
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): October 26, 2022

FORWARD AIR CORPORATION

(Exact name of registrant as specified in its charter)

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

000-22490

(Commission File Number)

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

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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 | NASDAQ |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

SECTION 2. FINANCIAL INFORMATION.

Item 2.02. Results of Operations and Financial Condition.

Attached as Exhibit 99.1 and incorporated herein by reference is a copy of a press release, dated October 26, 2022, announcing the financial results of Forward Air Corporation (the “Company”) for the three and nine months ended September 30, 2022.

The information in this Item 2.02, including Exhibit 99.1 attached hereto, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

SECTION 8. OTHER EVENTS.

Item 8.01. Other Events.

The Company’s Board of Directors has declared a quarterly cash dividend of \$0.24 per share of common stock. The dividend is payable to the Company’s shareholders of record at the close of business on November 23, 2022, and is expected to be paid on December 8, 2022.

SECTION 9. FINANCIAL STATEMENTS AND EXHIBITS.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits. The following exhibits are being furnished as part of this Report.

| No. | Exhibit |
|------------|--|
| 99.1 | Press Release of Forward Air Corporation, dated October 26, 2022 |
| 104 | Cover Page Interactive File (the cover page tags are embedded within the Inline XBRL document) |

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: October 26, 2022

FORWARD AIR CORPORATION
By: /s/ Thomas Schmitt
Thomas Schmitt
President and Chief Executive Officer



NEWS RELEASE

FORWARD AIR CORPORATION REPORTS THIRD QUARTER 2022 RESULTS

Third quarter all-time record reported revenue, income from operations and net income per diluted share

Guides record fourth quarter revenue and net income per diluted share

GREENEVILLE, Tenn.- (BUSINESS WIRE) - October 26, 2022 - Forward Air Corporation (NASDAQ:FWRD) (the “Company”, “we”, “our”, or “us”) today reported financial results for the three and nine months ended September 30, 2022 as presented in the tables below on a continuing operations basis.

Tom Schmitt, Chairman, President and CEO, commenting on third quarter results from continuing operations said, “Our third quarter reported revenue, net income and net income per diluted share represent the best third quarter financial performance in the Company’s history and each set all-time third quarter records. Our collaboration with customers on selecting, handling, and pricing higher quality freight led to our strong third quarter financial performance with our less-than-truckload line of business reporting continued improvement in revenue per shipment and revenue per hundredweight over the same period last year. Our reported net income per diluted share of \$1.93 exceeded the high end of our \$1.88 to \$1.92 guidance range, and our third quarter revenue growth of 22% came within the guidance range of 20% to 24%.”

Mr. Schmitt continued, “We are winning in a softer environment. While tonnage is down through the first few weeks of October, our performance levers work - from more live events business to near record low levels of outside miles. We therefore expect the fourth quarter to be more profitable than the third quarter, and 2023 net income per diluted share to be higher than 2022 net income per diluted share.”

In closing, Mr. Schmitt said, “I want to thank our employees and independent contractors for their remarkable efforts. Their commitment to Forward Air and its customers has been incredible.”

Regarding the Company’s fourth quarter 2022 continuing operations guidance, Rebecca J. Garbrick, CFO, said, “We expect our year-over-year revenue growth will be 7% to 11% and net income per diluted share to be between \$1.98 to \$2.02, compared to reported and adjusted net income per diluted share of \$1.40 in the fourth quarter of 2021.”

| Continuing Operations (in thousands, except per share data) | Three Months Ended | | | |
|--|-----------------------|-----------------------|-----------|----------------|
| | September 30, 2022 | September 30, 2021 | Change | Percent Change |
| Operating revenue | \$ 510,023 | \$ 419,625 | \$ 90,398 | 21.5 % |
| Income from operations | \$ 71,665 | \$ 42,476 | \$ 29,189 | 68.7 % |
| Operating margin | 14.1 % | 10.1 % | 400 bps | |
| Net income | \$ 52,133 | \$ 30,503 | \$ 21,630 | 70.9 % |
| Net income per diluted share | \$ 1.93 | \$ 1.12 | \$ 0.81 | 72.3 % |
| Cash provided by operating activities | \$ 83,994 | \$ 43,091 | \$ 40,903 | 94.9 % |
| <i>Non-GAAP Financial Measures: ¹</i> | | | | |
| Adjusted income from operations | \$ 71,665 | \$ 43,445 | \$ 28,220 | 65.0 % |
| Adjusted net income | \$ 52,133 | \$ 31,215 | \$ 20,918 | 67.0 % |
| Adjusted net income per diluted share | \$ 1.93 | \$ 1.14 | \$ 0.79 | 69.3 % |
| EBITDA | \$ 83,934 | \$ 51,892 | \$ 32,042 | 61.7 % |
| Free cash flow | \$ 77,922 | \$ 29,676 | \$ 48,246 | 162.6 % |

¹ Reconciliation of these non-GAAP financial measures are provided below the financial tables.

| Continuing Operations (in thousands, except per share data) | Nine Months Ended | | | |
|--|-----------------------|-----------------------|------------|----------------|
| | September 30, 2022 | September 30, 2021 | Change | Percent Change |
| Operating revenue | \$ 1,492,203 | \$ 1,202,498 | \$ 289,705 | 24.1 % |
| Income from operations | \$ 204,561 | \$ 107,324 | \$ 97,237 | 90.6 % |
| Operating margin | 13.7 % | 8.9 % | 480 bps | |
| Net income | \$ 150,249 | \$ 77,894 | \$ 72,355 | 92.9 % |
| Net income per diluted share | \$ 5.53 | \$ 2.83 | \$ 2.70 | 95.4 % |
| Cash provided by operating activities | \$ 196,814 | \$ 82,752 | \$ 114,062 | 137.8 % |
| <i>Non-GAAP Financial Measures: ¹</i> | | | | |
| Adjusted income from operations | \$ 204,267 | \$ 114,863 | \$ 89,404 | 77.8 % |
| Adjusted net income | \$ 150,029 | \$ 83,548 | \$ 66,481 | 79.6 % |
| Adjusted net income per diluted share | \$ 5.53 | \$ 3.03 | \$ 2.50 | 82.5 % |
| EBITDA | \$ 239,555 | \$ 135,391 | \$ 104,164 | 76.9 % |
| Free cash flow | \$ 172,836 | \$ 62,076 | \$ 110,760 | 178.4 % |

¹ Reconciliation of these non-GAAP financial measures are provided below the financial tables.

On October 25, 2022, our Board of Directors declared a quarterly cash dividend of \$0.24 per share of common stock. The dividend is payable to shareholders of record at the close of business on November 23, 2022 and is expected to be paid on December 8, 2022. This quarterly dividend is made pursuant to a cash dividend policy approved by the Board of Directors, which anticipates a total annual dividend of \$0.96 for the full year 2022, payable in quarterly increments of \$0.24 per share of common stock. The actual declaration of future cash dividends, and the establishment of record and payment dates, is subject to final determination by the Board of Directors each quarter after its review of the Company's financial performance and position.

The Board approved a strategy to divest the Pool Distribution business ("Pool") on April 23, 2020, and the sale of Pool was completed on February 12, 2021. Accordingly, the results of operations and cash flows for Pool have been presented as a discontinued operation and have been excluded from continuing operations in this release for all periods presented.

Review of Financial Results

Forward Air will hold a conference call to discuss third quarter 2022 results on Thursday, October 27, 2022 at 9:00 a.m. EDT. The Company's conference call will be available online on the Investor Relations portion of the Company's website at www.forwardaircorp.com, or by dialing (844) 291-5490, Access Code: 6420664.

A replay of the conference call will be available on the Investor Relations portion of the Company's website at www.forwardaircorp.com, which we use as a primary mechanism to communicate with our investors. Investors are urged to monitor the Investors Relations portion of the Company's website to easily find or navigate to current and pertinent information about us.

About Forward Air Corporation

Forward Air is a leading asset-light provider of transportation services across the United States and Canada. We provide expedited less-than-truckload ("LTL") services, including local pick-up and delivery, shipment consolidation/deconsolidation, warehousing, and customs brokerage by utilizing a comprehensive national network of terminals. In addition, we offer final mile services, including delivery of heavy-bulky freight, truckload brokerage services, including dedicated fleet services; and intermodal, first-and last-mile, high-value drayage services, both to and from seaports and railheads, dedicated contract and Container Freight Station warehouse and handling services. We are more than a transportation company. Forward is a single resource for your shipping needs. For more information, visit our website at www.forwardaircorp.com.

Forward Air Corporation
Condensed Consolidated Statements of Comprehensive Income
(Unaudited, in thousands, except per share data)

| | Three Months Ended | | Nine Months Ended | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2022 | September 30, 2021 | September 30, 2022 | September 30, 2021 |
| Operating revenue: | | | | |
| Expedited Freight | \$ 395,635 | \$ 341,557 | \$ 1,181,083 | \$ 997,478 |
| Intermodal | 114,421 | 78,173 | 311,272 | 205,820 |
| Eliminations and other operations | (33) | (105) | (152) | (800) |
| Operating revenues | 510,023 | 419,625 | 1,492,203 | 1,202,498 |
| Operating expenses: | | | | |
| Purchased transportation | 229,326 | 205,474 | 693,648 | 605,299 |
| Salaries, wages and employee benefits | 90,755 | 84,410 | 263,194 | 243,948 |
| Operating leases | 24,965 | 20,536 | 71,097 | 60,073 |
| Depreciation and amortization | 12,269 | 9,416 | 34,994 | 28,067 |
| Insurance and claims | 12,093 | 9,984 | 37,257 | 30,616 |
| Fuel expense | 6,772 | 4,457 | 20,951 | 12,218 |
| Other operating expenses | 62,178 | 42,872 | 166,501 | 114,953 |
| Total operating expenses | 438,358 | 377,149 | 1,287,642 | 1,095,174 |
| Income (loss) from continuing operations: | | | | |
| Expedited Freight | 56,304 | 34,636 | 167,091 | 93,854 |
| Intermodal | 16,610 | 8,712 | 43,005 | 21,607 |
| Other Operations | (1,249) | (872) | (5,535) | (8,137) |
| Income from continuing operations | 71,665 | 42,476 | 204,561 | 107,324 |
| Other expense: | | | | |
| Interest expense | (1,544) | (973) | (3,521) | (3,461) |
| Total other expense | (1,544) | (973) | (3,521) | (3,461) |
| Income before income taxes | 70,121 | 41,503 | 201,040 | 103,863 |
| Income tax expense | 17,988 | 11,000 | 50,791 | 25,969 |
| Net income from continuing operations | 52,133 | 30,503 | 150,249 | 77,894 |
| Loss from discontinued operation, net of tax | — | (6,967) | — | (12,500) |
| Net income and comprehensive income | \$ 52,133 | \$ 23,536 | \$ 150,249 | \$ 65,394 |
| Net income per share: | | | | |
| Basic net income (loss) per share | | | | |
| Continuing operations | \$ 1.94 | \$ 1.12 | \$ 5.56 | \$ 2.84 |
| Discontinued operation | — | (0.26) | — | (0.46) |
| Net income per basic share | \$ 1.94 | \$ 0.86 | \$ 5.56 | \$ 2.39 |
| Diluted net income (loss) per share | | | | |
| Continuing operations | \$ 1.93 | \$ 1.12 | \$ 5.53 | \$ 2.83 |
| Discontinued operation | — | (0.26) | — | (0.46) |
| Net income per diluted share | \$ 1.93 | \$ 0.86 | \$ 5.53 | \$ 2.37 |
| Dividends per share | \$ 0.24 | \$ 0.21 | \$ 0.72 | \$ 0.63 |

Expedited Freight Segment Information
(In thousands)
(Unaudited)

| | Three Months Ended | | | | | |
|---------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------|----------------|
| | September 30, 2022 | Percent of Revenue | September 30, 2021 | Percent of Revenue | Change | Percent Change |
| Operating revenue: | | | | | | |
| Network ¹ | \$ 240,482 | 60.8 % | \$ 199,360 | 58.4 % | \$ 41,122 | 20.6 % |
| Truckload | 55,607 | 14.1 | 53,651 | 15.7 | 1,956 | 3.6 |
| Final Mile | 76,822 | 19.4 | 71,355 | 20.9 | 5,467 | 7.7 |
| Other | 22,724 | 5.7 | 17,191 | 5.0 | 5,533 | 32.2 |
| Total operating revenue | 395,635 | 100.0 | 341,557 | 100.0 | 54,078 | 15.8 |
| Operating expenses: | | | | | | |
| Purchased transportation | 200,783 | 50.7 | 182,596 | 53.5 | 18,187 | 10.0 |
| Salaries, wages and employee benefits | 71,543 | 18.1 | 65,898 | 19.3 | 5,645 | 8.6 |
| Operating leases | 15,819 | 4.0 | 14,687 | 4.3 | 1,132 | 7.7 |
| Depreciation and amortization | 8,140 | 2.1 | 6,784 | 2.0 | 1,356 | 20.0 |
| Insurance and claims | 9,196 | 2.3 | 8,074 | 2.4 | 1,122 | 13.9 |
| Fuel expense | 2,873 | 0.7 | 2,225 | 0.7 | 648 | 29.1 |
| Other operating expenses | 30,977 | 7.8 | 26,657 | 7.8 | 4,320 | 16.2 |
| Total operating expenses | 339,331 | 85.8 | 306,921 | 89.9 | 32,410 | 10.6 |
| Income from operations | <u>\$ 56,304</u> | <u>14.2 %</u> | <u>\$ 34,636</u> | <u>10.1 %</u> | <u>\$ 21,668</u> | <u>62.6 %</u> |

¹ Network revenue is comprised of all revenue, including linehaul, pickup and/or delivery, and fuel surcharge revenue, excluding accessorial, Truckload and Final Mile revenue.

| Expedited Freight Operating Statistics | | | |
|---|-----------------------|-----------------------|----------------|
| | Three Months Ended | | |
| | September 30, 2022 | September 30, 2021 | Percent Change |
| Business days | 64 | 64 | — % |
| Tonnage ^{1,2} | | | |
| Total pounds | 698,004 | 687,816 | 1.5 |
| Pounds per day | 10,906 | 10,747 | 1.5 |
| Shipments ^{1,2} | | | |
| Total shipments | 916 | 845 | 8.4 |
| Shipments per day | 14.3 | 13.2 | 8.3 |
| Weight per shipment | 762 | 814 | (6.4) |
| Revenue per hundredweight ³ | \$ 34.70 | \$ 29.32 | 18.3 |
| Revenue per hundredweight, ex fuel ³ | \$ 26.05 | \$ 24.34 | 7.0 |
| Revenue per shipment ³ | \$ 264.30 | \$ 238.68 | 10.7 |
| Revenue per shipment, ex fuel ³ | \$ 198.39 | \$ 198.18 | 0.1 |

¹ In thousands

² Excludes accessorial, Truckload and Final Mile products

³ Includes intercompany revenue between the Network and Truckload revenue streams

Intermodal Segment Information
(In thousands)
(Unaudited)

| | Three Months Ended | | | | | |
|---------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|---------------|----------------|
| | September 30, 2022 | Percent of Revenue | September 30, 2021 | Percent of Revenue | Change | Percent Change |
| Operating revenue | \$ 114,421 | 100.0 % | \$ 78,173 | 100.0 % | \$ 36,248 | 46.4 % |
| Operating expenses: | | | | | | |
| Purchased transportation | 28,610 | 25.0 | 22,984 | 29.4 | 5,626 | 24.5 |
| Salaries, wages and employee benefits | 17,945 | 15.7 | 17,596 | 22.5 | 349 | 2.0 |
| Operating leases | 9,146 | 8.0 | 5,856 | 7.5 | 3,290 | 56.2 |
| Depreciation and amortization | 4,129 | 3.6 | 2,616 | 3.3 | 1,513 | 57.8 |
| Insurance and claims | 2,241 | 2.0 | 2,708 | 3.5 | (467) | (17.2) |
| Fuel expense | 3,899 | 3.4 | 2,231 | 2.9 | 1,668 | 74.8 |
| Other operating expenses | 31,841 | 27.8 | 15,470 | 19.8 | 16,371 | 105.8 |
| Total operating expenses | 97,811 | 85.5 | 69,461 | 88.9 | 28,350 | 40.8 |
| Income from operations | \$ 16,610 | 14.5 % | \$ 8,712 | 11.1 % | \$ 7,898 | 90.7 % |

Intermodal Operating Statistics

| | Three Months Ended | | |
|------------------------------|-----------------------|-----------------------|----------------|
| | September 30, 2022 | September 30, 2021 | Percent Change |
| Drayage shipments | 89,236 | 91,774 | (2.8)% |
| Drayage revenue per shipment | \$ 1,203 | \$ 742 | 62.1 % |

Forward Air Corporation
Condensed Consolidated Balance Sheets
(In thousands)
(Unaudited)

| | September 30, 2022 | December 31, 2021 |
|--|-----------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 46,846 | \$ 37,316 |
| Accounts receivable, net | 247,730 | 208,085 |
| Other receivables, net | — | 8,097 |
| Other current assets | 18,391 | 29,309 |
| Total current assets | <u>312,967</u> | <u>282,807</u> |
| Property and equipment, net | 230,924 | 219,095 |
| Operating lease right-of-use assets | 147,283 | 148,198 |
| Goodwill | 288,496 | 266,752 |
| Other acquired intangibles, net | 155,161 | 154,717 |
| Other assets | 51,228 | 46,254 |
| Total assets | <u>\$ 1,186,059</u> | <u>\$ 1,117,823</u> |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 50,666 | \$ 44,837 |
| Accrued expenses | 67,980 | 61,621 |
| Other current liabilities | 4,411 | 4,614 |
| Current portion of debt and finance lease obligations | 7,891 | 6,088 |
| Current portion of operating lease liabilities | 48,611 | 47,532 |
| Total current liabilities | <u>179,559</u> | <u>164,692</u> |
| Finance lease obligations, less current portion | 11,134 | 9,571 |
| Long-term debt, less current portion and debt issuance costs | 106,934 | 155,466 |
| Operating lease liabilities, less current portion | 102,889 | 101,409 |
| Other long-term liabilities | 57,476 | 49,624 |
| Deferred income taxes | 45,369 | 43,407 |
| Shareholders' equity: | | |
| Preferred stock | — | — |
| Common stock | 266 | 270 |
| Additional paid-in capital | 267,809 | 258,474 |
| Retained earnings | 414,623 | 334,910 |
| Total shareholders' equity | <u>682,698</u> | <u>593,654</u> |
| Total liabilities and shareholders' equity | <u>\$ 1,186,059</u> | <u>\$ 1,117,823</u> |

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

| | Three Months Ended | |
|--|-----------------------|-----------------------|
| | September 30, 2022 | September 30, 2021 |
| Operating activities: | | |
| Net income from continuing operations | \$ 52,133 | \$ 30,503 |
| Adjustments to reconcile net income of continuing operations to net cash provided by operating activities of continuing operations | | |
| Depreciation and amortization | 12,269 | 9,416 |
| Share-based compensation expense | 2,676 | 2,601 |
| Provision for revenue adjustments | 4,368 | 1,979 |
| Deferred income tax expense (benefit) | — | (812) |
| Other | (966) | 217 |
| Changes in operating assets and liabilities, net of effects from the purchase of acquired businesses: | | |
| Accounts receivable | (6,421) | 1,932 |
| Other receivables | 1,004 | (727) |
| Other current and noncurrent assets | 2,825 | 1,452 |
| Accounts payable, accrued expenses and long-term liabilities | 16,106 | (3,470) |
| Net cash provided by operating activities of continuing operations | 83,994 | 43,091 |
| Investing activities: | | |
| Proceeds from sale of property and equipment | 656 | 1,025 |
| Purchases of property and equipment | (6,728) | (14,440) |
| Purchases of a business, net of cash acquired | — | (510) |
| Net cash used in investing activities of continuing operations | (6,072) | (13,925) |
| Financing activities: | | |
| Repayments of finance lease obligations | (1,626) | (492) |
| Payment of debt issuance costs | — | (119) |
| Payments on credit facility | (40,375) | — |
| Payment of earn-out liability | — | (6,519) |
| Payments of dividends to shareholders | (6,467) | (5,705) |
| Repurchases and retirement of common stock | (29,994) | (14,997) |
| Payment of minimum tax withholdings on share-based awards | — | (248) |
| Net cash used in financing activities from continuing operations | (78,462) | (28,080) |
| Net (decrease) increase in cash and cash equivalents of continuing operations | (540) | 1,086 |
| Cash from discontinued operation: | | |
| Net cash used in operating activities of discontinued operation | — | — |
| Net cash provided by investing activities of discontinued operation | — | — |
| Net cash used in financing activities of discontinued operation | — | — |
| Net (decrease) increase in cash and cash equivalents | (540) | 1,086 |
| Cash and cash equivalents at beginning of period of continuing operations | 47,386 | 50,844 |
| Cash at beginning of period of discontinued operation | — | — |
| Net (decrease) increase in cash and cash equivalents | (540) | 1,086 |
| Less: cash at end of period of discontinued operation | — | — |
| Cash and cash equivalents at end of period of continuing operations | \$ 46,846 | \$ 51,930 |

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

| | Nine Months Ended | |
|--|-----------------------|-----------------------|
| | September 30, 2022 | September 30, 2021 |
| Operating activities: | | |
| Net income from continuing operations | \$ 150,249 | \$ 77,894 |
| Adjustments to reconcile net income of continuing operations to net cash provided by operating activities of continuing operations | | |
| Depreciation and amortization | 34,994 | 28,067 |
| Change in fair value of earn-out liability | (294) | (385) |
| Share-based compensation expense | 8,743 | 8,179 |
| Provision for revenue adjustments | 7,302 | 5,504 |
| Deferred income tax expense (benefit) | 1,962 | (1,384) |
| Other | 417 | 406 |
| Changes in operating assets and liabilities, net of effects from the purchase of acquired businesses: | | |
| Accounts receivable | (43,172) | (49,086) |
| Other receivables | 8,097 | (14,218) |
| Other current and noncurrent assets | 6,743 | 8,198 |
| Accounts payable, accrued expenses and other long-term liabilities | 21,773 | 19,577 |
| Net cash provided by operating activities of continuing operations | 196,814 | 82,752 |
| Investing activities: | | |
| Proceeds from sale of property and equipment | 1,423 | 2,339 |
| Purchases of property and equipment | (25,401) | (23,015) |
| Purchases of a business, net of cash acquired | (40,433) | (23,053) |
| Net cash used in investing activities of continuing operations | (64,411) | (43,729) |
| Financing activities: | | |
| Repayments of finance lease obligations | (4,209) | (1,445) |
| Proceeds from credit facility | — | 45,000 |
| Payment of debt issuance costs | — | (119) |
| Payments on credit facility | (48,625) | — |
| Payment of earn-out liability | (91) | (6,519) |
| Proceeds from issuance of common stock upon stock option exercises | 206 | 3,563 |
| Payments of dividends to shareholders | (19,461) | (17,270) |
| Repurchases and retirement of common stock | (47,774) | (48,989) |
| Proceeds from common stock issued under employee stock purchase plan | 374 | 388 |
| Payment of minimum tax withholdings on share-based awards | (3,293) | (3,074) |
| Contributions from subsidiary held for sale | — | 1,118 |
| Net cash used in financing activities from continuing operations | (122,873) | (27,347) |
| Net increase in cash and cash equivalents of continuing operations | 9,530 | 11,676 |
| Cash from discontinued operation: | | |
| Net cash used in operating activities of discontinued operation | — | (6,902) |
| Net cash provided by investing activities of discontinued operation | — | 8,020 |
| Net cash used in financing activities of discontinued operation | — | (1,118) |
| Net increase in cash and cash equivalents | 9,530 | 11,676 |
| Cash and cash equivalents at beginning of period of continuing operations | 37,316 | 40,254 |
| Cash at beginning of period of discontinued operation | — | — |
| Net increase in cash and cash equivalents | 9,530 | 11,676 |
| Less: cash at end of period of discontinued operation | — | — |
| Cash and cash equivalents at end of period of continuing operations | \$ 46,846 | \$ 51,930 |

Forward Air Corporation Reconciliation of Non-GAAP Financial Measures

In this press release, the Company uses non-GAAP financial measures that are derived on the basis of methodologies other than in accordance with GAAP. The Company believes that meaningful analysis of its financial performance requires an understanding of the factors underlying that performance, including an understanding of items that are non-operational. Management uses these non-GAAP financial measures in making financial, operating, compensation and planning decisions as well as evaluating the Company's performance.

For the three and nine months ended September 30, 2022 and 2021, this press release contains the following non-GAAP financial measures: earnings before interest, taxes, depreciation and amortization ("EBITDA"), free cash flow, adjusted income from continuing operations, adjusted net income, and adjusted net income per diluted share. All non-GAAP financial measures are presented on a continuing operations basis.

The Company believes that EBITDA improves comparability from period to period by removing the impact of its capital structure (interest and financing expenses), asset base (depreciation and amortization) and tax impacts. The Company believes that free cash flow is an important measure of its ability to repay maturing debt or fund other uses of capital that it believes will enhance shareholder value. The Company believes providing adjusted income from operations, net income and net income per share allows investors to compare Company performance consistently over various periods without regard to the impact of unusual, nonrecurring or nonoperational items.

Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, the Company's financial results prepared in accordance with GAAP. Non-GAAP financial information does not represent a comprehensive basis of accounting. As required by the Securities and Exchange Act of 1933 and the rules and regulations promulgated thereunder, the Company has included, for the periods indicated, a reconciliation of the non-GAAP financial measure to the most directly comparable GAAP financial measure.

The following is a reconciliation of net income to EBITDA for the three and nine months ended September 30, 2022 and 2021 (in thousands):

| Continuing Operations | Three Months Ended | | Nine Months Ended | |
|-------------------------------|--------------------|--------------------|--------------------|--------------------|
| | September 30, 2022 | September 30, 2021 | September 30, 2022 | September 30, 2021 |
| Net income | \$ 52,133 | \$ 30,503 | \$ 150,249 | \$ 77,894 |
| Interest expense | 1,544 | 973 | 3,521 | 3,461 |
| Income tax expense | 17,988 | 11,000 | 50,791 | 25,969 |
| Depreciation and amortization | 12,269 | 9,416 | 34,994 | 28,067 |
| EBITDA | \$ 83,934 | \$ 51,892 | \$ 239,555 | \$ 135,391 |

The following is a reconciliation of net cash provided by operating activities to free cash flow for the three and nine months ended September 30, 2022 and 2021 (in thousands):

| Continuing Operations | Three Months Ended | | Nine Months Ended | |
|--|--------------------|--------------------|--------------------|--------------------|
| | September 30, 2022 | September 30, 2021 | September 30, 2022 | September 30, 2021 |
| Net cash provided by operating activities | \$ 83,994 | \$ 43,091 | \$ 196,814 | \$ 82,752 |
| Proceeds from sale of property and equipment | 656 | 1,025 | 1,423 | 2,339 |
| Purchases of property and equipment | (6,728) | (14,440) | (25,401) | (23,015) |
| Free cash flow | \$ 77,922 | \$ 29,676 | \$ 172,836 | \$ 62,076 |

The following is a reconciliation of reported income from operations, net income, and net income per diluted share to adjusted income from operations, net income, and net income per diluted share for the three and nine months ended September 30, 2022 and 2021 (in thousands, except net income per diluted share):

| Continuing Operations | Three Months Ended September 30, 2022 | | | Three Months Ended September 30, 2021 | | |
|--|---------------------------------------|------------|------------------------------|---------------------------------------|-------------------------|---|
| | Income From Operations | Net Income | Net Income Per Diluted Share | Income From Operations | Net Income ¹ | Net Income Per Diluted Share ^{2,3} |
| As Reported | \$ 71,665 | \$ 52,133 | \$ 1.93 | \$ 42,476 | \$ 30,503 | \$ 1.12 |
| Professional fees for an operational improvement project | — | — | — | 969 | 712 | 0.03 |
| As Adjusted | \$ 71,665 | \$ 52,133 | \$ 1.93 | \$ 43,445 | \$ 31,215 | \$ 1.14 |

¹ Net income and net income per diluted share amounts are based on the after-tax effect of each item. The income tax effect is calculated by applying the effective tax rate to the pre-tax amount. The total tax effect of the above item is \$257.

² Rounding may impact summation of amounts.

| Continuing Operations | Nine Months Ended September 30, 2022 | | | Nine Months Ended September 30, 2021 | | |
|---|--------------------------------------|-------------------------|---|--------------------------------------|-------------------------|---|
| | Income From Operations | Net Income ¹ | Net Income Per Diluted Share ^{1,3} | Income From Operations | Net Income ² | Net Income Per Diluted Share ^{2,3} |
| As Reported | \$ 204,561 | \$ 150,249 | \$ 5.53 | \$ 107,324 | \$ 77,894 | \$ 2.83 |
| Professional fees for an operational improvement project | — | — | — | 969 | 727 | 0.03 |
| Professional fees for cybersecurity and shareholder engagement activities | — | — | — | 6,955 | 5,216 | 0.19 |
| Change in the fair value of the earn-out liability | (294) | (220) | (0.01) | (385) | (289) | (0.01) |
| As Adjusted | \$ 204,267 | \$ 150,029 | \$ 5.53 | \$ 114,863 | \$ 83,548 | \$ 3.03 |

¹ Net income and net income per diluted share amounts are based on the after-tax effect of each item. The income tax effect is calculated by applying the effective tax rate to the pre-tax amount. The total tax effect of the above item is (\$74).

² Net income and net income per diluted share amounts are based on the after-tax effect of each item. The income tax effect is calculated by applying the effective tax rate to the pre-tax amount. The total tax effects of the above items is \$1,885.

³ Rounding may impact summation of amounts.

The following is a reconciliation of reported net income per diluted share to adjusted net income per diluted share for the three months ended December 31, 2021:

| Continuing Operations | Net Income Per Diluted Share ¹ |
|--|---|
| | Three Months Ended December 31, 2021 |
| As reported | \$ 1.40 |
| Change in the fair value of the earn-out liability | — |
| As adjusted | \$ 1.40 |

¹ Net income per diluted share is after tax

The following information is provided to supplement this press release.

| Actual - Continuing Operations | Three Months Ended September 30, 2022 | |
|--|--|--------|
| Net income from continuing operations | \$ | 52,133 |
| Income allocated to participating securities | | (325) |
| Numerator for diluted net income per share - net income | \$ | 51,808 |
| | | |
| Weighted-average common shares and common share equivalent outstanding - diluted | | 26,902 |
| Diluted net income per share | \$ | 1.93 |
| | | |
| Projected | Full Year 2022 | |
| Projected tax rate - continuing operations | | 25.6 % |
| | | |
| Projected purchases of property and equipment, net of proceeds from sale of property and equipment | \$ | 38,000 |
| | | |
| Projected | December 31, 2022 | |
| Projected weighted-average common shares and common share equivalent outstanding - diluted | | 26,900 |

Note Regarding Forward-Looking Statements

This press release contains “forward-looking statements” within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as: “anticipate,” “intend,” “plan,” “goal,” “seek,” “believe,” “project,” “estimate,” “expect,” “strategy,” “future,” “likely,” “may,” “should,” “will” and similar references to future periods. Forward-looking statements included in this press release relate to expected fourth quarter 2022 revenue, revenue growth, net income per diluted share, adjusted net income per diluted share and volume, expectations regarding continued momentum in our business into 2023 and 2024, expectations regarding expansion of operating margins, and the future of declaration of dividends.

Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these 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, changes in fuel prices and/or fuel taxes, a decrease in demand for transportation services, pricing pressure, changes in freight volume, the COVID-19 pandemic, our ability to manage our growth and ability to grow, in part, through acquisitions, while being able to successfully integrate such acquisitions, our ability to secure terminal facilities in desirable locations at reasonable rates, more limited liquidity than expected which limits our ability to make key investments, the creditworthiness of our customers and their ability to pay for services rendered, 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, the availability and compensation of qualified Leased Capacity Providers and freight handlers as well as contracted, third-party carriers needed to serve our customers’ transportation needs, our inability to manage our information systems and inability of our information systems to handle an increased volume of freight moving through our network, the occurrence of cybersecurity risks and events, market acceptance of our service offerings, claims for property damage, personal injuries or workers’ compensation, enforcement of and changes in governmental regulations, environmental, tax, insurance and accounting matters, the handling of hazardous materials, loss of a major customer, increasing competition, our dependence on our senior management team and the potential effects of changes in employee status, seasonal trends, the occurrence of certain weather events, restrictions in our charter and bylaws and the risks described in our Annual Report on Form 10-K for the year ended December 31, 2021.

Any forward-looking statement made by us in this press release is based only on information currently available to us and speaks only as of the date on which it is made. We undertake no obligation to publicly update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise.

SOURCE: Forward Air Corporation

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