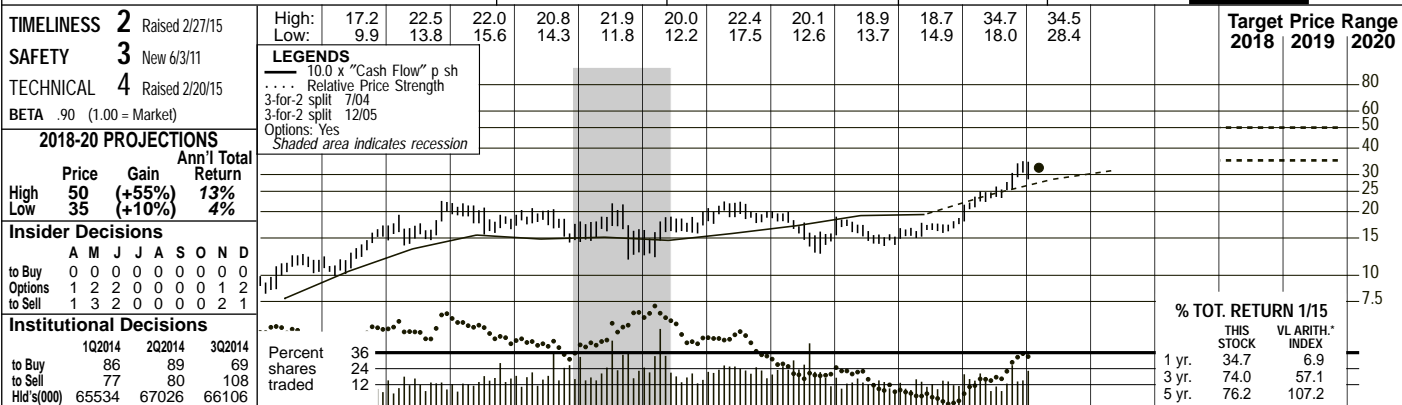


# KNIGHT TRANSPORT NYSE-KNX

RECENT PRICE **32.30** P/E RATIO **22.6** (Trailing: 25.8 Median: 24.0) RELATIVE P/E RATIO **1.22** DIV'D YLD **0.7%** VALUE LINE



Year	2014	2015	2016	18-20
Revenues per sh	13.60	15.80	17.50	21.50
"Cash Flow" per sh	2.40	3.15	4.20	4.20
Earnings per sh <sup>A</sup>	1.25	1.45	1.65	2.10
Div'ds Decl'd per sh <sup>B</sup>	.24	.27	.27	.52
Cap'l Spending per sh	2.25	1.85	2.00	2.30
Book Value per sh	8.35	9.50	10.80	15.05
Common Shs Outst'g <sup>C</sup>	81.20	81.00	80.50	79.00
Avg Ann'l P/E Ratio	18.7	19.3	20.2	20.0
Relative P/E Ratio	1.08	1.05	1.05	1.25
Avg Ann'l Div'd Yield	1.4%	1.4%	1.4%	1.2%

Year	2014	2015	2016	18-20
Revenues (\$mill)	1280	1410	1700	1700
Operating Margin	24%	24.5%	26.0%	26.0%
Depreciation (\$mill)	110	120	160	160
Net Profit (\$mill)	120	135	170	170
Income Tax Rate	40.0%	40.0%	40.0%	40.0%
Net Profit Margin	9.4%	9.6%	10.0%	10.0%
Working Cap'l (\$mill)	130	150	300	300
Long-Term Debt (\$mill)	100	75.0	40.0	40.0
Shr. Equity (\$mill)	770	870	1190	1190
Return on Total Cap'l	12.5%	14.0%	14.5%	14.0%
Return on Shr. Equity	15.5%	15.5%	14.5%	14.5%
Retained to Com Eq	13.0%	13.0%	11.0%	11.0%
All Div'ds to Net Prof	16%	16%	24%	24%

**CAPITAL STRUCTURE as of 12/31/14**  
 Total Debt \$134.4 mill. Due in 5 Yrs \$134.4 mill.  
 LT Debt \$134.4 mill. LT Interest \$1.6 mill. (17% of Cap'l)

**Leases, Uncapitalized** Annual rentals \$1.4 mill.

**No Defined Benefit Pension Plan**

**Pfd Stock None.**

**Common Stock** 81,148,094 shs. as of 10/31/14

**MARKET CAP: \$2.6 billion (Mid Cap)**

**Business:** Knight Transportation, Inc. is a nationwide provider of multiple truckload transport services. Asset-based operations include dry van and temperature-controlled truckload shipments and drayage services between ocean port or rail ramps and shipping docks. Non-asset-based operations consist of brokerage and intermodal services. Operated an average of 3,537 owned tractors and 9,406 53-foot trailers, including 1,092 refrigerated in 2013. Has about 5,175 employees. Labor costs: 24% of revenues in 2013. Officers/dirs. own 25.7% of stock; Wasatch Advisors, 14.0%; BlackRock, 6.4% (proxy 4/14). Chairman: Kevin P. Knight. CEO: David A. Jackson. Address: 5601 West Buckeye Road, Phoenix, AZ 85043. Tel.: (602) 269-2000. Internet: <http://www.knighttrans.com>.

Year	2012	2013	2014	18-20
Cash Assets (\$mill)	5.7	1.0	17.1	
Receivables	102.6	116.4	143.5	
Other	54.8	47.4	58.2	
Current Assets	163.1	164.8	218.8	
Accts Payable	11.3	14.4	19.1	
Debt Due	-	-	-	
Other	42.5	48.4	77.9	
Current Liab.	53.8	62.8	97.0	

**Knights Transportation's acquisition of Barr-Nunn on October 1st got off to a good start.** With its 545 tractors, the newcomer added just under \$13 million to the trucking segment's fourth-quarter revenue of \$209 million (excluding \$44 million in fuel surcharges). Too, Barr-Nunn's profitability improved throughout the December period and approached Knight's operating ratio by the end of the year. Its focus on expedited service makes the company a better match for growing e-commerce business. Knight continues to implement sales and cost synergies.

**Despite the purchase, the balance sheet remains in solid shape.** Excluding the \$112 million borrowed to fund the acquisition, Knight reduced net debt by \$31 million in the fourth quarter, and the debt-to-total capital ratio was a mere 16.5% at the end of 2014. Knight continues to seek accretive acquisitions. In the absence of that opportunity, we think it will engage in some stock repurchases.

**Except for a lack of qualified drivers, the trucking environment remains positive.** The driver shortage is a challenge throughout the industry and will raise costs. (Knight plans to increase driver pay about 10% this year.) However, the shortage will also support rate increases. Knight expects core pricing to be up 4% to 5% this year, offset by a reduction in fuel surcharges, though a lag in the surcharge reset should benefit first-quarter results. Capacity additions will also be constrained, but the organic tractor count was up 5%, year to year, at the end of 2014, and Knight is targeting a 6% increase in fleet growth for 2015.

**The nonasset-based operations are becoming a meaningful contributor to the top and bottom lines.** December-quarter logistics revenue jumped 56%, to \$65 million, while operating income soared 216%, to nearly \$6 million. Knight expects segment revenues to climb in excess of 25% this year.

**The stock price is off of its peak, but is timely still.** This took the valuation down to more-realistic levels. Knight has industry-leading truck margins and rapidly growing complementary services. Long-term investors may want to wait for a further decline, though.

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2012	219.5	236.3	237.9	242.3	936.0
2013	235.4	244.8	239.3	249.7	969.2
2014	249.2	264.1	271.5	317.5	1102.3
2015	295	315	320	350	1280
2016	320	345	355	390	1410

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2012	.18	.24	.21	.22	.85
2013	.19	.24	.19	.24	.86
2014	.23	.31	.31	.40	1.25
2015	.31	.36	.36	.42	1.45
2016	.35	.40	.41	.49	1.65