169,300 | $ 169,337 | $ 455,482 | $ 503,178 |
| Truckload revenue | 49,836 | 48,044 | 139,220 | 144,353 |
| Final mile revenue | 56,994 | 31,619 | 158,223 | 66,333 |
| Other revenue | 7,384 | 7,115 | 19,877 | 21,191 |
| Total revenue | $ 283,514 | $ 256,115 | $ 772,802 | $ 735,055 |

## 15. Subsequent Events

On October 11, 2020, the Company acquired substantially all of the assets of CLW Delivery, Inc. ("CLW") for $5,500. This transaction was funded using cash flows from operations. CLW specializes in last mile logistics and in-home installation services for national retailers and manufacturers. The Company anticipates CLW will contribute approximately $20,000 of revenue and $1,000 of operating income on an annualized basis.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

***Overview***

Forward Air Corporation is a leading asset-light freight and logistics company. As a result of the Company's decision to divest Pool, our services are now classified into two reportable segments: Expedited Freight and Intermodal.
Through the Expedited Freight segment, we operate a comprehensive national network to provide expedited regional, inter-regional and national LTL services. Expedited Freight offers customers local pick-up and delivery and other services including final mile, truckload, shipment consolidation and deconsolidation, warehousing, customs brokerage and other handling. We plan to grow our LTL and final mile geographic footprints through greenfield start-ups as well as acquisitions. Since July 2020, as part of our previously announced organic growth initiative, we now offer LTL service in Savannah, Georgia; Columbia, Missouri; and Roanoke, Virginia. With this expansion, our LTL network began its evolution toward broader market coverage beyond its legacy airport-to-airport footprint.

Our Intermodal segment provides first- and last-mile high value intermodal container drayage services both to and from seaports and railheads. Intermodal also offers dedicated contract and container freight station ("CFS") warehouse and handling services. Today, Intermodal operates primarily in the Midwest and Southeast, with smaller operational presence in Southwest and Mid-Atlantic United States. We plan to grow Intermodal's geographic footprint through acquisitions as well as greenfield start-ups where we do not have an acceptable acquisition target. On April 16, 2020, we announced a greenfield start-up in Front Royal, Virginia, which furthered our growth objectives.

Our operations, particularly our network of hubs and terminals, represent substantial fixed costs. Consequently, our ability to increase our earnings depends in significant part on our ability to increase the amount of freight and the revenue per pound for the freight shipped through our networks and to grow other services, such as LTL pickup and delivery, final mile solutions and intermodal services, which will allow us to maintain revenue growth in challenging shipping environments. In addition, we are continuing to execute synergies across our services, particularly with service offerings in the Expedited Freight segment. Synergistic opportunities include the ability to share resources, particularly our fleet resources.

On April 23, 2020, the Board approved a strategy to divest Pool within the next year. As a result of this decision, Forward Air reclassified Pool from continuing operations to discontinued operations in accordance with ASC 205-20. Pool provides high-frequency handling and distribution of time sensitive product to numerous destinations within a specific geographic region. Pool offers this service throughout the Mid-Atlantic, Southeast, Midwest and Southwest United States.

Pool has been reported as discontinued operations in our Consolidated Statements of Comprehensive Income, and the related assets and liabilities have been presented as held for sale in the Consolidated Balance Sheets. These changes have been applied to all periods presented. Unless otherwise noted, amounts, percentages and discussion for all periods included below reflect the results of operations, financial condition and cash flows from Forward Air's continuing operations. Refer to Note 4, *Discontinued Operations and Held for Sale*, to the Company's consolidated financial statements for additional information on discontinued operations.

***Trends and Developments***

*Impact of COVID-19*

COVID-19 was characterized as a pandemic by the World Health Organization on March 11, 2020. To help lessen its spread, many countries implemented travel restrictions and/or required companies to limit or suspend business operations. These actions disrupted supply chains and company operations around the world. Although these restrictions have since lessened, the effects are still being felt. The current environment resulting from COVID-19 is unprecedented and comes with a great deal of uncertainty.

The Forward Air team is actively managing through the COVID-19 pandemic, with a paramount focus on team member and customer safety. Given our modal exposures to air freight, ocean freight and physical retail, and that much of the freight that typically moves through our LTL network is not classified as "essential goods" - such as staples, consumables or consumer packaged goods, the impact of COVID-19 presents a meaningful challenge that we are addressing through our asset-light business model. In addition, declining fuel prices have resulted in decreased fuel surcharge revenue as compared to prior periods. Despite these challenges, our networks have remained fully operational.

We are making key investments that we believe will enable us to emerge from this episode as a stronger LTL competitor (amid a potentially reduced field of service providers). Our Truckload team is becoming more integrated in our LTL operations, and our Truckload brokerage group is growing by generating opportunities amid supply chain disruptions. We are also integrating Final Mile into our LTL operations while organically growing in an environment where more heavy-bulky items are being ordered online. We are presently operating six terminals that service both our Final Mile and LTL operations and expect this number to grow in the future. In addition, our Final Mile fleet is supporting LTL operations by performing pickup and delivery services on their behalf in nine terminals. In Intermodal, we made significant cost reductions to address volume declines.

Beyond lowering our costs through our flexible business model, we are actively pursuing new revenue opportunities in line with our medium-term growth objectives. We believe that we have the most reliable networks for moving freight that is bigger-than-a-box, and we are stretching these capabilities to “essential goods,” small and midsize businesses, business-to-consumer shipments, new verticals and warehousing opportunities.

The Company's phased reintegration back into the workplace of non-essential office employees who had been working remotely is nearing completion. Preventative measures that serve to minimize the risk of exposure to COVID-19 remain in effect, including modifying our workspace to implement physical distancing measures, and continuously reevaluating our efforts with safety as a top priority.

As discussed above, on April 23, 2020, the Company's Board approved a strategy to divest Pool within the next year. This represents a strategic shift for the Company that will have a major effect on its operations and financial results. The Company is currently exploring all options to divest of these assets, but has not entered into a material definitive agreement to sell these assets as of the date of this report. However, the Company does believe it is probable that these assets will be divested within a year of receiving this authority from the Board. As a result, the Company has reported Pool as a Discontinued Operation in this report. COVID-19’s impact on our Pool business has been significant. Reduced US demand, coupled with temporary retail mall closures, have materially reduced Pool’s revenue. We remain committed to serving our current and additional Pool customers as volumes improve while we are pursuing divestiture options for this business unit.

Despite results improving from the second quarter of 2020, year-on-year growth is expected to be negative for the remainder of 2020. Pool’s results drove a discontinued operations loss for the three and nine months ended September 30, 2020, however on a continuing operations and consolidated basis, the Company was profitable and expects to be profitable for the remainder of the year ended December 31, 2020.

The duration and severity of the COVID-19 pandemic are uncertain and difficult to predict. The pandemic could continue to impede global economic activity for an extended period, even as restrictions are beginning to be lifted in many jurisdictions, leading to decreased per capita income and disposable income, increased and sustained unemployment or a decline in consumer confidence, all of which could significantly reduce discretionary spending by individuals and businesses and may create a recession in the United States or globally. In these circumstances, there may be developments outside the Company’s control requiring adjustments to operating plans. As such, given the dynamic nature of this situation, the Company cannot reasonably estimate with any degree of certainty the future impact COVID-19 may have on the Company’s results of operations, financial position, and liquidity. See Part II, Item 1A - “Risk Factors” - “The ongoing coronavirus outbreak, and measures taken in response thereto, could continue to have a material adverse effect on our business, results of operations and financial condition.”

*Expedited LTL Acquisitions*

As part of our strategy to expand our final mile pickup and delivery operations, in January 2020, we acquired certain assets and liabilities of Linn Star for $57.2 million. This acquisition increased our Final Mile capabilities with an additional 20 locations. In addition, in April 2019, we acquired certain assets and liabilities of FSA for $27.0 million and a potential earn-out of up to $15.0 million based upon future revenue generation. We paid the first installment on this earn-out of $5.3 million in June 2020. The remaining expected payment had a fair value of $4.3 million as of September 30, 2020. These acquisitions provided an opportunity for our Expedited Freight segment to expand its final mile service offering into additional geographic markets, form relationships with new customers, and add volumes to our existing locations.

These acquisitions were funded using cash flows from operations. The assets, liabilities, and operating results of these acquisitions have been included in the Company's consolidated financial statements from the date of acquisition and have been assigned to the Expedited Freight reportable segment. See additional discussion in Note 5, *Acquisitions and Long-Lived Assets*, to our Consolidated Financial Statements.

*Intermodal Acquisitions*

As part of our strategy to expand our Intermodal operations, in July 2019, we acquired certain assets and liabilities of OST for $12.0 million. OST is a drayage company and expanded our intermodal footprint on the East Coast, primarily in Baltimore, Maryland, with additional locations in Pennsylvania, Virginia, South Carolina and Georgia. This acquisition was funded using cash flows from operations and provide an opportunity for our Intermodal segment to expand into additional geographic markets and add volumes to our existing locations. The assets, liabilities, and operating results of this acquisition have been included in the Company's consolidated financial statements from the date of acquisition and have been assigned to the Intermodal reportable segment. See additional discussion in Note 5, *Acquisitions and Long-Lived Assets*, to our Consolidated Financial Statements.

***Environmental Protection and Community Support***

At Forward Air, our mission is to create long-term value for our shareholders, customers and employees while having a positive impact on the communities in which we live and work. We strive to integrate social responsibility and environmental sustainability into every aspect of our strategy - from how we engage with employees and local communities to offering more sustainable products and services to customers. Our commitment to this mission requires us to adhere to a strong corporate governance program that includes policies and principles that integrate environmental, social and governance (“ESG”) matters into our broader risk management and strategic planning initiatives.

During 2019, the Board amended the Corporate Governance and Nominating Committee charter to reflect that the committee would review and discuss with management the Company’s (i) environmental, social and governance matters and (ii) management of sustainability-related risks, and these reviews and discussions occur at least quarterly. The Corporate Governance and Nominating Committee provides leadership and oversight of our ESG practices, including oversight of our policies and programs related to environmental sustainability, health and safety, diversity and inclusion, and charitable giving.

To facilitate our ESG initiatives, we appointed a head of Corporate ESG in the first quarter of 2020. We also have engaged a third-party to conduct an ESG materiality assessment during the first half of 2020. Our intent is to build upon this work to develop a more robust ESG strategy, institutionalize processes and begin to provide more public disclosure around activities and performance going forward. We are committed to making our presence count across the country.

Environmental Protection: We have already taken a variety of steps to improve the sustainability of our operations. For example, as a partner of the U.S. Environmental Protection Agency ("EPA") SmartWay program since 2008, Forward Air has continued to adopt new environmentally safe policies and innovations to improve fuel efficiency and reduce emissions. We actively seek to utilize equipment with reduced environmental impact. We utilize trailers with light weight composites and employ trailer skirts to decrease aerodynamic drag, both of which improve fuel efficiency. We are also increasing our use of electric forklifts and transitioning to automatic transmission tractors, which will decrease our fuel consumption.

Through vendor partnerships, we are implementing new solutions to manage waste and improve recycling across our facilities. Annually, we recycle tons of dunnage and thousands of aluminum load bars. Forward Air also participates in ReCaps, providing and purchasing recycled trailer tires. We also focus on increasing our landfill diversion rate through our partnership with Waste Harmonics.

Community Support: On Veteran’s Day 2019, Forward Air launched Operation: Forward Freedom - providing support to our Veterans primarily through partnering with Hope for the Warriors. Hope for the Warriors is a nonprofit organization that is dedicated to restoring a sense of self, family and hope to United States military veterans. This is an important cause for us as many of our employees, independent contractors, customers and vendors are or have a family member who is a military veteran. During the second quarter of 2020, as part of Operation: Forward Freedom, Forward Air allocated $10 million of its cash balances to a $249 billion U.S. Government money market fund through its account at Drexel Hamilton, a service-disabled veteran-owned and operated broker-dealer founded on the principal of offering meaningful employment opportunities to disabled veterans.

In addition, we are a corporate partner of Truckers Against Trafficking, a nonprofit organization that educates, equips, empowers and mobilizes members of the trucking and busing industries to combat human trafficking. In November 2019, we also joined Women in Trucking, which is a nonprofit organization, supporting and celebrating women in the trucking industry.

***Results from Operations***

The following table sets forth our consolidated historical financial data from operations for the three months ended September 30, 2020 and 2019 (in millions):

| | Three months ended | | | |
|---|---|---|---|---|
| | **September 30, 2020** | **September 30, 2019 (As Adjusted)** | **Change** | **Percent Change** |
| Operating revenue: | | | | |
| Expedited Freight | $ 283.5 | $ 256.1 | $ 27.4 | 10.7 % |
| Intermodal | 48.9 | 58.3 | (9.4) | (16.1) |
| Eliminations and other operations | (0.5) | (0.7) | 0.2 | (28.6) |
| Operating revenue | 331.9 | 313.7 | 18.2 | 5.8 |
| Operating expenses: | | | | |
| Purchased transportation | 173.1 | 150.3 | 22.8 | 15.2 |
| Salaries, wages, and employee benefits | 66.9 | 68.5 | (1.6) | (2.3) |
| Operating leases | 17.3 | 15.9 | 1.4 | 8.8 |
| Depreciation and amortization | 9.1 | 9.0 | 0.1 | 1.1 |
| Insurance and claims | 8.7 | 9.5 | (0.8) | (8.4) |
| Fuel expense | 2.7 | 4.6 | (1.9) | (41.3) |
| Other operating expenses | 30.6 | 26.6 | 4.0 | 15.0 |
| Total operating expenses | 308.4 | 284.5 | 23.9 | 8.4 |
| Income (loss) from continuing operations: | | | | |
| Expedited Freight | 23.5 | 27.1 | (3.6) | (13.3) |
| Intermodal | 4.8 | 6.9 | (2.1) | (30.4) |
| Other operations | (4.8) | (4.8) | — | — |
| Income from continuing operations | 23.5 | 29.2 | (5.7) | (19.5) |
| Other expense: | | | | |
| Interest expense | (1.3) | (0.8) | (0.5) | 62.5 |
| Total other expense | (1.3) | (0.8) | (0.5) | 62.5 |
| Income from continuing operations before income taxes | 22.2 | 28.4 | (6.2) | (21.8) |
| Income tax expense | 5.2 | 7.3 | (2.1) | (28.8) |
| Net income from continuing operations | 17.0 | 21.1 | (4.1) | (19.4) |
| (Loss) income from discontinued operations, net of tax | (0.3) | 1.1 | (1.4) | (127.3) |
| Net income and comprehensive income | $ 16.7 | $ 22.2 | $ (5.5) | (24.8)% |

Note: Prior period balances have been adjusted to conform with the Company's revised segment reporting classification. See additional discussion in Management’s Discussion and Analysis of Financial Condition and Results of Operations in our 2019 Annual Report on Form 10-K and in Note 14, *Segment Reporting*, to our Consolidated Financial Statements.

***Revenues***

Operating revenue increased $18.2 million, or 5.8%, to $331.9 million for the three months ended September 30, 2020 compared to $313.7 million for the three months ended September 30, 2019. The increase was primarily driven by an increase at our Expedited Freight segment of $27.4 million due to increased final mile revenue as discussed in the following sections.

***Operating Expenses***

Operating expenses increased $23.9 million, or 8.4%, to $308.4 million for the three months ended September 30, 2020 compared to $284.5 million for the three months ended September 30, 2019. The increase was primarily driven by a purchased transportation increase of $22.8 million. Purchased transportation includes owner operators and third party carriers. Purchased transportation expense increased due to an increase at our Expedited Freight segment. The increase was mostly due to an increase in final mile purchased transportation due to the acquisition of Linn Star.

***Income from Continuing Operations and Segment Operations***

Income from continuing operations decreased $5.7 million, or 19.5%, to $23.5 million for the three months ended September 30, 2020 compared to $29.2 million for the three months ended September 30, 2019. The decrease was primarily driven by decreases at our Expedited Freight segment and Intermodal segment of $3.6 million and $2.1 million, respectively. The results for our two reportable segments are discussed in detail in the following sections.

***Interest Expense***

Interest expense was $1.3 million for the three months ended September 30, 2020 compared to $0.8 million for the three months ended September 30, 2019. The increase in interest expense was attributable to additional borrowings on our revolving credit facility.

***Income Taxes on a Continuing Basis***

The combined federal and state effective tax rate on a continuing basis for the three months ended September 30, 2020 was 23.5% compared to a rate of 25.9% for the three months ended September 30, 2019. The lower effective tax rate for the three months ended September 30, 2020 was primarily due to decreased stock based compensation vesting and exercises and return to provision adjustments that were recorded in the current period when compared to the same period in 2019.

***(Loss) Income from Discontinued Operations, net of tax***

(Loss) income from discontinued operations, net of tax decreased $1.4 million to a $0.3 million loss for the three months ended September 30, 2020 from $1.1 million of income for the three months ended September 30, 2019. (Loss) income from discontinued operations includes the Company's Pool business and, as discussed above, Pool's operations were negatively impacted by COVID-19 as many of its customers were affected by retail mall closures. As a result, there continued to be a decline in Pool's operating revenue during the third quarter of 2020, resulting in an operating loss for Pool during the three months ended September 30, 2020.

***Net Income***

As a result of the foregoing factors, net income decreased by $5.5 million, or 24.8%, to $16.7 million for the three months ended September 30, 2020 compared to $22.2 million for the three months ended September 30, 2019.

***Expedited Freight - Three Months Ended September 30, 2020 compared to Three Months Ended September 30, 2019***

The following table sets forth the historical financial data of our Expedited Freight segment for the three months ended September 30, 2020 and 2019 (in millions):

**Expedited Freight Segment Information**
**(In millions)**
**(Unaudited)**

| | Three months ended | | | | | |
|---|---|---|---|---|---|---|
| | September 30, 2020 [1] | Percent of Revenue | September 30, 2019 (As Adjusted) | Percent of Revenue | Change | Percent Change |
| Operating revenue: | | | | | | |
| Network [2] | $ 169.3 | 59.7 % | $ 169.3 | 66.1 % | $ — | — % |
| Truckload | 49.8 | 17.6 | 48.1 | 18.8 | 1.7 | 3.5 |
| Final Mile | 57.0 | 20.1 | 31.6 | 12.3 | 25.4 | 80.4 |
| Other | 7.4 | 2.6 | 7.1 | 2.8 | 0.3 | 4.2 |
| Total operating revenue | 283.5 | 100.0 | 256.1 | 100.0 | 27.4 | 10.7 |
| | | | | | | |
| Operating expenses: | | | | | | |
| Purchased transportation | 156.1 | 55.1 | 129.8 | 50.7 | 26.3 | 20.3 |
| Salaries, wages and employee benefits | 54.1 | 19.1 | 52.2 | 20.4 | 1.9 | 3.6 |
| Operating leases | 13.4 | 4.7 | 11.5 | 4.5 | 1.9 | 16.5 |
| Depreciation and amortization | 6.8 | 2.4 | 6.5 | 2.5 | 0.3 | 4.6 |
| Insurance and claims | 5.8 | 2.0 | 5.4 | 2.1 | 0.4 | 7.4 |
| Fuel expense | 1.4 | 0.5 | 2.5 | 1.0 | (1.1) | (44.0) |
| Other operating expenses | 22.4 | 7.9 | 21.1 | 8.2 | 1.3 | 6.2 |
| Total operating expenses | 260.0 | 91.7 | 229.0 | 89.4 | 31.0 | 13.5 |
| Income from operations | $ 23.5 | 8.3 % | $ 27.1 | 10.6 % | $ (3.6) | (13.3)% |

[1] Includes revenues and operating expenses from the acquisition of Linn Star which was acquired in January 2020. Linn Star results are not included in the prior period.
[2] Network revenue is comprised of all revenue, including linehaul, pickup and/or delivery, and fuel surcharge revenue, excluding accessorial, Truckload and Final Mile revenue.

Note: Prior period balances have been adjusted to conform with the Company's revised segment reporting classification. See additional discussion in Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2019 Annual Report on Form 10-K and in Note 14, *Segment Reporting*, to our Consolidated Financial Statements.

**Expedited Freight Operating Statistics**

| | Three months ended | | |
|---|---|---|---|
| | September 30, 2020 | September 30, 2019 (As Adjusted) | Percent Change |
| Business days | 64 | 64 | — % |
| Tonnage [1,2] | | | |
| Total pounds | 636,194 | 613,812 | 3.6 |
| Pounds per day | 9,941 | 9,591 | 3.6 |
| Shipments [1,2] | | | |
| Total shipments | 1,018 | 977 | 4.2 |
| Shipments per day | 15.9 | 15.3 | 4.2 |
| Weight per shipment | 625 | 628 | (0.5) |
| Revenue per hundredweight [3] | $ 26.84 | $ 27.65 | (2.9) |
| Revenue per hundredweight, ex fuel [3] | $ 23.41 | $ 23.23 | 0.8 |
| Revenue per shipment [3] | $ 166 | $ 176 | (5.7) |
| Revenue per shipment, ex fuel [3] | $ 145 | $ 148 | (2.0) |
| Network revenue from door-to-door shipments as a percentage of network revenue[3,4] | 51.3 % | 40.7 % | 26.0 |
| Network gross margin [5] | 49.7 % | 55.6 % | (10.6)% |

[1] In thousands

[2] Excludes accessorial, Truckload and Final Mile products

[3] Includes intercompany revenue between the Network and Truckload revenue streams

[4] Door-to-door shipments include all shipments with a pickup and/or delivery

[5] Network revenue less Network purchased transportation as a percentage of Network revenue

***Revenues***

Expedited Freight operating revenue increased $27.4 million, or 10.7%, to $283.5 million for the three months ended September 30, 2020 from $256.1 million for the three months ended September 30, 2019. The increase was attributable to increased final mile and truckload revenue. Network revenue was flat due to a 3.6% increase in tonnage, a 4.2% increase in shipments and a 2.9% decrease in revenue per hundredweight from the prior year.

In addition, fuel surcharge revenue decreased $4.7 million, or 17.8%, due to declining fuel prices. Truckload revenue increased by $1.7 million primarily due to an increase in revenue per mile. Other revenue, which includes warehousing and terminal handling, increased $0.3 million due to the higher linehaul tonnage and shipment counts. Final mile revenue increased $25.4 million primarily due to the acquisition of Linn Star in January 2020.

***Purchased Transportation***

Expedited Freight purchased transportation increased $26.3 million, or 20.3%, to $156.1 million for the three months ended September 30, 2020 from $129.8 million for the three months ended September 30, 2019. Purchased transportation was 55.1% of Expedited Freight operating revenue for the three months ended September 30, 2020 compared to 50.7% for the same period in 2019. Expedited Freight purchased transportation includes owner operators and third party carriers, while Company-employed drivers are included in salaries, wages and benefits. The increase in purchased transportation as a percentage of revenue was mostly due to an increase in final mile purchased transportation due to the acquisition of Linn Star.

***Salaries, Wages and Employee Benefits***

Expedited Freight salaries, wages and employee benefits increased $1.9 million, or 3.6%, to $54.1 million for the three months ended September 30, 2020 from $52.2 million for the three months ended September 30, 2019. Salaries, wages and employee benefits were 19.1% of Expedited Freight operating revenue for the three months ended September 30, 2020 compared to 20.4% for the same period in 2019. The increase in expense was primarily due a $3.8 million increase related to the acquisition of Linn Star partially offset by cost-control measures and operating efficiencies.

***Operating Leases***

Expedited Freight operating leases increased $1.9 million, or 16.5%, to $13.4 million for the three months ended September 30, 2020 from $11.5 million for the three months ended September 30, 2019. Operating leases were 4.7% of Expedited Freight operating revenue for the three months ended September 30, 2020 compared to 4.5% for the same period in 2019. The increase in expense was due to an increase in facility leases mostly from additional facilities acquired from Linn Star.

***Depreciation and Amortization***

Expedited Freight depreciation and amortization increased $0.3 million, or 4.6%, to $6.8 million for the three months ended September 30, 2020 from $6.5 million for the three months ended September 30, 2019. Depreciation and amortization was 2.4% of Expedited Freight operating revenue for the three months ended September 30, 2020 compared to 2.5% for the same period in 2019. The increase in expense was primarily due to $0.8 million of increased amortization of acquired intangibles and depreciation of fixed assets from the acquisition of Linn Star partially offset by a reduction of depreciation expense of $0.5 million related to extending the useful lives of its trailers from seven to ten years due to the impact of a useful life study in the third quarter of 2019.

***Insurance and Claims***

Expedited Freight insurance and claims increased $0.4 million, or 7.4%, to $5.8 million for the three months ended September 30, 2020 from $5.4 million for the three months ended September 30, 2019. Insurance and claims were 2.0% of Expedited Freight operating revenue for the three months ended September 30, 2020 compared to 2.1% for the same period in 2019. The increase in expense was primarily attributable to an increase in vehicle liability claims. See additional discussion over the consolidated increase in self-insurance reserves related to vehicle claims in the "Other operations" section below.

***Fuel Expense***

Expedited Freight fuel expense decreased $1.1 million, or 44.0%, to $1.4 million for the three months ended September 30, 2020 from $2.5 million for the three months ended September 30, 2019. Fuel expense was 0.5% of Expedited Freight operating revenue for the three months ended September 30, 2020 compared to 1.0% for the same period in 2019. Expedited Freight fuel expense decreased due to lower fuel prices.

***Other Operating Expenses***

Expedited Freight other operating expenses increased $1.3 million, or 6.2%, to $22.4 million for the three months ended September 30, 2020 from $21.1 million for the three months ended September 30, 2019. Other operating expenses were 7.9% of Expedited Freight operating revenue for the three months ended September 30, 2020 compared to 8.2% for the same period in 2019. Other operating expenses included equipment maintenance, terminal and office expenses, legal and professional fees and other over-the-road costs. These expenses primarily increased due to a $2.0 million increase in parts costs for final mile installations. This increase was partially offset by a $0.4 million decrease from the prior period in the fair value of the earn-out liability from the FSA acquisition.

***Income from Operations***

Expedited Freight income from operations decreased $3.6 million, or 13.3%, to $23.5 million for the three months ended September 30, 2020 compared to $27.1 million for the three months ended September 30, 2019. Income from operations was 8.3% of Expedited Freight operating revenue for the three months ended September 30, 2020 compared to 10.6% for the same period in 2019. The decrease in income from operations was primarily due to lower revenue per hundredweight. In addition, the decrease was due to additional costs from the acquisition of Linn Star. Margin deterioration was partially offset by operating efficiencies.

***Intermodal - Three Months Ended September 30, 2020 compared to Three Months Ended September 30, 2019***

The following table sets forth the historical financial data of our Intermodal segment for the three months ended September 30, 2020 and 2019 (in millions):

**Intermodal Segment Information**
**(In millions)**
**(Unaudited)**

| | Three months ended | | | | | |
|---|---|---|---|---|---|---|
| | September 30, 2020 [1] | Percent of Revenue | September 30, 2019 | Percent of Revenue | Change | Percent Change |
| Operating revenue | $ 48.9 | 100.0 % | $ 58.3 | 100.0 % | $ (9.4) | (16.1)% |
| Operating expenses: | | | | | | |
| Purchased transportation | 17.3 | 35.4 | 21.0 | 36.0 | (3.7) | (17.6) |
| Salaries, wages and employee benefits | 11.6 | 23.7 | 14.2 | 24.4 | (2.6) | (18.3) |
| Operating leases | 3.9 | 8.0 | 4.3 | 7.4 | (0.4) | (9.3) |
| Depreciation and amortization | 2.4 | 4.9 | 2.6 | 4.5 | (0.2) | (7.7) |
| Insurance and claims | 2.1 | 4.3 | 1.8 | 3.1 | 0.3 | 16.7 |
| Fuel expense | 1.2 | 2.5 | 2.2 | 3.8 | (1.0) | (45.5) |
| Other operating expenses | 5.6 | 11.5 | 5.3 | 9.1 | 0.3 | 5.7 |
| Total operating expenses | 44.1 | 90.2 | 51.4 | 88.2 | (7.3) | (14.2) |
| Income from operations | $ 4.8 | 9.8 % | $ 6.9 | 11.8 % | $ (2.1) | (30.4)% |

[1] Includes revenues and operating expenses from the acquisition of OST, which was acquired in July 2019 (and is partially included in the prior period)

**Intermodal Operating Statistics**

| | Three months ended | | |
|---|---|---|---|
| | September 30, 2020 | September 30, 2019 | Percent Change |
| Drayage shipments | 74,506 | 84,230 | (11.5)% |
| Drayage revenue per shipment | $ 562 | $ 597 | (5.9) |
| Number of locations | 24 | 21 | 14.3 % |

***Revenues***

Intermodal operating revenue decreased $9.4 million, or 16.1%, to $48.9 million for the three months ended September 30, 2020 from $58.3 million for the three months ended September 30, 2019. The decrease in operating revenue was primarily attributable to a 11.5% decrease in drayage shipments over prior year primarily due to the impact of COVID-19, discussed above.

***Purchased Transportation***

Intermodal purchased transportation decreased $3.7 million, or 17.6%, to $17.3 million for the three months ended September 30, 2020 from $21.0 million for the three months ended September 30, 2019. Purchased transportation was 35.4% of Intermodal operating revenue for the three months ended September 30, 2020 compared to 36.0% for the same period in 2019. Intermodal purchased transportation includes owner operators and third party carriers, while Company-employed drivers are included in salaries, wages and benefits. The decrease in Intermodal purchased transportation as a percentage of revenue was due to operating efficiencies.

***Salaries, Wages and Employee Benefits***

Intermodal salaries, wages and employee benefits decreased $2.6 million, or 18.3%, to $11.6 million for the three months ended September 30, 2020 compared to $14.2 million for the three months ended September 30, 2019. Salaries, wages and benefits were 23.7% of Intermodal operating revenue for the three months ended September 30, 2020 compared to 24.4% for the same period in 2019. The decrease in expense was primarily due to cost-control measures in response to COVID-19.

***Operating Leases***

Intermodal operating leases decreased $0.4 million, or 9.3%, to $3.9 million for the three months ended September 30, 2020 compared to $4.3 million for the three months ended September 30, 2019. Operating leases were 8.0% of Intermodal operating revenue for the three months ended September 30, 2020 compared to 7.4% for the same period in 2019. The increase as a percentage of revenue was due to the decreased drayage volumes over the prior year.

***Depreciation and Amortization***

Intermodal depreciation and amortization decreased $0.2 million, or 7.7%, to $2.4 million for the three months ended September 30, 2020 from $2.6 million for the three months ended September 30, 2019. Depreciation and amortization was 4.9% of Intermodal operating revenue for the three months ended September 30, 2020 compared to 4.5% for the same period in 2019. The decrease was primarily attributable to a decline in trailer depreciation.

***Insurance and Claims***

Intermodal insurance and claims increased $0.3 million, or 16.7%, to $2.1 million for the three months ended September 30, 2020 from $1.8 million for the three months ended September 30, 2019. Insurance and claims were 4.3% of Intermodal operating revenue for the three months ended September 30, 2020 and compared to 3.1% for the same period in 2019. The increase in Intermodal insurance and claims expense was primarily due to an increase in vehicle liability claims. See additional discussion over the consolidated increase in self-insurance reserves related to vehicle claims in the "Other operations" section below.

***Fuel Expense***

Intermodal fuel expense decreased $1.0 million, or 45.5%, to $1.2 million for the three months ended September 30, 2020 from $2.2 million for the three months ended September 30, 2019. Fuel expense was 2.5% of Intermodal operating revenue for the three months ended September 30, 2020 compared to 3.8% for the same period in 2019. Intermodal fuel expense decreased due to lower fuel prices.

***Other Operating Expenses***

Intermodal other operating expenses increased $0.3 million, or 5.7%, to $5.6 million for the three months ended September 30, 2020 from $5.3 million for the three months ended September 30, 2019. Other operating expenses were 11.5% of Intermodal operating revenue for the three months ended September 30, 2020 compared to 9.1% for the same period in 2019. The increase in Intermodal other operating expenses was primarily due to $0.7 million increase in per diem expenses partially offset by reductions in maintenance and travel expenses. The decrease in maintenance and travel expense were primarily due to cost-control measures in response to COVID-19.

***Income from Operations***

Intermodal income from operations decreased $2.1 million, or 30.4%, to $4.8 million for the three months ended September 30, 2020 compared to $6.9 million for the three months ended September 30, 2019. Income from operations was 9.8% of Intermodal operating revenue for the three months ended September 30, 2020 compared to 11.8% for the same period in 2019. The deterioration in operating income was primarily attributable to higher insurance premiums and losing leverage on fixed costs such as operating leases, depreciation and amortization due to the impact of COVID-19.

***Other Operations - Three Months Ended September 30, 2020 compared to Three Months Ended September 30, 2019***

Other operating activity was a $4.8 million operating loss during the three months ended September 30, 2020 and a $4.8 million operating loss during the three months ended September 30, 2019. The three months ended September 30, 2020 included a litigation reserve of $2.3 million and increased self-insurance reserves for vehicle claims of $1.6 million. The increase in self-insurance reserves were primarily due to increases to our loss development factors for prior quarter claims. The remaining loss was attributable to $0.3 million in share based compensation and $0.5 million of corporate costs previously allocated to the Pool segment that are not part of the discontinued operation. These costs represent corporate costs that will remain with the Company after the Pool business is divested.

The $4.8 million operating loss for the three months ended September 30, 2019 was primarily due to a $2.5 million vehicular reserve for unfavorable development of prior quarter claims and $1.6 million in costs related to the CEO transition. The remaining loss was due to increases to our loss development factors for workers' compensation claims of $0.5 million and $0.3 million of corporate costs previously allocated to the Pool segment that are not part of the discontinued operation.

***Results from Operations***

The following table sets forth our consolidated historical financial data from operations for the nine months ended September 30, 2020 and 2019 (in millions):

| | Nine months ended September 30, | | | |
|---|---|---|---|---|
| | **2020** | **2019 (As Adjusted)** | **Change** | **Percent Change** |
| Operating revenue: | | | | |
| Expedited Freight | $ 772.8 | $ 735.0 | $ 37.8 | 5.1 % |
| Intermodal | 147.8 | 163.0 | (15.2) | (9.3) |
| Eliminations and other operations | (1.4) | (2.5) | 1.1 | (44.0) |
| Operating revenue | 919.2 | 895.5 | 23.7 | 2.6 |
| Operating expenses: | | | | |
| Purchased transportation | 465.7 | 426.3 | 39.4 | 9.2 |
| Salaries, wages, and employee benefits | 200.3 | 192.3 | 8.0 | 4.2 |
| Operating leases | 52.6 | 46.8 | 5.8 | 12.4 |
| Depreciation and amortization | 27.9 | 27.5 | 0.4 | 1.5 |
| Insurance and claims | 26.4 | 29.2 | (2.8) | (9.6) |
| Fuel expense | 9.2 | 13.3 | (4.1) | (30.8) |
| Other operating expenses | 83.9 | 78.1 | 5.8 | 7.4 |
| Total operating expenses | 866.0 | 813.5 | 52.5 | 6.5 |
| Income (loss) from continuing operations: | | | | |
| Expedited LTL | 50.4 | 76.2 | (25.8) | (33.9) |
| Intermodal | 12.9 | 18.3 | (5.4) | (29.5) |
| Other operations | (10.1) | (12.6) | 2.5 | (19.8) |
| Income from continuing operations | 53.2 | 82.0 | (28.8) | (35.1) |
| Other expense: | | | | |
| Interest expense | (3.4) | (1.9) | (1.5) | 78.9 |
| Total other expense | (3.4) | (1.9) | (1.5) | 78.9 |
| Income from continuing operations before income taxes | 49.8 | 80.1 | (30.3) | (37.8) |
| Income tax expense | 12.2 | 20.1 | (7.9) | (39.3) |
| Net income from continuing operations | 37.6 | 60.0 | (22.4) | (37.3) |
| (Loss) income from discontinued operations, net of tax | (9.4) | 2.9 | (12.3) | (424.1) |
| Net income and comprehensive income | $ 28.2 | $ 62.9 | $ (34.7) | (55.2)% |

Note: Prior period balances have been adjusted to conform with the Company's revised segment reporting classification. See additional discussion in Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2019 Annual Report on Form 10-K and in Note 14, *Segment Reporting*, to our Consolidated Financial Statements.

***Revenues***

Operating revenue increased $23.7 million, or 2.6% to $919.2 million for the nine months ended September 30, 2020 compared to $895.5 million for the nine months ended September 30, 2019. The increase was primarily driven by our Expedited Freight segment of $37.8 million driven by final mile revenue from the acquisition of FSA in April 2019 and Linn Star in January 2020. Revenue increases associated with the final mile acquisitions were partially offset by decreased volumes due to COVID-19, which impacted each of the Company's segments, as discussed in the following sections.

***Operating Expenses***

Operating expenses increased $52.5 million, or 6.5%, to $866.0 million for the nine months ended September 30, 2020 compared to $813.5 million for the nine months ended September 30, 2019. The increase was primarily driven by purchased transportation increases of $39.4 million and salaries, wages and employee benefits increases of $8.0 million. Purchased transportation includes owner operators and third party carriers, while Company-employed drivers are included in salaries, wages and employee benefits. Purchased transportation expense increased due to increases for the Expedited Freight segment. These increases were mostly due to an increase in final mile purchased transportation due to the acquisitions of FSA and Linn Star. Salaries, wages and employee benefits increased primarily due to additional salaries from acquisitions.

***Income from Continuing Operations and Segment Operations***

Income from continuing operations decreased $28.8 million, or 35.1%, to $53.2 million for the nine months ended September 30, 2020 compared to $82.0 million for the nine months ended September 30, 2019. The decrease is primarily driven by the impact of COVID-19 on the Company's volumes. The results for our two reportable segments are discussed in detail in the following sections.

***Interest Expense***

Interest expense was $3.4 million for the nine months ended September 30, 2020 compared to $1.9 million for the nine months ended September 30, 2019. The increase in interest expense was attributable to additional borrowings on our revolving credit facility.

***Income Taxes on a Continuing Basis***

The combined federal and state effective tax rate on a continuing basis for the nine months ended September 30, 2020 was 24.5% compared to a rate of 25.1% for the nine months ended September 30, 2019. The lower effective tax rate for the nine months ended September 30, 2020 was primarily due to decreased stock based compensation vesting and exercises and return to provision adjustments that were recorded in the current period when compared to the same period in 2019.

***(Loss) Income from Discontinued Operations, net of tax***

(Loss) income from discontinued operations, net of tax decreased $12.3 million to a $9.4 million loss for the nine months ended September 30, 2020 from $2.9 million of income for the nine months ended September 30, 2019. (Loss) income from discontinued operations includes the Company's Pool business and, as discussed above, Pool's operations were negatively impacted by COVID-19 as many of its customers were affected by retail mall closures in response to stay-at-home orders beginning in March 2020. As a result, there was a sudden and significant decline in Pool's operating revenue, resulting in an operating loss for Pool during the nine months ended September 30, 2020.

***Net Income***

As a result of the foregoing factors, net income decreased by $34.7 million, or 55.2%, to $28.2 million for the nine months ended September 30, 2020 compared to $62.9 million for the nine months ended September 30, 2019.

***Expedited Freight - Nine Months Ended September 30, 2020 compared to Nine Months Ended September 30, 2019***

The following table sets forth the historical financial data of our Expedited Freight segment for the nine months ended September 30, 2020 and 2019 (in millions):

**Expedited Freight Segment Information**
**(In millions)**
**(Unaudited)**

| | Nine months ended | | | | | |
|---|---|---|---|---|---|---|
| | September 30, 2020 [1] | Percent of Revenue | September 30, 2019 (As Adjusted) | Percent of Revenue | Change | Percent Change |
| Operating revenue: | | | | | | |
| Network [2] | $ 455.5 | 58.9 % | $ 503.1 | 68.4 % | $ (47.6) | (9.5)% |
| Truckload | 139.2 | 18.0 | 144.4 | 19.6 | (5.2) | (3.6) |
| Final Mile | 158.2 | 20.5 | 66.3 | 9.0 | 91.9 | 138.6 |
| Other | 19.9 | 2.6 | 21.2 | 2.9 | (1.3) | (6.1) |
| Total operating revenue | 772.8 | 100.0 | 735.0 | 100.0 | 37.8 | 5.1 |
| | | | | | | |
| Operating expenses: | | | | | | |
| Purchased transportation | 416.3 | 53.9 | 370.4 | 50.4 | 45.9 | 12.4 |
| Salaries, wages and employee benefits | 160.0 | 20.7 | 148.9 | 20.3 | 11.1 | 7.5 |
| Operating leases | 40.4 | 5.2 | 34.7 | 4.7 | 5.7 | 16.4 |
| Depreciation and amortization | 20.2 | 2.6 | 21.4 | 2.9 | (1.2) | (5.6) |
| Insurance and claims | 18.1 | 2.3 | 17.0 | 2.3 | 1.1 | 6.5 |
| Fuel expense | 5.1 | 0.7 | 7.7 | 1.0 | (2.6) | (33.8) |
| Other operating expenses | 62.3 | 8.1 | 58.8 | 8.0 | 3.5 | 6.0 |
| Total operating expenses | 722.4 | 93.5 | 658.9 | 89.6 | 63.5 | 9.6 |
| Income from operations | $ 50.4 | 6.5 % | $ 76.1 | 10.4 % | $ (25.7) | (33.8)% |

[1] Includes revenues and operating expenses from the acquisition of FSA and Linn Star, which were acquired in April 2019 and January 2020, respectively. FSA results are partially included in the prior period. Linn Star results are not included in the prior period.

[2] Network revenue is comprised of all revenue, including linehaul, pickup and/or delivery, and fuel surcharge revenue, excluding accessorial, Truckload and Final Mile revenue.

Note: Prior period balances have been adjusted to conform with the Company's revised segment reporting classification. See additional discussion in Management’s Discussion and Analysis of Financial Condition and Results of Operations in our 2019 Annual Report on Form 10-K and in Note 14, *Segment Reporting*, to our Consolidated Financial Statements.

**Expedited Freight Operating Statistics**

| | Nine months ended | | |
|---|---|---|---|
| | September 30, 2020 | September 30, 2019 (As Adjusted) | Percent Change |
| Business days | 192 | 191 | 0.5 % |
| Tonnage [1,2] | | | |
| Total pounds | 1,728,181 | 1,837,200 | (5.9) |
| Pounds per day | 9,001 | 9,619 | (6.4) |
| Shipments [1,2] | | | |
| Total shipments | 2,866 | 2,921 | (1.9) |
| Shipments per day | 14.9 | 15.3 | (2.4) |
| Weight per shipment | 603 | 629 | (4.1) |
| Revenue per hundredweight [3] | $ 26.79 | $ 27.28 | (1.8) |
| Revenue per hundredweight, ex fuel [3] | 23.21 | 22.96 | 1.1 |
| Revenue per shipment [3] | $ 159 | 174 | (8.6) |
| Revenue per shipment, ex fuel [3] | 137 | 147 | (6.8) |
| Network revenue from door-to-door shipments as a percentage of network revenue [3,4] | 48.6 % | 39.7 % | 22.4 |
| Network gross margin [5] | 51.2 % | 55.3 % | (7.4) |

[1] In thousands
[2] Excludes accessorial, full Truckload and Final Mile products
[3] Includes intercompany revenue between the Network and Truckload revenue streams
[4] Door-to-door shipments include all shipments with a pickup and/or delivery
[5] Network revenue less Network purchased transportation as a percentage of Network revenue

***Revenues***

Expedited Freight operating revenue increased $37.8 million, or 5.1%, to $772.8 million from $735.0 million for the nine months ended September 30, 2020. The increase was due to increased final mile revenue of $91.9 million, partially offset by decreases in network, truckload and other revenue. Final mile revenue increased primarily due to the acquisition of FSA in April 2019 and Linn Star in January 2020. Network revenue decreased $47.6 million due to a 5.9% decrease in tonnage, a 1.9% decrease in shipments and a 1.8% decrease in revenue per hundredweight over prior year. The decrease in tonnage and shipments was primarily due to the impact of COVID-19, discussed above. The decrease in revenue per hundredweight was due to decreased shipment size and rates. In addition, fuel surcharge revenue decreased $16.4 million, or 21.0%, due to declining fuel prices and decreased tonnage. Truckload revenue decreased by $5.2 million primarily due to a decrease in revenue per mile driven by rate pressures from both spot market and contract rate customers. Other revenue, which includes warehousing and terminal handling, decreased $1.3 million due to the lower linehaul tonnage and shipment counts

***Purchased Transportation***

Expedited Freight purchased transportation increased $45.9 million, or 12.4%, to $416.3 million for the nine months ended September 30, 2020 from $370.4 million for the nine months ended September 30, 2019. Purchased transportation was 53.9% of Expedited Freight operating revenue for the nine months ended September 30, 2020 compared to 50.4% for the same period in 2019. Expedited Freight purchased transportation includes owner operators and third party carriers, while Company-employed drivers are included in salaries, wages and benefits. The increase in purchased transportation as a percentage of revenue was mostly due to an increase in final mile purchased transportation due to the acquisitions of FSA and Linn Star. This increase was partially offset by a 2.1% reduction in linehaul cost per mile due to increased utilization of owner-operators and Company-employed drivers over more costly third-party transportation providers.

***Salaries, Wages, and Benefits***

Expedited Freight salaries, wages and employee benefits increased by $11.1 million, or 7.5%, to $160.0 million for the nine months ended September 30, 2020 from $148.9 million for the nine months ended September 30, 2019. Salaries, wages and employee benefits were 20.7% of Expedited Freight's operating revenue for the nine months ended September 30, 2020 compared to 20.3% for the same period in 2019. The increase in expense was primarily due to a $16.1 million increase due to the acquisitions of FSA and Linn Star. An additional $2.1 million increase was primarily related to credits for group health insurance premiums received in the prior year. These increases were partially offset by cost-control measures and operating efficiencies.

***Operating Leases***

Expedited Freight operating leases increased $5.7 million, or 16.4%, to $40.4 million for the nine months ended September 30, 2020 from $34.7 million for the nine months ended September 30, 2019. Operating leases were 5.2% of Expedited Freight operating revenue for the nine months ended September 30, 2020 compared to 4.7% for the same period in 2019. The increase in expense was primarily due to a $5.0 million increase in facility leases mostly from additional facilities acquired from FSA and Linn Star and a $1.0 million increase in tractor rentals and leases to correspond with increased Company-employed driver usage. These increases were partially offset by a $0.4 million decrease in trailer rentals and leases, as old leases were replaced with purchased trailers.

***Depreciation and Amortization***

Expedited Freight depreciation and amortization decreased $1.2 million, or 5.6%, to $20.2 million for the nine months ended September 30, 2020 from $21.4 million for the nine months ended September 30, 2019. Depreciation and amortization was 2.6% of Expedited Freight operating revenue for the nine months ended September 30, 2020 compared to 2.9% for the same period in 2019. The decrease in expense was primarily due to a $3.7 million decrease in trailer depreciation for the nine months ended September 30, 2020 compared to the same period in 2019 primarily related to extending the useful lives of its trailers from seven to ten years in the third quarter of 2019. See additional discussion in Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2019 Annual Report on Form 10-K. This decrease was partially offset by $2.2 million of increased amortization of acquired intangibles from the acquisitions of FSA and Linn Star.

***Insurance and Claims***

Expedited Freight insurance and claims increased $1.1 million, or 6.5%, to $18.1 million for the nine months ended September 30, 2020 from $17.0 million for the nine months ended September 30, 2019. Insurance and claims were 2.3% of Expedited Freight operating revenue for the nine months ended September 30, 2020 compared to 2.3% for the same period in 2019. The increase in expense was primarily attributable to an increase in vehicle insurance premiums, offset by favorable claims. See additional discussion over the consolidated increase in self-insurance reserves related to vehicle claims in the "Other operations" section below.

***Fuel Expense***

Expedited Freight fuel expense decreased $2.6 million, or 33.8%, to $5.1 million for the nine months ended September 30, 2020 from $7.7 million for the nine months ended September 30, 2019. Fuel expense was 0.7% of Expedited Freight operating revenue for the nine months ended September 30, 2020 compared to 1.0% for the same period in 2019. Expedited Freight fuel expenses decreased due to lower fuel prices.

***Other Operating Expenses***

Expedited Freight other operating expenses increased $3.5 million, or 6.0%, to $62.3 million for the nine months ended September 30, 2020 from $58.8 million for the nine months ended September 30, 2019. Other operating expenses were 8.1% of Expedited Freight operating revenue for the nine months ended September 30, 2020 compared to 8.0% for the same period in 2019. Other operating expenses included equipment maintenance, terminal and office expenses, legal and professional fees and other over-the-road costs. The increase in expense was primarily attributable to a $6.1 million increase in parts costs for final mile installations and increased terminal and office expenses due to the acquisitions of FSA and Linn Star. These increases were offset by a $3.0 million decrease in the fair value of the earn-out liability from the FSA acquisition due to the timing of expected new customer wins.

***Income from Operations***

Expedited Freight income from operations decreased $25.7 million, or 33.8%, to $50.4 million for the nine months ended September 30, 2020 compared to $76.1 million for the nine months ended September 30, 2019. Income from operations was 6.5% of Expedited Freight operating revenue for the nine months ended September 30, 2020 compared to 10.4% for the same period in 2019. The decrease in income from operations was primarily due to lower tonnage, shipments and revenue per hundredweight due to the impact of COVID-19. In addition, the decrease was due to additional costs from the acquisitions of FSA and Linn Star, as they continue to be integrated into the Expedited Freight segment. Margin deterioration was partially offset by increased utilization of owner-operators over more costly third-party transportation providers.

***Intermodal - Nine Months Ended September 30, 2020 compared to Nine Months Ended September 30, 2019***

The following table sets forth the historical financial data of our Intermodal segment for the nine months ended September 30, 2020 and 2019 (in millions):

**Intermodal Segment Information**
**(In millions)**
**(Unaudited)**

| | Nine months ended | | | | | |
|---|---|---|---|---|---|---|
| | September 30, 2020 [1] | Percent of Revenue | September 30, 2019 | Percent of Revenue | Change | Percent Change |
| Operating revenue | $ 147.8 | 100.0 % | $ 163.0 | 100.0 % | $ (15.2) | (9.3)% |
| Operating expenses: | | | | | | |
| Purchased transportation | 50.3 | 34.0 | 57.5 | 35.3 | (7.2) | (12.5) |
| Salaries, wages and employee benefits | 36.3 | 24.6 | 39.4 | 24.2 | (3.1) | (7.9) |
| Operating leases | 12.4 | 8.4 | 12.1 | 7.4 | 0.3 | 2.5 |
| Depreciation and amortization | 7.6 | 5.1 | 6.3 | 3.9 | 1.3 | 20.6 |
| Insurance and claims | 5.8 | 3.9 | 4.9 | 3.0 | 0.9 | 18.4 |
| Fuel expense | 4.2 | 2.8 | 5.6 | 3.4 | (1.4) | (25.0) |
| Other operating expenses | 18.3 | 12.4 | 18.9 | 11.6 | (0.6) | (3.2) |
| Total operating expenses | 134.9 | 91.3 | 144.7 | 88.8 | (9.8) | (6.8) |
| Income from operations | $ 12.9 | 8.7 % | $ 18.3 | 11.2 % | $ (5.4) | (29.5)% |

[1] Includes revenues and operating expenses from the acquisition of OST, which was acquired in July 2019 (and is partially included in the prior period)

**Intermodal Operating Statistics**

| | Nine months ended | | |
|---|---|---|---|
| | September 30, 2020 | September 30, 2019 | Percent Change |
| Drayage shipments | 225,954 | 235,911 | (4.2)% |
| Drayage revenue per shipment | $ 556 | $ 598 | (7.0)% |
| Number of locations | 24 | 21 | 14.3 % |

***Revenues***

Intermodal operating revenue decreased $15.2 million, or 9.3%, to $147.8 million for the nine months ended September 30, 2020 from $163.0 million for the same period in 2019. The decrease in operating revenue was primarily attributable to a 7.0% decrease in drayage revenue per shipment over prior year due in part to $3.1 million of lower rail storage revenue, decreased fuel surcharge revenue due to lower fuel prices and a decrease in linehaul shipments. These decreases were partially offset by a $2.1 million increase from per diem revenue.

***Purchased Transportation***

Intermodal purchased transportation decreased $7.2 million, or 12.5%, to $50.3 million for the nine months ended September 30, 2020 from $57.5 million for the nine months ended September 30, 2019. Purchased transportation was 34.0% of Intermodal operating revenue for the nine months ended September 30, 2020 compared to 35.3% for the same period in 2019. Intermodal purchased transportation includes owner operators and third party carriers, while Company-employed drivers are included in salaries, wages and benefits. The decrease in Intermodal purchased transportation as a percentage of revenue was due to operating efficiencies.

***Salaries, Wages, and Benefits***

Intermodal salaries, wages and employee benefits decreased $3.1 million, or 7.9%, to $36.3 million for the nine months ended September 30, 2020 compared to $39.4 million for the nine months ended September 30, 2019. Salaries, wages and employee benefits were 24.6% of Intermodal operating revenue for the nine months ended September 30, 2020 compared to 24.2% for the same period in 2019. The decrease in expense was primarily due to cost-control measures in response to COVID-19.

***Operating Leases***

Intermodal operating leases increased $0.3 million, or 2.5%, to $12.4 million for the nine months ended September 30, 2020 from $12.1 million for the nine months ended September 30, 2019. Operating leases were 8.4% of Intermodal operating revenue for the nine months ended September 30, 2020 compared to 7.4% for the same period in 2019. The increase in expense was primarily due to a $0.3 million increase in facility leases mostly due to additional facilities acquired from OST.

***Depreciation and Amortization***

Intermodal depreciation and amortization increased $1.3 million, or 20.6%, to $7.6 million for the nine months ended September 30, 2020 from $6.3 million for the nine months ended September 30, 2019. Depreciation and amortization was 5.1% of Intermodal operating revenue for the nine months ended September 30, 2020 compared to 3.9% for the same period in 2019. The increase in depreciation and amortization was due to a $0.9 million increase in depreciation of equipment partly due to the equipment acquired from OST. The increase was also attributable to a $0.4 million increase in amortization of acquired intangibles.

***Insurance and Claims***

Intermodal insurance and claims increased $0.9 million, or 18.4%, to $5.8 million for the nine months ended September 30, 2020 from $4.9 million for the nine months ended September 30, 2019. Insurance and claims were 3.9% of Intermodal operating revenue for the nine months ended September 30, 2020 compared to 3.0% for the same period in 2019. The increase in Intermodal insurance and claims was primarily due to an increase in insurance premiums. See additional discussion over the consolidated increase in self-insurance reserves related to vehicle claims in the "Other operations" section below.

***Fuel Expense***

Intermodal fuel expense decreased $1.4 million, or 25.0%, to $4.2 million for the nine months ended September 30, 2020 from $5.6 million for the nine months ended September 30, 2019. Fuel expense was 2.8% of Intermodal operating revenue for the nine months ended September 30, 2020 compared to 3.4% for the same period in 2019. Intermodal fuel expense decreased due to lower fuel prices.

***Other Operating Expenses***

Intermodal other operating expenses decreased $0.6 million, or 3.2%, to $18.3 million for the nine months ended September 30, 2020 compared to $18.9 million for the nine months ended September 30, 2019. Other operating expenses were 12.4% of Intermodal operating revenue for the nine months ended September 30, 2020 compared to 11.6% from the same period in 2019. The decrease in Intermodal other operating expenses was primarily due to strong cost controls.

***Income from Operations***

Intermodal income from operations decreased by $5.4 million, or 29.5%, to $12.9 million for the nine months ended September 30, 2020 compared to $18.3 million for the nine months ended September 30, 2019. Income from operations was 8.7% of Intermodal operating revenue for the nine months ended September 30, 2020 compared to 11.2% for the same period in 2019. The deterioration in operating income was primarily attributable to losing leverage on fixed costs such as salaries, wages and benefits, operating leases, depreciation and amortization and insurance due to the impact of COVID-19.

***Other Operations - Nine Months Ended September 30, 2020 compared to Nine Months Ended September 30, 2019***

Other operating activity was a $10.1 million operating loss during the nine months ended September 30, 2020 and a $12.6 million operating loss during the nine months ended September 30, 2019. The nine months ended September 30, 2020 included increased self-insurance reserves for vehicle and workers' compensation claims of $4.2 million and $1.1 million, respectively. These increases were primarily due to increases to our loss development factors for prior quarter claims. The remaining loss was primarily attributable to a $2.3 million litigation reserve, severance of $1.0 million, $0.7 million in share based compensation and $0.8 million of corporate costs previously allocated to the Pool segment that are not part of the discontinued operation. These costs represent corporate costs that will remain with the Company after the Pool business is divested.

The $12.6 million operating loss for the nine months ended September 30, 2019 was primarily due to increased self-insurance reserves for vehicle and workers' compensation claims of $7.8 million and $0.7 million, respectively. The increase in vehicle liability reserves was primarily due to a $6.5 million vehicle claim reserve for unfavorable development of second quarter 2019 claims. The remaining loss was attributed to $1.8 million in costs related to the CEO transition, including retention shares, and $1.1 million of corporate costs previously allocated to the Pool segment that are not part of the discontinued operation.

***Critical Accounting Policies***

Our unaudited consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (“GAAP”). The preparation of financial statements in accordance with GAAP requires our management to make estimates and assumptions that affect the amounts reported in the unaudited consolidated financial statements and accompanying notes. The Company’s critical accounting policies have not changed from those described under the caption “Discussion of Critical Accounting Policies” in Management’s Discussion and Analysis of Financial Condition and Results of Operations in our 2019 Annual Report on Form 10-K with the exception of the presentation of Pool's assets and liabilities as held for sale in the Consolidated Balance Sheets and Pool's results of operations presented as discontinued operations in the Consolidated Statements of Comprehensive Income. For further discussion on for sale and discontinued operations, see “Note 4, *Discontinued Operations and Held for Sale*.

***Impact of Recent Accounting Pronouncements***

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326), which replaces the incurred loss methodology previously employed to measure credit losses for most financial assets and requires the use of a forward-looking expected loss model. Under current accounting guidance, credit losses are recognized when it is probable a loss has been incurred. The updated guidance will require financial assets to be measured at amortized costs less a reserve, equal to the net amount expected to be collected. This standard is effective for annual periods beginning after December 15, 2019, including interim periods within those fiscal years, with early adoption permitted. The Company adopted this standard as of January 1, 2020, which resulted in the Company revising its allowance for doubtful accounts policy on a prospective basis. The adoption of this standard did not have a material impact on the Company's financial statements. See Note 2, *Recent Accounting Pronouncements*, for additional discussion over this new standard.

***Liquidity and Capital Resources***

We have historically financed our working capital needs, including capital expenditures, with cash flows from operations and borrowings under our bank lines of credit. To improve our financial flexibility, we executed a $75.0 million amendment to increase this line on April 16, 2020 to $225.0 million. However, we continue to generate strong cash flows, and as a result, paid down $20.0 million on our credit facility on September 21, 2020. In addition, we deferred payroll and federal and state income tax payments as allowed by the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, which resulted in an approximately $5 million cash flow benefit for the second quarter of 2020 and is expected to result in an approximately $8 million cash flow benefit for 2020. This includes cash flow benefits for the Company as a whole, including cash flows related to discontinued operations. Note that payroll taxes may be deferred for all of 2020, while federal and state income tax payments were only permitted to be deferred for the second quarter of 2020 and were due and payable on or before July 15, 2020. In addition, we took advantage of employee retention credits as allowed by the CARES Act of $0.8 million, which primarily benefited our discontinued operations in the second quarter of 2020. At this time, the Company does not expect any liquidity issues or inability in meeting its financial obligations.

As of September 30, 2020, the Company had $43.0 million in cash, which is approximately two times its target cash levels. As a result, we do not believe we have had significant limitations on accessing capital despite the current environment. Further, the Company is in compliance with all debt covenants as of September 30, 2020. In addition, the Company's accounts receivables are stable and there are no known collection issues from its key customers as of September 30, 2020. There are also no customer or vendor concentration risks for which the loss of the applicable relationship would have a significant impact to the Company's cash flows from operations. See additional discussion in Item 1A, *Risk Factors.*

*Nine Months Ended September 30, 2020 Cash Flows compared to Nine Months Ended September 30, 2019 Cash Flows*

Continuing Operations

Net cash provided by continuing operating activities was approximately $80.5 million for the nine months ended September 30, 2020 compared to approximately $107.8 million for the nine months ended September 30, 2019. The $27.3 million decrease in cash provided by continuing operating activities was mainly attributable to a $27.6 million decrease in continuing net earnings after consideration of non-cash items.

Net cash used in continuing investing activities was approximately $71.0 million for the nine months ended September 30, 2020 compared to approximately $60.5 million during the nine months ended September 30, 2019. Continuing investing activities during the nine months ended September 30, 2020 included the acquisition of Linn Star for $55.9 million. Continuing investing activities for the nine months ended September 30, 2019 included the acquisitions of FSA for $27.0 million and OST for $12.0 million. In addition, the nine months ended September 30, 2020 included net capital expenditures of $15.0 million, of which approximately $9.8 million related to an organic investment to expand the capacity of the Company's national hub in Columbus, Ohio (CMH), which the Company announced on July 27, 2020. The nine months ended September 30, 2019 included net capital expenditures of $21.5 million primarily for new trailers, information technology and facility equipment. The proceeds from disposal of property and equipment during the nine months ended September 30, 2020 and 2019 were primarily from sales of older tractors and trailers.

Net cash used in continuing financing activities was approximately $31.3 million for the nine months ended September 30, 2020 compared to net cash used in continuing financing activities of $38.1 million for the nine months ended September 30, 2019. The $6.8 million increase in cash used in continuing financing activities was attributable to a $20.0 million repayment on the revolving credit facility, a $15.3 million increase in distributions to a subsidiary held for sale (Pool), the $5.3 million payment on the FSA earn-out and a $0.6 million decrease in proceeds from share-based award activity. The increases in cash used were partially offset by a $45.0 million increase in borrowings on the revolving credit facility and a $2.7 million decrease in the repurchase of common stock.

Discontinued Operations

Net cash used in discontinued operating activities was approximately $8.1 million for the nine months ended September 30, 2020 compared to net cash provided by discontinued operating activities was approximately $9.9 million for the nine months ended September 30, 2019. The $18.0 million decrease in cash provided by discontinued operating activities was primarily attributable to a decrease in discontinued net earnings after consideration of non-cash items.

Net cash used in discontinued investing activities was approximately $0.8 million for the nine months ended September 30, 2020 compared to approximately $3.5 million during the nine months ended September 30, 2019. The $2.7 million decrease in cash used in discontinued operations was due to changes in net capital expenditures primarily for trailers and facility equipment. Proceeds from disposal of property and equipment during the nine months ended September 30, 2020 and 2019 were primarily from sales of older tractors and trailers.

Net cash provided by discontinued financing activities was approximately $8.9 million for the nine months ended September 30, 2020 compared to net cash used in discontinued financing activities of $6.5 million for the nine months ended September 30, 2019. The $15.3 million increase in cash provided by discontinued financing activities was attributable to contributions from the parent as discussed above.

*Credit Facility*

See Note 7, *Senior Credit Facility*, to our Consolidated Financial Statements for a discussion of the senior credit facility.

*Share Repurchases*

See Note 12, *Shareholders' Equity*, to our Consolidated Financial Statements for a discussion of our share repurchases and dividends during the period.

*Forward-Looking Statements*

This report contains “forward-looking statements,” as defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are statements other than historical information or statements of current condition and relate to future events or our future financial performance. In this Form 10-Q, forward-looking statements include, but are not limited to, any statements regarding the impact of the COVID-19 pandemic on our business, results of operations and financial condition, including the impacts on our LTL, Intermodal and Pool businesses, our ability to emerge as a stronger LTL competitor, our pursuit of new revenue opportunities and steps to bolster our liquidity; any projections of earnings, revenues, dividends, or other financial items or methods of interpretation or measurement; any statements of plans, strategies, and objectives of management for future operations, including, without limitation, future plans for the divestiture of our Pool business; any statements regarding future performance; any statements regarding future insurance, claims and litigation and any associated estimates or projections; any statements concerning proposed or intended new services or developments and related integration costs; any statements regarding intended expansion through acquisition or greenfield start-ups; any statements regarding future economic conditions or performance based on our business strategy, including acquisitions; any statements related to our ESG and sustainability initiatives and operations; any statements regarding certain tax and accounting matters, including the impact on our financial statements; and any statements of belief and any statements of assumptions underlying any of the foregoing. Some forward-looking statements may be identified by use of such terms as “believes,” “anticipates,” “intends,” “plans,” “estimates,” “projects” or “expects.” Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The following is a list of factors, among others, that could cause actual results to differ materially from those contemplated by the forward-looking statements: economic factors such as recessions, inflation, higher interest rates and downturns in customer business cycles, the impact of the COVID-19 pandemic on our business, results of operations and financial condition, the creditworthiness of our customers and their ability to pay for services rendered, more limited liquidity than expected which limits our ability to make key investments, the availability and compensation of qualified independent owner-operators and freight handlers as well as contracted, third-party carriers needed to serve our customers’ transportation needs, the inability of our information systems to handle an increased volume of freight moving through our network, changes in fuel prices, our inability to maintain our historical growth rate because of a decreased volume of freight or decreased average revenue per pound of freight moving through our network, loss of a major customer, increasing competition and pricing pressure, our ability to secure terminal facilities in desirable locations at reasonable rates, our inability to successfully integrate acquisitions, claims for property damage, personal injuries or workers’ compensation, enforcement of and changes in governmental regulations, environmental and tax matters, insurance matters, the handling of hazardous materials, the outcome and impact of the 2020 presidential election and the risks described in our Annual Report on Form 10-K for the year ended December 31, 2019. As a result of the foregoing, no assurance can be given as to future financial condition, cash flows or results of operations. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

Our exposure to market risk related to our outstanding debt is not significant and has not changed materially from the information provided in our 2019 Form 10-K.

**Item 4. Controls and Procedures.**

*Disclosure Controls and Procedures*

We maintain controls and procedures designed to ensure that we are able to collect the information required to be disclosed in the reports we file with the Securities and Exchange Commission ("SEC"), and to process, summarize and disclose this information within the time periods specified in the rules of the SEC. Based on an evaluation of our disclosure controls and procedures as of the end of the period covered by this report conducted by management, with the participation of the Chief Executive Officer and Chief Financial Officer, the Chief Executive Officer and Chief Financial Officer believe that these controls and procedures are effective to ensure that we are able to collect, process and disclose the information we are required to disclose in the reports we file with the SEC within the required time periods.

*Changes in Internal Control*

There were no changes in our internal control over financial reporting during the three months ended September 30, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Part II. Other Information**

**Item 1. Legal Proceedings.**

From time to time, we are a party to ordinary, routine litigation incidental to and arising in the normal course of our business, most of which involve claims for personal injury and property damage related to the transportation and handling of freight, or workers' compensation. We do not believe that any of these pending actions, individually or in the aggregate, will have a material adverse effect on our business, financial condition or results of operations.

**Item 1A. Risk Factors.**

Our business faces many risks and uncertainties that we cannot control. The risk factors described in "Part I, Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2019, as revised below, should be carefully considered, together with the other information contained or incorporated by reference in this Quarterly Report on Form 10-Q and in our other filings with the SEC, in connection with evaluating the Company, our business, and the forward-looking statements contained in this Quarterly Report on Form 10-Q. Other risks that we do not presently know about or that we presently believe are not material could also adversely affect us.

The risk factor described below updates the risk factors disclosed in "Part I, Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2019, to include additional information.

**The ongoing coronavirus outbreak, and measures taken in response thereto, could continue to have a material adverse effect on our business, results of operations and financial condition.**

Our business is highly susceptible to changes in economic conditions. Our products and services are directly tied to the production and sale of goods and, more generally, to the North American economy. The COVID-19 pandemic has adversely impacted economic activity and conditions worldwide and created significant volatility and disruption to financial markets. Efforts to control the spread of COVID-19 have led governments and other authorities to impose restrictions which have resulted in business closures and disrupted supply chains worldwide. As a result, transportation and supply chain companies such as ours have experienced slowdowns and reduced demand, and could continue to further negatively impact our business.

Furthermore, quarantines, shelter in place orders, labor shortages due to illness and otherwise, business and facility closures or other disruptions to our operations, or our customers' operations, have also adversely impacted demand for our services and our ability to provide services to our customers. We have seen deterioration in volumes across all of our segments given that the freight we move is typically not considered "essential" under current regulatory orders. Further or extended stay at home orders or closures could have a material negative impact on our revenues and earnings. If demand for our services increases and we are unable to hire qualified personnel due to labor shortages and other impacts of the COVID-19 outbreak, we would be unable to fulfill the increased demand for our services which could negatively impact our ability to increase revenue, cause harm to our reputation and have a material adverse impact on our operating results.

The extent to which the COVID-19 outbreak impacts our business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration, spread, severity and impact of the COVID-19 outbreak, the effects of the outbreak on our customers and suppliers and the remedial actions and stimulus measures adopted by local and federal governments, and to what extent normal economic and operating conditions can resume. In particular, the continued spread of COVID-19 and efforts to contain the virus could:

- continue to impact customer demand of the Company’s transportation services;
- cause the Company to experience an increase in costs as a result of the Company’s emergency measures, delayed payments from customers and uncollectable accounts;
- cause delays and disruptions in the supply chain resulting in disruptions in the commercial operation dates of certain projects; and
- cause other unpredictable events.

In addition, our results of operations may be materially affected by conditions in the credit and financial markets. Global credit and financial markets have experienced extreme volatility and disruptions as a result of COVID-19 including diminished liquidity and credit availability. Failure by us or our customers to secure any necessary financing in a timely manner and on favorable terms could have a material adverse effect on our growth strategy, financial performance and stock price and could require us to delay or abandon current or expected investments. In the event of a prolonged significant economic downturn which has a material negative impact on our earnings and free cash flow, we may not be able to comply with our financial covenant in our global revolving credit facility which, in the absence of a bank waiver, would negatively impact our ability to borrow under that facility and our liquidity position.

The situation surrounding COVID-19 remains fluid and may be further impacted by the outcome of the 2020 presidential election. Even after the COVID-19 outbreak has subsided, we may continue to experience materially adverse impacts to our business as a result of any economic recession or depression that has occurred or may occur in the future, and the potential for a material impact on the Company’s results of operations, financial condition, and liquidity increases the longer the virus impacts activity levels in the United States and globally. For this reason, we cannot reasonably estimate with any degree of certainty the future impact COVID-19 may have on the Company’s results of operations, financial position, and liquidity. The extent to which the COVID-19 pandemic may impact the Company’s business, operating results, financial condition, or liquidity will depend on future developments, including the duration of the outbreak, travel restrictions, business and workforce disruptions, and the effectiveness of actions taken to contain and treat the disease.

We periodically evaluate factors including, but not limited to, macroeconomic conditions, changes in our industry and the markets in which we operate and our market capitalization, as well as our reporting units’ expected future financial performance for purposes of evaluating asset impairments, including goodwill. We believe that the impact of COVID-19 will negatively affect certain key assumptions used in our analysis; however, we will need to assess the severity and nature of the long-term impacts to determine if we may be required to record charges for asset impairments in the future. At this time, it remains uncertain whether and to what extent we will need to record charges for impairments as a result of the recent and ongoing COVID-19 outbreak.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

**Issuer Purchases of Equity Securities**

Information regarding repurchases of our shares during the third quarter of 2020 is as follows:

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1) | Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (1) |
|---|---|---|---|---|
| July 1-31 2020 | — | $ — | — | 3,886,950 |
| August 1-31, 2020 | 320,291 | 57.51 | 320,291 | 3,566,659 |
| September 1-30, 2020 | 198,208 | 58.57 | 198,208 | 3,368,451 |
| Total | 518,499 | $ 57.94 | 518,499 | 3,368,451 |

(1) On February 5, 2019, the Board of Directors canceled the Company's remaining 2016 share repurchase authorization and approved a share repurchase authorization for up to 5.0 million shares of the Company's common shares that shall remain in effect until such time as the shares authorized for repurchase are exhausted or until earlier terminated.

## Item 3. Defaults Upon Senior Securities.

Not applicable.

## Item 4. Mine Safety Disclosures.

Not applicable.

## Item 5. Other Information.

On July 28, 2020, the Company entered into an amended and restated consulting agreement with Matthew J. Jewell, one of its former executive officers, effective July 1, 2020 and expiring December 31, 2020 unless earlier terminated (the "Consulting Agreement"). The Consulting Agreement amended and restated, in its entirety, a consulting agreement between Mr. Jewell and the Company dated June 14, 2020. The Consulting Agreement is automatically renewed for successive 30-day periods unless (i) either party provides written notice of non-renewal at least five days prior to the end of the expiring term or (ii) the Consulting Agreement has been earlier terminated. Pursuant to the Consulting Agreement, Mr. Jewell will provide certain consulting services to the Company and will receive a monthly fee of $20,000. Additionally, the Company will pay Mr. Jewell an acquisition fee relating to completed acquisitions on which Mr. Jewell advised the Company in accordance with the terms and conditions set forth in the Consulting Agreement. Mr. Jewell will continue to be subject to the restrictive covenants set forth in his existing Participation and Restrictive Covenants Agreement, dated May 31, 2019, until the later of (i) June 30, 2021 or (ii) six months following the end of the consulting period. Pursuant to the Consulting Agreement, the time period for Mr. Jewell to exercise his vested stock options shall extend to the earlier of (i) the termination of the Consulting Agreement or (ii) the original term of each vested stock option as provided in the applicable stock option agreement; provided, however, that in no event will the exercise period for any vested stock option expire prior to September 28, 2020.

**Item 6. Exhibits.**

In accordance with SEC Release No. 33-8212, Exhibits 32.1 and 32.2 are to be treated as “accompanying” this report rather than “filed” as part of the report.

| No. | Exhibit |
|---|---|
| 3.1 | Restated Charter of the registrant (incorporated herein by reference to Exhibit 3 to the registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 28, 1999 (File No. 0-22490)) |
| 3.2 | Amended and Restated Bylaws of the registrant (incorporated herein by reference to Exhibit 3.1 to the registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on July 31, 2017 (File No. 0-22490)) |
| 10.1 | Amended and Restated Consulting Agreement effective July 28, 2020, between Forward Air Corporation and Matthew J. Jewell(incorporated herein by reference to Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2020, filed with the Securities and Exchange Commission on July 31, 2020 (File No. 0-22490)) |
| 31.1 | Certification of Chief Executive Officer Pursuant to Exchange Act Rule 13a-14(a) (17 CFR 240.13a-14(a)) |
| 31.2 | Certification of Chief Financial Officer Pursuant to Exchange Act Rule 13a-14(a) (17 CFR 240.13a-14(a)) |
| 32.1 | Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2 | Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101.INS | 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 |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase |
| 104 | Cover Page Interactive File (formatted in Inline XBRL and contained in Exhibit 101). |

**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 thereunto duly authorized.

| | |
|---|---|
| | Forward Air Corporation |
| Date: October 30, 2020 | By: /s/ Michael J. Morris |
| | Michael J. Morris<br>Chief Financial Officer and Treasurer<br>(Principal Financial Officer and Duly Authorized Officer) |

**Exhibit 31.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**
**PURSUANT TO EXCHANGE ACT RULE 13a-14(a) (17 CFR 240.13a-14(a))**

I, Tom Schmitt, certify that:

1 I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2020 of Forward Air Corporation;

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: October 30, 2020

/s/ Tom Schmitt

Tom Schmitt
President and Chief Executive Officer

**Exhibit 31.2**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**
**PURSUANT TO EXCHANGE ACT RULE 13a-14(a) (17 CFR 240.13a-14(a))**

I, Michael J. Morris, certify that:

1 I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2020 of Forward Air Corporation;

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: October 30, 2020

/s/ Michael J. Morris

Michael J. Morris
Chief Financial Officer and Treasurer

**Exhibit 32.1**

**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 on Form 10Q of Forward Air Corporation (the “Company”) for the period ended September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Tom Schmitt, 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:

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.

Date: October 30, 2020

/s/ Tom Schmitt
Tom Schmitt
President and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Forward Air Corporation and will be retained by Forward Air Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

**Exhibit 32.2**

**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 on Form 10Q of Forward Air Corporation (the “Company”) for the period ended September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael J. Morris, Chief Financial 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:

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.

Date: October 30, 2020

/s/ Michael J. Morris

Michael J. Morris
Chief Financial Officer and Treasurer

A signed original of this written statement required by Section 906 has been provided to Forward Air Corporation and will be retained by Forward Air Corporation and furnished to the Securities and Exchange Commission or its staff upon request.