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DELTA REPORT

10-Q

HTLD - HEARTLAND EXPRESS INC

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	873
CHANGES	353
DELETIONS	279
ADDITIONS	241

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2023 March 31, 2024
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to
Commission file number 0-15087

HEARTLAND EXPRESS INC**.**
(Exact Name of Registrant as Specified in Its Charter)

Nevada	**93-0926999**
(State or Other Jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification No.)
901 Heartland Way, North Liberty, Iowa	**52317**
(Address of Principal Executive Offices)	(Zip Code)

319-645-7060
(Registrant's telephone number, including area code**)**

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	HTLD	NASDAQ

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 [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted 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 [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 [X]	Accelerated filer [ ]
Non-accelerated filer [ ]	Smaller reporting company [ ]
	Emerging growth company [ ]

If an emerging 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 [X]

As of November 8, 2023 May 6, 2024 there were 79,026,675 79,051,070 shares of the registrant's common stock ($0.01 par value) outstanding.

HEARTLAND EXPRESS, INC.
AND SUBSIDIARIES

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PART I

HEARTLAND EXPRESS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)
(unaudited)

ASSETS	ASSETS	September 30, 2023	December 31, 2022	ASSETS	March 31, 2024	December 31, 2023
CURRENT ASSETS	CURRENT ASSETS					
Cash and cash equivalents	Cash and cash equivalents	$ 20,101	$ 49,462			
Trade receivables, net of $2.5 and $3.3 million allowance in 2023 and 2022, respectively		113,945	139,819			
Cash and cash equivalents						
Cash and cash equivalents						
Trade receivables, net of $2.8 and $2.7 million allowance in 2024 and 2023, respectively						
Prepaid tires	Prepaid tires	11,884	11,293			
Other current assets	Other current assets	20,738	26,069			
Income tax receivable	Income tax receivable	15,399	3,139			
Total current assets	Total current assets	182,067	229,782			
PROPERTY AND EQUIPMENT	PROPERTY AND EQUIPMENT					
Land and land improvements						
Land and land improvements						
Land and land improvements	Land and land improvements	102,223	94,155			
Buildings	Buildings	153,164	143,899			
Furniture and fixtures	Furniture and fixtures	7,014	6,946			
Shop and service equipment	Shop and service equipment	22,203	21,652			
Revenue equipment	Revenue equipment	1,029,351	1,000,472			
Construction in progress	Construction in progress	15,762	15,070			
Property and equipment, gross	Property and equipment, gross	1,329,717	1,282,194			
Less accumulated depreciation	Less accumulated depreciation	403,585	308,936			
Property and equipment, net	Property and equipment, net	926,132	973,258			
GOODWILL	GOODWILL	322,597	320,675			
OTHER INTANGIBLES, NET	OTHER INTANGIBLES, NET	99,799	103,701			
OTHER ASSETS	OTHER ASSETS	31,979	19,894			

DEFERRED INCOME TAXES, NET	**DEFERRED INCOME TAXES, NET**	1,495	1,224
OPERATING LEASE RIGHT OF USE ASSETS	**OPERATING LEASE RIGHT OF USE ASSETS**	11,453	20,954
		$1,575,522	$1,669,488
LIABILITIES AND STOCKHOLDERS' EQUITY	**LIABILITIES AND STOCKHOLDERS' EQUITY**		
CURRENT LIABILITIES	**CURRENT LIABILITIES**		
CURRENT LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities			
Accounts payable and accrued liabilities			
Accounts payable and accrued liabilities	Accounts payable and accrued liabilities	$ 60,269	$ 62,712
Compensation and benefits	Compensation and benefits	29,922	30,972
Insurance accruals	Insurance accruals	16,058	18,490
Long-term debt and finance lease liabilities - current portion	Long-term debt and finance lease liabilities - current portion	9,131	13,946
Operating lease liabilities - current portion	Operating lease liabilities - current portion	7,520	12,001
Other accruals	Other accruals	19,215	18,636
Total current liabilities	Total current liabilities	142,115	156,757
LONG-TERM LIABILITIES	**LONG-TERM LIABILITIES**		
Income taxes payable	Income taxes payable	6,318	6,466
Income taxes payable			
Income taxes payable			
Long-term debt and finance lease liabilities less current portion	Long-term debt and finance lease liabilities less current portion	334,796	399,062
Operating lease liabilities less current portion	Operating lease liabilities less current portion	3,933	8,953
Deferred income taxes, net	Deferred income taxes, net	195,300	207,516
Accident and work comp accruals less current portion	Accident and work comp accruals less current portion	31,930	35,257
Total long-term liabilities	Total long-term liabilities	572,277	657,254

COMMITMENTS AND CONTINGENCIES (Note 14)	**COMMITMENTS AND CONTINGENCIES (Note 14)**				**COMMITMENTS AND CONTINGENCIES (Note 14)**
STOCKHOLDERS' EQUITY	**STOCKHOLDERS' EQUITY**				
Preferred stock, par value $.01; authorized 5,000 shares; none issued	Preferred stock, par value $.01; authorized 5,000 shares; none issued		—	—	
Capital stock, common, $.01 par value; authorized 395,000 shares; issued 90,689 in 2023 and 2022; outstanding 79,022 and 78,984 in 2023 and 2022, respectively			907	907	
Preferred stock, par value $.01; authorized 5,000 shares; none issued					
Preferred stock, par value $.01; authorized 5,000 shares; none issued					
Capital stock, common, $.01 par value; authorized 395,000 shares; issued 90,689 in 2024 and 2023; outstanding 79,051 and 79,039 in 2024 and 2023, respectively					
Additional paid-in capital	Additional paid-in capital		4,261	4,165	
Retained earnings	Retained earnings		1,056,579	1,051,641	
Treasury stock, at cost; 11,667 and 11,705 in 2023 and 2022, respectively			(200,617)	(201,236)	
Treasury stock, at cost; 11,638 and 11,650 shares in 2024 and 2023, respectively					
		848,790			
			861,130	855,477	
			$1,575,522	$1,669,488	

The accompanying notes are an integral part of these consolidated financial statements.

HEARTLAND EXPRESS, INC. AND SUBSIDIARIES

HEARTLAND EXPRESS, INC. AND SUBSIDIARIES

HEARTLAND EXPRESS, INC. AND SUBSIDIARIES	**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**	**(in thousands, except per share amounts)**	**(unaudited)**

		Three Months Ended March 31, 2024 2024 2024			
		Three Months Ended September 30,		**Nine Months Ended September 30,**	
OPERATING REVENUE					
		2023	**2022**	**2023**	**2022**
OPERATING REVENUE					
OPERATING REVENUE	OPERATING REVENUE	$295,026	$273,976	$932,111	$613,073
OPERATING EXPENSES	OPERATING EXPENSES				
OPERATING EXPENSES					
OPERATING EXPENSES					
Salaries, wages, and benefits					
Salaries, wages, and benefits					
Salaries, wages, and benefits	Salaries, wages, and benefits	118,923	97,429	362,566	221,935
Rent and purchased transportation	Rent and purchased transportation	26,674	17,046	88,285	20,921
Rent and purchased transportation					
Rent and purchased transportation					
Fuel					
Fuel					
Fuel	Fuel	55,809	53,412	163,205	125,170
Operations and maintenance	Operations and maintenance	16,596	12,273	47,669	23,419
Operations and maintenance					
Operations and maintenance					
Operating taxes and licenses					
Operating taxes and licenses					
Operating taxes and licenses	Operating taxes and licenses	5,400	4,343	16,400	10,905
Insurance and claims	Insurance and claims	9,330	10,794	30,766	22,699
Insurance and claims					
Insurance and claims					
Communications and utilities					
Communications and utilities					
Communications and utilities	Communications and utilities	2,496	1,876	8,051	4,080
Depreciation and amortization	Depreciation and amortization	51,113	34,789	147,919	82,408
Depreciation and amortization					
Depreciation and amortization					

Other operating expenses	Other operating expenses	17,190	14,108	51,443	32,150
Gain on disposal of property and equipment		(1,065)	(6,836)	(15,873)	(92,806)
Other operating expenses					
Other operating expenses					
Loss (gain) on disposal of property and equipment					
Loss (gain) on disposal of property and equipment					
Loss (gain) on disposal of property and equipment					
		302,466	239,234	900,431	450,881
Operating (loss) income	Operating (loss) income	(7,440)	34,742	31,680	162,192
Operating (loss) income					
Operating (loss) income					
Interest income					
Interest income					
Interest income	Interest income	276	537	1,352	943
Interest expense	Interest expense	(6,067)	(2,345)	(18,254)	(2,520)
Interest expense					
Interest expense					
(Loss) income before income taxes					
(Loss) income before income taxes					
(Loss) income before income taxes	(Loss) income before income taxes	(13,231)	32,934	14,778	160,615
Federal and state income taxes	Federal and state income taxes	(2,528)	8,519	5,098	42,520
Federal and state income taxes					
Federal and state income taxes					
Net (loss) income					
Net (loss) income					
Net (loss) income	Net (loss) income	$ (10,703)	$ 24,415	$ 9,680	$118,095
Other comprehensive income, net of tax	Other comprehensive income, net of tax	—	—	—	—
Other comprehensive income, net of tax					
Other comprehensive income, net of tax					
Comprehensive (loss) income					
Comprehensive (loss) income					
Comprehensive (loss) income	Comprehensive (loss) income	$ (10,703)	$ 24,415	$ 9,680	$118,095
Net (loss) income per share	Net (loss) income per share				

Net (loss) income per share					
Net (loss) income per share					
Basic	Basic	$ (0.14)	$ 0.31	$ 0.12	$ 1.50
Basic					
Basic					
Diluted					
Diluted					
Diluted	Diluted	$ (0.14)	$ 0.31	$ 0.12	$ 1.50
Weighted average shares outstanding	Weighted average shares outstanding				
Weighted average shares outstanding					
Weighted average shares outstanding					
Basic	Basic	79,021	78,937	79,003	78,933
Basic					
Basic					
Diluted					
Diluted					
Diluted	Diluted	79,103	78,974	79,069	78,962
Dividends declared per share	Dividends declared per share	$ 0.02	$ 0.02	$ 0.06	$ 0.06
Dividends declared per share					
Dividends declared per share					

The accompanying notes are an integral part of these consolidated financial statements.

HEARTLAND EXPRESS, INC. AND SUBSIDIARIES

	Capital Stock, Common	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Total	Capital Stock, Common	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Total
Balance, December 31, 2023										
Net loss										
Dividends on common stock, $0.02 per share										
Stock-based compensation, net of tax										

Balance, March 31, 2024

		Capital Capital Capital Stock, Common					Additional Stock, Common	Paid-In Capital	Retained Earnings	Treasury Stock	Total
Balance, December 31, 2022	Balance, December 31, 2022	$ 907	$ 4,165	$1,051,641	$(201,236)	$855,477					
Net income	Net income	—	—	12,612	—	12,612					
Dividends on common stock, $0.02 per share	Dividends on common stock, $0.02 per share	—	—	(1,581)	—	(1,581)					
Stock-based compensation, net of tax	Stock-based compensation, net of tax	—	32	—	79	111					
Balance, March 31, 2023	Balance, March 31, 2023	907	4,197	1,062,672	(201,157)	866,619					
Net income		—	—	7,771	—	7,771					
Dividends on common stock, $0.02 per share		—	—	(1,580)	—	(1,580)					
Stock-based compensation, net of tax		—	(299)	—	426	127					
Balance, June 30, 2023		907	3,898	1,068,863	(200,731)	872,937					
Net loss		—	—	(10,703)	—	(10,703)					
Dividends on common stock, $0.02 per share		—	—	(1,581)	—	(1,581)					
Stock-based compensation, net of tax		—	363	—	114	477					
Balance, September 30, 2023		$ 907	$ 4,261	$1,056,579	$(200,617)	$861,130					

	Capital Stock, Common	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Total
Balance, December 31, 2021	$ 907	$ 4,141	$ 924,375	$(202,321)	$727,102
Net income	—	—	16,775	—	16,775
Dividends on common stock, $0.02 per share	—	—	(1,579)	—	(1,579)
Stock-based compensation, net of tax	—	64	—	166	230
Balance, March 31, 2022	907	4,205	939,571	(202,155)	742,528
Net income	—	—	76,906	—	76,906
Dividends on common stock, $0.02 per share	—	—	(1,579)	—	(1,579)
Stock-based compensation, net of tax	—	(14)	—	61	47
Balance, June 30, 2022	907	4,191	1,014,898	(202,094)	817,902
Net income	—	—	24,415	—	24,415
Dividends on common stock, $0.02 per share	—	—	(1,580)	—	(1,580)

Stock-based compensation, net of tax	—	114	—	38	152
Balance, September 30, 2022	$ 907	$ 4,305	$1,037,733	$(202,056)	$840,889

The accompanying notes are an integral part of these consolidated financial statements.

HEARTLAND EXPRESS, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS (in thousands) (unaudited)

		Nine Months Ended September 30,			Three Months Ended March 31,	
		Three Months Ended March 31,				
		2023	2022		2024	2023
OPERATING ACTIVITIES	OPERATING ACTIVITIES			OPERATING ACTIVITIES		
Net income		$ 9,680	$118,095			
Adjustments to reconcile net income to net cash provided by operating activities:						
Net (loss) income						
Adjustments to reconcile net (loss) income to net cash provided by operating activities:				Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	Depreciation and amortization	147,919	82,408			
Deferred income taxes	Deferred income taxes	(11,903)	2,171			
Stock-based compensation expense	Stock-based compensation expense	928	504			
Debt-related amortization	Debt-related amortization	806	90			
Gain on disposal of property and equipment		(15,873)	(92,806)			
Loss (gain) on disposal of property and equipment						
Changes in certain working capital items:	Changes in certain working capital items:					
Trade receivables						
Trade receivables						
Trade receivables	Trade receivables	25,874	(3,200)			

Prepaid expenses and other current assets	Prepaid expenses and other current assets	4,604	(655)	
Accounts payable, accrued liabilities, and accrued expenses	Accounts payable, accrued liabilities, and accrued expenses	(25,176)	(1,725)	
Accrued income taxes	Accrued income taxes	(12,408)	7,668	
Net cash provided by operating activities	Net cash provided by operating activities	124,451	112,550	
INVESTING ACTIVITIES	**INVESTING ACTIVITIES**			**INVESTING ACTIVITIES**
Proceeds from sale of property and equipment	Proceeds from sale of property and equipment	94,660	146,376	
Purchases of property and equipment	Purchases of property and equipment	(176,861)	(91,818)	
Acquisition of business, net of cash acquired		—	(675,852)	
Change in other assets	Change in other assets	382	(159)	
Net cash used in investing activities		(81,819)	(621,453)	
Net cash provided by (used in) investing activities				
FINANCING ACTIVITIES	**FINANCING ACTIVITIES**			**FINANCING ACTIVITIES**
Payment of cash dividends		(3,161)	(3,157)	
Proceeds from issuance of long-term debt		—	447,343	
Shares withheld for employee taxes related to stock-based compensation	Shares withheld for employee taxes related to stock-based compensation	(213)	(75)	
Repayments of finance leases and debt	Repayments of finance leases and debt	(69,887)	(29,195)	
Net cash provided by (used in) financing activities		(73,261)	414,916	
Net decrease in cash, cash equivalents and restricted cash		(30,629)	(93,987)	
Net cash used in financing activities				

Net (decrease) increase in cash, cash equivalents and restricted cash				
CASH, CASH EQUIVALENTS AND RESTRICTED CASH	**CASH, CASH EQUIVALENTS AND RESTRICTED CASH**			**CASH, CASH EQUIVALENTS AND RESTRICTED CASH**
Beginning of period	Beginning of period	64,478	173,767	
End of period	End of period	$ 33,849	$ 79,780	
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**			**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**
Cash paid during the period for interest expense	Cash paid during the period for interest expense	$ 16,779	$ 989	
Cash paid during the period for income taxes, net of refunds	Cash paid during the period for income taxes, net of refunds	$ 29,138	$ 32,695	
Noncash investing and financing activities:	Noncash investing and financing activities:			Noncash investing and financing activities:
Fair value of revenue equipment traded		$ —	$ 428	
Purchased property and equipment in accounts payable	Purchased property and equipment in accounts payable	$ 22,270	$ 4,430	
Sold revenue equipment and property in other current assets	Sold revenue equipment and property in other current assets	$ 2,089	$ 3,058	
Common stock dividends declared in accounts payable	Common stock dividends declared in accounts payable	$ 1,581	$ 1,580	
RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH	**RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH**			
Cash and cash equivalents	Cash and cash equivalents	$ 20,101	$ 64,824	
Cash and cash equivalents				
Cash and cash equivalents				
Restricted cash included in other current assets	Restricted cash included in other current assets	299	880	

Restricted cash included in other assets	Restricted cash included in other assets	13,449	14,076
Total cash, cash equivalents and restricted cash	Total cash, cash equivalents and restricted cash	$ 33,849	$ 79,780

The accompanying notes are an integral part of these consolidated financial statements.

HEARTLAND EXPRESS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Note 1. Basis of Presentation and New Accounting Pronouncements

Heartland Express, Inc. is a holding company incorporated in Nevada, which directly or indirectly owns all of the stock of the following active legal entities: Heartland Express, Inc. of Iowa, Heartland Express Services, Inc., Heartland Express Maintenance Services, Inc. ("Heartland Express"), and Midwest Holding Group, LLC and Millis Transfer, LLC ("Millis Transfer"), and Smith Transport, Inc., Smith Trucking, Inc., LLC and Franklin Logistics, Inc. LLC ("Smith Transport"), and CFI entities, Transportation Resources, Inc. and Contract Freighters, Inc. (collectively with certain Mexican entities, "CFI"). Effective December 31, 2023, Smith Trucking, Inc. was merged into Smith Transport, Inc. Further, effective December 31, 2023, Smith Transport, Inc. and Franklin Logistics, Inc. were converted to Smith Transport, LLC and Franklin Logistics, LLC, respectively. On May 31, 2022, Heartland Express, Inc. of Iowa acquired Smith Transport, a truckload carrier headquartered in Roaring Spring, Pennsylvania. On August 31, 2022, Heartland Express, Inc. of Iowa acquired CFI's non-dedicated U.S. dry van and temperature-controlled truckload business located in Joplin, Missouri, and certain Mexican entities (collectively "CFI Logistica") with operations located in Mexico. We, together with our subsidiaries, are a short, medium, and long-haul truckload carrier and transportation services provider. We primarily provide nationwide asset-based dry van truckload service for major shippers across the United States, along with cross-border freight and other transportation services offered through third party partnerships in Mexico.

The accompanying consolidated financial statements include the parent company, Heartland Express, Inc., and its subsidiaries, all of which are wholly owned. The consolidated financial results of the Company for the nine months ended September 30, 2023 includes the operating results of CFI and Smith Transport while the nine months ended September 30, 2022 includes the operating results of Smith Transport for the months of June through September only and CFI for September only. Purchase accounting in relation to the acquisition of Smith Transport was deemed complete during the quarter ended June 30, 2023 while in relation to the acquisition of CFI purchase accounting was deemed complete during the quarter ended September 30, 2023. All material intercompany items and transactions have been eliminated in consolidation. The accompanying unaudited consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Regulation S-X. Accordingly, they do not include all of the information and notes to the financial statements required by U.S. GAAP for complete financial statements. In the opinion of management, all normal, recurring adjustments considered necessary for a fair presentation have been included. The consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2022 December 31, 2023 included in the Annual Report on Form 10-K the Company filed with the Securities and Exchange Commission (the "SEC") on March 1, 2023 February 28, 2024. Interim results of operations are not necessarily indicative of the results to be expected for the full year or any other interim periods. There were no changes to the Company's significant accounting policies during the three and nine months ended September 30, 2023 March 31, 2024.

In November 2023, the FASB issued Update 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures". The amendments in the update improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The amendments do not change how a public entity identifies its operating segments, aggregates those operating segments, or applies the quantitative thresholds to determine its reportable segments. The new standard is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company is currently evaluating the impact of adopting this new standard although based on initial evaluation we do not believe there will be a material impact from adoption.

In December 2023, the FASB issued Update 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures". The amendments in the update improve income tax disclosures primarily related to the rate reconciliation and income taxes paid information as well as the effectiveness of certain other income tax disclosures. The new standard is effective for annual periods beginning after December 15, 2024. The Company is currently evaluating the impact of adopting this new standard although based on initial evaluation we do not believe there will be a material impact from adoption.

Note 2. Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. There were no significant changes in estimates and assumptions used by management related to our critical accounting policies during the three and nine months ended September 30, 2023 March 31, 2024.

Note 3. Segment Information

We provide truckload services across the United States (U.S.), Mexico, and parts of Canada. These truckload services are primarily asset-based transportation services in the dry van truckload market, and we also offer truckload temperature-controlled transportation services and Mexico logistics services, which are not significant to our consolidated operations. Our Chief Operating Decision Maker ("CODM") oversees and manages all of our transportation services, on a combined basis, including previously acquired entities. As a result of the foregoing, we have determined that we have one reportable segment, consistent with the authoritative accounting guidance on disclosures about segments of an enterprise and related information.

Note 4. Revenue Recognition

The Company recognizes revenue over time as control of the promised services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those services. The delivery of the shipment and

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completion of the performance obligation allows for the collection of payment generally within 30 days after the delivery date of the shipment for the majority of our customers.

The Company's operations are consistent with those in the trucking industry where freight is hauled twenty-four hours a day and seven days a week, subject to hours of service rules. The Company's average length of haul is approximately 500 400 loaded miles per trip and each individual shipment accepted by the Company is considered a separate contract with the performance obligation being the delivery of the freight. Our average length of haul for each load of freight generally equals less than two days of continuous transit time. The Company estimates revenue for multiple-stop loads based on miles run and estimates revenue for single stop loads based on transit time, as the customer simultaneously receives and consumes the benefit provided. The Company hauls freight and earns revenue on a consistent basis throughout the periods presented. A corresponding contract asset existed for the estimated revenue of these in-process loads for $2.4 million $1.9 million and $2.6 million $1.9 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. Recorded contract assets are included in the accounts receivable line item of the balance sheet. Corresponding liabilities are recorded in the accounts payable and accrued liabilities and compensation and benefits line items for the estimated expenses on these same in-process loads. The Company had no contract liabilities associated with our operations as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

Total revenues recorded were $295.0 million $270.3 million and $274.0 million $330.9 million for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. Fuel surcharge revenues were $42.9 million $36.2 million and $47.5 million $49.6 million for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. Accessorial, brokerage and other revenues recorded in the consolidated statements of comprehensive income (loss) collectively represented $22.4 million $20.1 million and $15.7 million $24.6 million for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively.

Total revenues recorded were $932.1 million and $613.1 million for the nine months ended September 30, 2023 and 2022, respectively. Fuel surcharge revenues were $134.1 million and $107.8 million for the nine months ended September 30, 2023 and 2022, respectively. Accessorial, brokerage and other revenues recorded in the consolidated statements of comprehensive income (loss) collectively represented $71.7 million and $23.3 million for the nine months ended September 30, 2023 and 2022, respectively.

Note 5. Cash and Cash Equivalents

Cash equivalents are short-term, highly liquid investments with insignificant interest rate risk and original maturities of three months or less at acquisition. At September 30, 2023 March 31, 2024, restricted and designated cash and investments totaled $13.7 million $13.5 million, of which $0.3 million was included in other current assets and $13.4 million $13.2 million was included in other non-current assets in the consolidated balance sheet. Restricted and designated cash and investments totaled $15.1 million $13.0 million at December 31, 2022 December 31, 2023, of which $0.8 million $0.3 million was included in other current assets and $14.3 million $12.7 million was included in other non-current assets in the consolidated balance sheet. The restricted funds represent deposits required by state agencies for self-insurance purposes and designated funds that are earmarked for a specific purpose and not for general business use.

Note 6. Prepaid Tires, Property, Equipment, and Depreciation

Property and equipment are reported at cost, net of accumulated depreciation. Maintenance and repairs are charged to operations as incurred. New tires are capitalized separately from revenue equipment and are reported separately as "Prepaid tires" in the consolidated balance sheets and amortized over two years. Depreciation for financial statement purposes is computed by the straight-line method for all assets other than new tractors. We recognize depreciation expense on new tractors (excludes assets acquired through an acquisition) using the 125% declining balance method. Revenue equipment acquired through acquisitions is generally revalued to current market values as of the acquisition date. Assets obtained more than a year prior to the acquisition by the acquired company are depreciated on a straight-line basis aligned with the remaining period of expected use, whereas those obtained less than a year prior are depreciated consistent with newly purchased assets. As acquired equipment is replaced, our fleet returns to our base methods of declining balance depreciation for tractors and straight-line depreciation for trailers. New tractors are depreciated to salvage values of $15,000 while new trailers are depreciated to salvage values of $4,000. For equipment acquired through acquisitions the salvage values on used equipment is determined based upon

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factors including the age of the equipment, estimated market value, and expected period of usage. At September 30, 2023 March 31, 2024, there was $2.1 million no amounts receivable related to equipment sales recorded in other current assets compared to $1.6 million $2.5 million at December 31, 2022 December 31, 2023.

Note 7. Other Intangibles, Net and Goodwill

All intangible assets determined to have finite lives are amortized over their estimated useful lives. The useful life of an intangible asset is the period over which the asset is expected to contribute directly or indirectly to future cash flows. There was

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no change in the gross amount of identifiable intangible assets during the three and nine months ended September 30, 2023 March 31, 2024. The $99.8 $97.3 million of other intangibles, net recorded in the consolidated balance sheet at September 30, 2023 March 31, 2024 includes $31.6 million of indefinite lived trade name intangible assets, not subject to amortization, along with $68.2 $65.7 million finite lived intangible assets, net. Amortization expense of $1.3 million and $1.0 million $1.3 million for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, was included in depreciation and amortization in the consolidated statements of comprehensive income (loss). Amortization expense of $3.9 million and $2.2 million for the nine months ended September 30, 2023 and 2022, 2023, respectively, was included in depreciation and amortization in the consolidated statements of comprehensive income (loss).

Intangible assets subject to amortization consisted of the following at September 30, 2023 March 31, 2024:

		Amortization period (years)	Gross Amount	Accumulated Amortization	Net finite intangible assets	
				(in thousands)		
	Amortization period (years)	(in thousands)	Amortization period (years)	Gross Amount	Accumulated Amortization	Net finite intangible assets (in thousands)
Customer relationships	Customer relationships	15-20	$75,836	$ 11,588	$ 64,248	
Trade name	Trade name	0.5-10	12,900	10,060	2,840	
Covenants not to compete	Covenants not to compete	1-10	5,839	4,752	1,087	
			$94,575	$ 26,400	$ 68,175	
			$			

The carrying amount of goodwill was $322.6 million at March 31, 2024 and $320.7 million at September 30, 2023 and December 31, 2022, respectively. The $1.9 million increase in Goodwill during the three months ended September 30, 2023 was from the finalization of purchase accounting for the CFI acquisition. The purchase accounting adjustment is primarily associated with equipment valuation determinations made upon finalization of post acquisition equipment existence and condition analysis. December 31, 2023.

Note 8. (Loss) Earnings per Share

Basic (loss) earnings per share is based upon the weighted average common shares outstanding during each year. Diluted (loss) earnings per share is based on the basic weighted (loss) earnings per share with additional weighted common shares for common stock equivalents. During the three and nine months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023, we had outstanding restricted shares of common stock to certain of our employees and directors, under the Company's restricted stock award plans. A reconciliation of the numerator (net (loss) income) and denominator (weighted average number of shares outstanding of the basic and diluted (loss) earnings per share) for the three and nine months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023 is as follows (in thousands, except per share data):

	Three months ended September 30, 2023		
	Net Loss (numerator)	Shares (denominator)	Per Share Amount
Three months ended March 31, 2024			**Three months ended March 31, 2024**

	Net Loss (numerator)				Net Loss (numerator)	Shares (denominator)	Per Share Amount
Basic loss per share	Basic loss per share	$ (10,703)	79,021	$ (0.14)			
Effect of restricted stock	Effect of restricted stock	—	82				
Diluted loss per share	Diluted loss per share	$ (10,703)	79,103	$ (0.14)			
Diluted loss per share							
Diluted loss per share							

		Three months ended September 30, 2022					
		Net Income (numerator)	Shares (denominator)	Per Share Amount			
	Three months ended March 31, 2023						Three months ended March 31, 2023
	Net Income (numerator)				Net Income (numerator)	Shares (denominator)	Per Share Amount
Basic earnings per share	Basic earnings per share	$ 24,415	78,937	$ 0.31			
Effect of restricted stock	Effect of restricted stock	—	37				
Diluted earnings per share	Diluted earnings per share	$ 24,415	78,974	$ 0.31			
Diluted earnings per share							
Diluted earnings per share							

	Nine months ended September 30, 2023		
	Net Income (numerator)	Shares (denominator)	Per Share Amount
Basic earnings per share	$ 9,680	79,003	$ 0.12
Effect of restricted stock	—	66	
Diluted earnings per share	$ 9,680	79,069	$ 0.12

	Nine months ended September 30, 2022		
	Net Income (numerator)	Shares (denominator)	Per Share Amount
Basic earnings per share	$ 118,095	78,933	$ 1.50

Effect of restricted stock	—	29	
Diluted earnings per share	$ 118,095	78,962	$ 1.50

Note 9. Equity

We have a stock repurchase program with 6.6 million shares remaining authorized for repurchase as of September 30, 2023 March 31, 2024. There were no shares repurchased in the open market during the three and nine months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023, respectively. Repurchases are expected to continue from time to time, as determined by market conditions, cash flow requirements, securities law limitations, long-term debt balances, and other factors, until the number of shares authorized have been repurchased, or until the authorization is terminated. The share repurchase authorization is discretionary and has no expiration date.

During the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, our Board of Directors declared dividends totaling $1.6 million and $1.6 million, respectively. During the nine months ended September 30, 2023 and 2022, our Board of Directors declared dividends totaling $4.7 million and $4.7 million, respectively. Future payment of cash dividends and the amount of such dividends will depend upon our financial conditions, our results of operations, our cash requirements, our tax treatment, and certain corporate law requirements, as well as factors deemed relevant by our Board of Directors.

Note 10. Stock-Based Compensation

In July 2011, a Special Meeting of Stockholders of Heartland Express, Inc. was held, at which meeting the approval of the Heartland Express, Inc. 2011 Restricted Stock Award Plan (the "2011 Plan") was ratified. The 2011 Plan made available up to 0.9 million shares for the purpose of making restricted stock grants to our eligible officers and employees. The 2011 Plan has no shares that remain available for the purpose of making restricted stock grants but certain shares granted between 2020 and 2022 remain unvested at September 30, 2023 March 31, 2024. In May 2021, at the 2021 Annual Meeting of Stockholders, the Heartland Express, Inc. 2021 Restricted Stock Award Plan (the "2021 Plan") was approved. The 2021 Plan made available up to 0.6 million shares for the purpose of making restricted stock grants to our eligible employees, directors and consultants. The 2021 Plan has 0.5 million shares that remain available for the purpose of making restricted stock grants at September 30, 2023 March 31, 2024.

There were no shares that were issued granted during the period 2011 to 2019 2021 that remain unvested at September 30, 2023 March 31, 2024. Shares granted in 2020 2022 through 2023 2024 have various vesting terms that range from immediate to four years from the date of grant. Compensation expense associated with these awards is based on the market value of our stock on the grant date. Compensation expense associated with restricted stock awards to employees is included in salaries, wages, and benefits, while expense associated with awards to directors or consultants is included in other operating expenses in the consolidated statements of comprehensive income (loss). There were no significant assumptions made in determining fair value. Compensation expense associated with restricted stock awards was $0.5 $0.3 million and $0.9 $0.2 million respectively, for the three and nine months ended September 30, 2023. Compensation expense associated with restricted stock awards was $0.2 million March 31, 2024 and $0.5 million respectively, for the three and nine months ended September 30, 2022. March 31, 2023, respectively. Unrecognized compensation expense was $0.8 million $0.2 million at September 30, 2023 March 31, 2024 which will be recognized over a weighted average period of 0.6 0.4 years.

The following tables summarize our restricted stock award activity for the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023.

	Three Months Ended September 30, 2023	
	Number of Shares of Restricted Stock Awards (in thousands)	Weighted Average Grant Date Fair Value
Unvested at beginning of period	95.0	$ 15.23
Granted	—	—
Vested	(15.0)	15.17
Forfeited	—	—
Outstanding (unvested) at end of period	80.0	$ 15.24

	Three Months Ended September 30, 2022	
	Number of Shares of Restricted Stock Awards (in thousands)	Weighted Average Grant Date Fair Value
Unvested at beginning of period	25.0	$ 17.21
Granted	22.3	15.76
Vested	(2.8)	15.30
Forfeited	—	—
Outstanding (unvested) at end of period	44.5	$ 16.60

	Nine Months Ended September 30, 2023		
	Number of Shares of Restricted Stock Awards (in thousands)	Weighted Average Grant Date Fair Value	
Unvested at beginning of period	40.1	$	16.01
Granted	93.3		14.82
Vested	(53.4)		15.09
Forfeited	—		—
Outstanding (unvested) at end of period	80.0	$	15.24

		Nine Months Ended September 30, 2022		
		Number of Shares of Restricted Stock Awards (in thousands)	Weighted Average Grant Date Fair Value	
	Three Months Ended March 31, 2024		Three Months Ended March 31, 2024	
	Number of Shares of Restricted Stock Awards (in thousands)		Number of Shares of Restricted Stock Awards (in thousands)	Weighted Average Grant Date Fair Value
Unvested at beginning of period	Unvested at beginning of period	14.0	$	19.70
Granted	Granted	50.3		15.41
Vested	Vested	(19.8)		15.76
Forfeited	Forfeited	—		—
Outstanding (unvested) at end of period	Outstanding (unvested) at end of period	44.5	$	16.60

	Three Months Ended March 31, 2023		
	Number of Shares of Restricted Stock Awards (in thousands)	Weighted Average Grant Date Fair Value	
Unvested at beginning of period	40.1	$	16.01
Granted	—		—
Vested	(7.0)		15.95
Forfeited	—		—
Outstanding (unvested) at end of period	33.1	$	16.02

Note 11. Long-Term Debt

In conjunction with the acquisition of CFI on August 31, 2022, (the “CFI Closing Date”), Heartland entered into a $550.0 million unsecured credit facility which included a $100.0 million revolving line of credit (“Revolving Facility”) and $450.0 million in term loans (“Term Facility” and, together with the Revolving Facility, the “Credit Facilities”). The

Credit Facilities includes a consortium of lenders, including joint bookrunners JPMorgan Chase Bank, N.A. and Wells Fargo Bank, National Association (“Wells Fargo”).

The Credit Facilities replaced the previous credit arrangements in place for the Company which consisted of a November 2013 Credit Agreement with Wells Fargo, along with an asset-based credit facility with Citizens Bank of Pennsylvania that was assumed as part of the acquisition of Smith Transport on May 31, 2022.

The full amount of the Term Facility was made in a single draw on August 31, 2022 and amounts borrowed under the Term Facility that are repaid or prepaid may not be reborrowed. The Term Facility amortizes in quarterly installments beginning which began in September 2023, at 5% per annum through June 2025 and 10% per annum from September 2025 through June 2027, with the balance due on the date that is five years from the CFI Closing Date. Based on debt repayments made through September 30, 2023 March 31, 2024, required minimum payments have been covered through March 31, 2026 until the term loan maturity on August 31, 2027.

The Revolving Facility consists of a five-year revolving credit facility with aggregate commitments in an amount equal to $100.0 million, of which up to $50.0 million is available for the issuance of letters of credit, and including a swingline facility in an amount equal to $20.0 million. The Revolver will mature and the commitments thereunder will terminate on the date that is five years after the CFI Closing Date. Amounts repaid under the Revolving Facility may be reborrowed. The Credit Facilities include an uncommitted accordion feature pursuant to which the Company may request up to $275.0 million in incremental revolving or term loans, subject to lender approvals.

The indebtedness, obligations, and liabilities under the Credit Facilities are unconditionally guaranteed, jointly and severally, on an unsecured basis by the Company, Borrower, and certain other subsidiaries of the Company. The Borrower may voluntarily prepay outstanding loans under the Credit Facilities in whole or in part at any time without premium or penalty, subject to payment of customary breakage costs in the case of Secured Overnight Financing Rate (“SOFR”) rate loans.

The Credit Facilities contain usual and customary events of default and negative covenants for a facility of this nature including, among other things, restrictions on the Company’s ability to incur certain additional indebtedness or issue guarantees, to create liens on the Company’s assets, to make distributions on or redeem equity interests (subject to certain exceptions, including that (a) the Company may pay regularly scheduled dividends on the Company’s common stock not to exceed $10.0 million during any fiscal year and (b) the Company may make any other distributions so long as it maintains a net leverage ratio not greater than 2.50 to 1.00), to make investments and to engage in mergers, consolidations, or acquisitions. The Credit Facilities contain customary financial covenants, including (i) a maximum net leverage ratio of 2.75 to 1.00, measured quarterly on a trailing twelve-month basis, and (ii) a minimum interest coverage ratio of 3.00 to 1.00, measured quarterly on a trailing twelve-month basis. We were in compliance with the respective financial covenants at September 30, 2023 March 31, 2024 and during have been in compliance since the three and nine months then ended. inception of the Credit Facilities.

Outstanding borrowings under the Credit Facilities will accrue interest, at the option of the Borrower, at a per annum rate of (i) for an “ABR Loan”, the alternate base rate (defined as the interest rate per annum equal to the highest of (a) the variable rate of interest announced by the administrative agent as its “prime rate”, (b) 0.50% above the Federal Funds Rate, (c) the Term SOFR for an interest period of one-month plus 1.1%, or (d) 1.00%) plus the applicable margin or (ii) for a “SOFR Loan”, the Term

SOFR Rate for an interest period of one, three or six-months as selected by Company plus the applicable margin. The applicable margin for ABR Loans ranges from 0.250% to 0.875% and the applicable margin for SOFR Loans ranges from 1.250% to 1.875%, depending on the Company’s net leverage ratio.

We had $315.0 $240.0 million outstanding on the Term Facility and nothing outstanding under the Revolving Facility at September 30, 2023 March 31, 2024. Outstanding letters of credit associated with the Revolving Facility at September 30, 2023 March 31, 2024 were $12.0 million. As of September 30, 2023 March 31, 2024, the Revolving Facility available for future borrowing was $88.0 million. As of September 30, 2023 March 31, 2024 the weighted average interest rate on outstanding borrowings under the Credit Facilities was 6.9% 7.0%. Unamortized loan origination fees of $1.5 $1.0 million at September 30, 2023 March 31, 2024 are included in long-term debt and finance lease liabilities.

The May 31, 2022 acquisition of Smith Transport included the assumption of $46.8 million of debt and financing lease obligations associated with the fleet of revenue equipment of which $30.4 million $24.6 million was outstanding at September 30, 2023 March 31, 2024, (the "Smith Debt"). The Smith Debt has $8.2 $7.3 million of outstanding principal and is made up of installment notes with a weighted average interest rate of 4.4% at September 30, 2023 March 31, 2024, due in monthly installments with final maturities at various dates ranging

from November 2023 February 2027 to January 2029, secured by related revenue equipment. The remaining Smith Debt of $22.2 $17.3 million are finance lease obligations with a weighted average interest rate of 3.9% at September 30, 2023 March 31, 2024, due in monthly installments with final maturities at various dates ranging from October 2023 2024 to April 2026 with the weighted average remaining lease term of 1.8 1.5 years.

Note 12. Lease Obligations

During 2023, we sold multiple properties for a combined $25.6 million gain. In May 2022, the Company completed a sale of an owned terminal property. In a separate transaction transactions related to the sale, respective sales, we entered into a operating lease agreement agreements, each with a base term of two years plus a five-year renewal option with the purchaser. years. The right-of-use asset assets associated with the leased terminal facility is $1.5 leases was $7.7 million as of September 30, 2023 March 31, 2024.

Smith Transport has revenue equipment operating lease right-of-use assets from leases entered into before the May 31, 2022 acquisition. These right-of-use equipment operating lease assets have a total balance of $10.0 $6.4 million as of September 30, 2023 March 31, 2024. The equipment and property operating leases have a weighted average interest rate of 3.8% 5.5% at September 30, 2023 March 31, 2024, due in monthly installments with final maturities at various dates ranging from November 2023 April 2024 to March 2026 April 2027 with the weighted average remaining lease term of 1.8 2.0 years. Smith Transport also The Company has related party operating leases with the founder of Smith Transport, where Smith Transport the Company is both a lessor and lessee of certain real estate properties. These leases represent an insignificant portion of the right-of-use lease assets discussed above. See Note 11. Long-Term Debt for additional details on the finance leases.

Our future minimum lease payments as of September 30, 2023 March 31, 2024, are summarized as follows by lease category:

(in thousands)	(in thousands)	Operating	Finance	(in thousands)	Operating	Finance
2023 (remaining)		$ 2,663	$ 3,899			
2024		6,000	8,201			
2024 (remaining)						
2025	2025	3,003	7,481			
2026	2026	150	3,894			
2027	2027	—	—			
2028						
Thereafter	Thereafter	—	—			
Total minimum lease payments	Total minimum lease payments	$ 11,816	$23,475			
Less: future payment amount for interest	Less: future payment amount for interest	363	1,263			
Present value of minimum lease payments	Present value of minimum lease payments	$ 11,453	$22,212			
Less: current portion	Less: current portion	7,520	7,282			
Lease obligations, long-term	Lease obligations, long-term	$ 3,933	$14,930			

Note 13. Income Taxes

We use the asset and liability method of accounting for income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amount of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Such amounts are adjusted, as appropriate, to reflect changes in tax rates expected to be in effect when temporary differences reverse. The

effect of changes a change in tax rates on deferred taxes is recognized in the period that the change is enacted. A valuation allowance is recorded to reduce the Company's deferred tax assets to the amount that is more likely than not to be realized. We had no recorded valuation allowance at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023. Our effective tax rate was 19.1% 21.8% and 25.9% 27.1% for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. The decrease in the effective tax rate is primarily the result of per diem deductions disallowed permanent differences during the quarter offsetting the loss in 2023 that have an offsetting impact to 2024 while increasing the tax benefit of the loss before tax applicable rate calculated on income in 2023 whereas the per diem deductions were allowed in 2022. Our effective tax rate was 34.5% and 26.5% for the nine months ended September 30, 2023 and 2022, respectively. The increase in the effective tax rate is primarily the result of a change in the deductibility of per diem related expenses in 2023 compared to 2022. 2023.

We recognize the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. We record interest and penalties related to unrecognized tax benefits in income tax expense.

At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, we had a total of $5.6 million $5.5 million and $5.7 million $5.5 million in gross unrecognized tax benefits, respectively included in long-term income taxes payable in the consolidated balance sheet. Of this amount, $4.4 million $4.3 million and $4.5 million $4.4 million represents the amount of unrecognized tax benefits that, if recognized, would impact our effective tax rate as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023. The net change in unrecognized tax benefits was an increase of $0.1 million and a decrease of $0.1 million during the three months ended September 30, 2023 and September 30, 2022, respectively. The net change in unrecognized tax benefits was a decrease of $0.1 million and an increase of $1.1 million $0.1 million during the nine three months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023, respectively. The difference in the net change in unrecognized tax benefits year over year for the three and nine months is the result of underlying transactions that occurred in 2022 2023 that did not occur in 2023. 2024. The total net amount of accrued interest and penalties for such unrecognized tax benefits was $0.7 million $0.8 million and $0.7 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively and is included in long-term income taxes payable in the consolidated balance sheets. These unrecognized tax benefits relate to state income tax filing positions. Income tax expense is increased each period for the accrual of interest on outstanding positions and penalties when the uncertain tax position is initially recorded. Income tax expense is reduced in periods by the amount of accrued interest and penalties associated with reversed uncertain tax positions due to lapse of applicable statute of limitations, when applicable or when a position is settled. Net interest and penalties included in income tax expense was an expense of $0.1 million and zero nominal for both the three month period ended September 30, 2023 March 31, 2024 and September 30, 2022, respectively. The net interest and penalties benefit decreased income tax expense by zero and $0.1 million for the nine month period ended September 30, 2023 and September 30, 2022 March 31, 2023, respectively.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

		2023 2024
		(in thousands)
Balance at December 31, 2022 December 31, 2023	$	5,744 5,522
Additions based on tax positions related to current year		259
Reductions due to lapse of applicable statute of limitations		(391) (66)
Balance at September 30, 2023 March 31, 2024	$	5,612 5,456

A number of years may elapse before an uncertain tax position is audited and ultimately settled. It is difficult to predict the ultimate outcome or the timing of resolution for uncertain tax positions. It is reasonably possible that the amount of unrecognized tax benefits could significantly increase or decrease within the next twelve months. These changes could result from the expiration of the statute of limitations, examinations, or other unforeseen circumstances. We do not have any outstanding litigation related to income tax matters. At this time, management's best estimate of the reasonably possible change in the amount of gross unrecognized tax benefits is approximately no change to an increase of $1.0 million during the next twelve months, due to the combination of expiration of certain statute of limitations and estimated additions. The federal statute of limitations remains open for the years 2020 and forward. Tax years 2013 and forward are subject to audit by state tax authorities depending on the tax code and administrative practice of each state.

Note 14. Commitments and Contingencies

We are a party to ordinary, routine litigation and administrative proceedings incidental to our business. In the opinion of management, our potential exposure under pending legal proceedings is adequately provided for in the accompanying consolidated financial statements.

The total estimated purchase commitments for tractors (net of tractor sale commitments) and trailer equipment as of September 30, 2023 March 31, 2024 was $17.7 million $4.8 million. These commitments extend through the remainder of 2023. 2024.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Item 2 contains certain statements that may be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and such statements are subject to the safe harbor created by such sections and the Private Securities Litigation Reform Act of 1995, as amended. All statements, other than statements of historical fact, are statements that could be deemed forward-looking statements, including without limitation: any projections of earnings (losses), revenues, or other financial items; any statement of plans, strategies, and objectives of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions or performance; and any statements of belief and any statement of assumptions underlying any of the foregoing. Such statements may be identified by their use of terms or phrases such as "seeks," "expects," "estimates," "anticipates," *"ensure," "projects," "believes," "hopes," "plans," "goals," "intends," "may," "might," "likely," "will," "should," "would," "could," "potential," "predict," "continue," "strategy," "future," "outlook," and similar terms and phrases. Forward-looking statements are based on currently available operating, financial, and competitive information. In this Form 10-Q, statements relating to general trucking industry trends, including future freight demand and capacity, freight rates, operating ratio goals, anticipated revenue equipment sales and purchases, including revenue equipment gains, the used equipment market, and the availability of revenue equipment, future customer relationships, future growth and acquisitions, including the anticipated impact of our acquisitions of Smith Transport and CFI, our ability to attract and retain drivers, future driver compensation, including possible driver compensation increases, future insurance and claims expense, including the impact of our insurance renewal, the impact of changes in interest rates and tire prices, future liquidity, expected fuel costs, including strategies for managing fuel costs, the potential impact of pending litigation, our dividend policy, future capital spending, future depreciation expense, our future repurchases of our shares, future cost reduction and implementation of freight optimization strategies, including at Millis Transfer, CFI, and Smith Transport, our ability to react to and capitalize on changing market conditions, and the expected impact of operational improvements and strategic changes, among others, are forward-looking statements. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, which could cause future events and actual results to differ materially from those set forth in, contemplated by, or underlying the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in the sections entitled "Item 1A. Risk Factors," set forth in the Company's 2022 2023 Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 1, 2023 and Quarterly Report on Form 10-Q for the quarter ended March 31, 2023, filed with the Securities and Exchange Commission on May 8, 2023 February 28, 2024. Readers should review and consider such factors, along with various disclosures in our press releases, stockholder reports, and other filings with the Securities and Exchange Commission.*

All such forward-looking statements speak only as of the date of this Quarterly Report. You are cautioned not to place undue reliance on such forward-looking statements. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in the events, conditions, or circumstances on which any such statement is based.

References in this Quarterly Report to "we," "us," "our," "Heartland," or the "Company" or similar terms refer to Heartland Express, Inc. and its subsidiaries.

Overview

Prior to our acquisitions in 2022 we, together with our subsidiaries, historically have been were a short-to-medium haul truckload carrier where approximately 99.9% of our operating revenue was derived from shipments within the United States with the remainder being Canada and no operations in Mexico. With the acquisition of CFI on August 31, 2022, we significantly expanded our scale and our transportation services. We continue to provide nationwide asset-based dry van truckload service for major shippers from across the U.S. and now including cross border freight to and from Mexico and our consolidated average length of haul has increased to is approximately 500 400 loaded miles. We continue to focus on providing high quality service to targeted customers with a high density of freight in our regional operating areas. We also offer truckload temperature-controlled transportation services and Mexico logistics services, which are not significant to our consolidated operations. Through the acquisition of CFI, we now provide transportation logistics services across Mexico for our customers and provide cross-border freight services for customer loads moving from the United States into Mexico and loads originating from Mexico into the United States. We utilize third party service providers for all miles run in Mexico and to move freight across the US-Mexico border while leveraging terminal locations in the US and Mexico near the border to facilitate these moves. We generally earn revenue based on the number of miles per load delivered and the revenue per mile or per load paid. We operate our consolidated operations under the brand names of Heartland Express, Millis Transfer, Smith Transport, and CFI. We manage our business based on overall corporate operating goals and objectives that are the same for all of our brands. Our Chief Operating Decision Maker ("CODM"), our CEO, evaluates the operational efficiencies of our transportation services, operating performance and asset allocation on a

combined basis based on consolidated operating goals and objectives. We believe the keys to success are maintaining high

levels of customer service and safety, which are predicated on the availability of experienced drivers and late-model equipment. We believe that our service standards, safety record, and equipment accessibility have made us a core carrier to many of our major customers, as well as allowed us to build solid, long-term relationships with customers and brand ourselves as an industry leader for on-time service.

We operate in a cyclical industry. In early 2022, freight demand was initially strong, following an extended period of freight demand at peak levels that began in mid 2020 and continued throughout 2021 and into 2022. Freight demand began to soften in the back half of 2022 and has remained soft continued to degrade throughout all of 2023. Additionally, there is significant pressure from many shippers to reduce freight rates while operational costs continue to rise. We believe this current trend of lower expect freight demand and freight rate pressure will continue to have significant impacts on remain challenged at lower demand levels in at least the capacity within our industry and specifically our asset utilization until first half of 2024 based upon the freight demand and freight rates improve. Freight demand levels are currently much lower than experienced in the standard and expected seasonality changes. Given what first quarter of 2024. We expect the strategic changes that we have experienced and based on feedback from our customers, we expect volatile freight demand for the remainder of implemented during 2023 and into 2024 will improve our operational readiness ahead of future expected freight demand growth, which could happen as soon as mid to late 2024. Continued However, supply chain issues for tractors, trailers and related parts, general consumer product output and inventory volatility, consumer demand, and spending, the political landscape, foreign wars, and disruption in oil and diesel markets all could create additional volatility regarding freight demand during 2023. 2024.

We continue to focus on providing quality service to targeted customers with a high density of freight in our regional operating areas. Organic growth has become increasingly difficult for traditional over-the-road truckload carriers given a shortage of qualified drivers in the industry and availability of revenue equipment assets. We have completed two recent strategic acquisitions to combat these industry challenges. In addition, we continue to evaluate and explore different driving options and offerings for our existing and potential new drivers across our unique mix of driver offerings across at Heartland Express, Millis Transfer, Smith Transport, and CFI.

In addition to past organic growth through the development of our regional operating areas, we have completed ten acquisitions since 1986 with the most recent and our fifth acquisition within the last nine years, since 2013, CFI, occurring on August 31, 2022 following the acquisition of Smith Transport on May 31, 2022. These ten acquisitions have enabled us to solidify our position within existing regions, expand into new operating regions, expand service offerings to address longer length of haul needs from customers, pursue new customer relationships in new markets, as well as expand business relationships with current customers in new markets. We are highly selective about acquisitions, with our main criteria being (i) safe operations, (ii) high quality professional truck drivers, (iii) fleet profile that is compatible with our philosophy or can be replaced economically, and (iv) freight profile that will allow a path to a low-80s operating ratio upon full integration, application of our cost structure, and freight optimization, including exiting certain business that fails to meet our operating profile. We have historically been a debt free organization, however, although with the acquisition of CFI we now have a significant amount of debt. We have also significantly lowered our debt balance from 2022 to date in 2024. We expect to continue to evaluate acquisition candidates presented to us, however, we do not expect to make any significant acquisitions while we are paying down debt. We believe future growth depends upon several factors including the level of economic growth and the related customer demand, the available capacity in the trucking industry, our ability to identify and consummate future acquisitions, our ability to integrate operations of acquired companies to realize efficiencies, and our ability to attract and retain experienced drivers that meet our hiring standards.

The trucking industry has been faced with a qualified driver shortage. During the COVID-19 pandemic, increased freight demand intensified an already challenging qualified driver market. Competition for qualified drivers continued to be challenging in 2022 into 2024 and is expected to be a challenge going forward due to the decreasing numbers of qualified drivers in our industry. However, driver availability began to change late challenges were reduced in 2022 2023 and has continued in 2023, into 2024, as a result of the changing declining freight and economic environments and we believe certain drivers have moved from smaller less financially stable carriers to more financially stable carriers and from independent contractors to company drivers. Although there has been some increased movement of drivers between companies in our industry, the issue of a decreasing amount of qualified CDL drivers in our industry continues. We continually explore new strategies to attract and retain qualified drivers with changes in market conditions and demands. We hire the majority of our drivers with at least six months of over-the-road experience and safe driving records. As discussed below, the Company's driver training program provides an additional source of future potential professional drivers. In order to attract and retain experienced drivers who understand the importance of customer service, we have sought to solidify our position as an industry leader in driver compensation in our operating markets and for the services we provide. We have increased wages and enhanced the compensation for our drivers multiple times in the last three years. Further, we have continued to get more creative in providing better pay, benefits, equipment, and facilities for our drivers. Our comprehensive driver compensation and benefits program rewards drivers for years of service and safe operating mileage benchmarks, which are critical to our operational and financial performance. Certain driver pay packages include minimum pay protection provisions, future pay increases based on years of continued service with us, increased rates for accident-free miles of operation, detention pay, and other pay programs to assist drivers with unproductive time associated with circumstances outside of their control, such as inclement weather, equipment breakdowns, and customer issues. Given our various As a result of the freight environment during the second half of 2023 and into 2024, we have paid more through these programs, resulting in an increase of driver programs, during times of low freight demand, paid empty pay per mile moves for drivers and driver base wages cause driver wages to be as a larger percentage of revenues. We currently expect this trend revenue. This has allowed us to continue until freight demand increases. This is an

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investment that we have made in our maintain driver base in an effort to retain drivers during turnover rates lower than the challenging freight demand. We also expect this will help us with asset utilization when freight demand returns. industry average as a result. We believe that our driver compensation and benefits package is consistently among the best in the industry. We are committed to investing in our drivers and compensating them for safety as both are key to our operational and financial performance. Currently over 10% of our driver employees, individually, have achieved 1.0 million safe miles.

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In response to the driver shortage in our industry, the Company continues to evaluate and pursue the expansion of driver training schools. Millis Transfer has operated a driver training school program, Millis Training Institute, since 1989. Millis Training Institute is a driver training program dedicated to identifying, training, and developing capable individuals into obtaining their commercial driving license and becoming professional truck drivers. This driver training program currently provides a source of qualified professional drivers for our Company. The driver training program offers an additional opportunity to hire professional drivers other than the traditional approach of hiring only experienced over-the-road drivers. During 2022, we began rolled out the first Heartland Training Institute location in Phoenix, Arizona, modeled after the successful program in place at Millis Transfer. We will continue to evaluate this training program for future expansion. Further, CFI has partnered with training facilities as a source of driver trainees, but does not operate a driver training school program.

Managing fuel cost continues to be one of management's top priorities given the volatility in the price of diesel fuel. During March 2022 The Department of Energy ("DOE") average fuel prices increased to over $5.00 per gallon and remained elevated for the remainder of 2022, although the DOE weekly average for the last four weeks of 2022 fell below $5.00 per gallon. The trend of fuel prices below the $5.00 per gallon threshold has continued in 2023 as the DOE average through October 31, 2023 was $4.23 and the average for the month of October 2023 was $4.51. Average DOE diesel fuel prices per gallon for the three months ended September 30, 2023 March 31, 2024 and 2022 2023 were $4.24 $3.96 and $5.15 $4.41 (a 17.7% 10.2% decrease), respectively. Average DOE prices have been $4.41, $3.94, $4.24, and $4.23 $4.26 for the quarters three months ended March 31, June 30, June 30, 2023, September 30, 2023, and September 30, 2023. December 31, 2023, respectively. We cannot predict what fuel prices will be for the remainder of 2023, 2024, but fuel expense has become the second highest expense behind salaries, wages, and benefits, and we expect volatile pricing for the remainder of 2023. 2024. We are not able to pass through all fuel price increases through fuel surcharge agreements with customers due to tractor idling time, along with empty and out-of-route miles. Therefore, our operating income is negatively impacted with increased net fuel costs (fuel expense less fuel surcharge revenue) in a rising fuel environment and is positively impacted in a declining fuel environment. Specifically, during the 3rd first quarter of 2024 fuel prices were rising lower at the same time we were incurring higher empty mile moves with our drivers as a result of slower freight demand. During the 3rd first quarter of 2022, 2023, fuel prices were declining and empty mile moves were not as high because of better freight demand and more options for freight moves. Therefore, our net fuel cost per mile (gross fuel expense net of fuel surcharge revenues) was significantly higher in the quarter ended September 30, 2023 March 31, 2024 compared to the quarter ended September 30, 2022 March 31, 2023 although the gross price was higher in 2022 2023 as compared to 2023. 2024. We expect to continue to manage and implement fuel initiative strategies that we believe will effectively manage fuel costs. These initiatives include strategic fueling of our trucks, whether it be terminal fuel or over-the-road fuel, bulk fuel purchases, controlling out-of-route miles, controlling empty miles, utilizing idle management programming and battery power and diesel power units to minimize idling, educating drivers to save energy, trailer skirting and rear fairings, and increasing fuel economy through the purchase of newer, more fuel-efficient tractors. Given the reduction in demand for freight services throughout the first nine three months of 2023 2024 the company incurred a higher amount of empty miles. At September 30, 2023 March 31, 2024, the Company's tractor fleet had an average age of 1.9 2.4 years and the Company's trailer fleet had an average age of 6.2 6.7 years compared to September 30, 2022 March 31, 2023 when the Company's tractor fleet had an average age of 2.1 years and the Company's trailer fleet had an average age of 6.2 years.

We ended the first nine three months of 2023 2024 with operating revenues of $932.1 $270.3 million, including fuel surcharges, net income loss of $9.7 million $15.1 million, and basic net income loss per share of $0.12 $0.19 on basic weighted average outstanding shares of 79.0 million compared to operating revenues of $613.1 $330.9 million, including fuel surcharges, net income of $118.1 $12.6 million, and basic net income per share of $1.50 $0.16 on basic weighted average shares of 78.9 79.0 million in the first nine three months of 2022. 2023. We posted a 96.6% 105.3% operating ratio (operating expenses as a percentage of operating revenues) for the nine three months ended September 30, 2023 March 31, 2024 compared to 73.5% 93.1% for the same period of 2022. 2023. We posted a 95.5% 105.6% non-GAAP adjusted operating ratio(1) for the nine three months ended September 30, 2023 March 31, 2024 compared to 81.5% 91.4% for the same period of 2022. 2023. We had total assets of $1.6 billion $1.5 billion at September 30, 2023 March 31, 2024. We had a return loss on assets of 1.6% (0.8)% and a return loss on equity of 2.9% (1.5)% over the immediate past four quarters ended September 30, 2023 March 31, 2024, compared to 11.8% return on assets of 8.5% and 17.7%, respectively, return on equity of 15.3% for the immediate past four quarters ended September 30, 2022 March 31, 2023.

Our cash flow from operating activities for the nine three months ended September 30, 2023 March 31, 2024 of $124.5 million $31.0 million was 13.4% 11.5% of operating revenues, compared to $112.6 million $66.4 million and 18.4% 20.1% of operating revenues in the same period of 2022. 2023. During 2023, 2024, we had net cash used in provided by investing activities of $81.8 million $2.0 million resulting primarily from $82.2 million used by net property and equipment transactions. Net cash used provided by property and equipment was primarily the result of a low volume of normal tractor and trailer fleet replacement activity. We had net cash used in financing activities of $73.3 $36.7 million resulting primarily from $69.9 million of debt repayments associated with debt taken on with our 2022 acquisitions. Our cash, cash equivalents and restricted cash decreased $30.6 $3.8 million during the nine three months ended September 30, 2023 March 31, 2024. We ended the third first quarter of 2023 2024 with cash, cash equivalents and restricted cash of $33.8 million $37.4 million. Cash and cash equivalents, excluding restricted cash was $20.1 million $23.8 million at September 30, 2023 March 31, 2024.

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(1)

GAAP to Non-GAAP Reconciliation Schedule:	**GAAP to Non-GAAP Reconciliation Schedule:**

GAAP to Non-GAAP Reconciliation Schedule:

GAAP to Non-GAAP Reconciliation Schedule:

Operating revenue excluding fuel surcharge revenue, adjusted operating income, and adjusted operating ratio reconciliation (a)

Operating revenue excluding fuel surcharge revenue, adjusted operating income, and adjusted operating ratio reconciliation (a)

Operating revenue excluding fuel surcharge revenue, adjusted operating income, and adjusted operating ratio reconciliation (a)

	Three months ended March 31,	
	Three months ended March 31,	
	Three months ended March 31,	
	2024	
	2024	
	2024	
	(Unaudited, in thousands)	
	(Unaudited, in thousands)	
	(Unaudited, in thousands)	
	Three months ended September 30,	**Nine months ended September 30,**
Operating revenue		

		2023	2022	2023	2022
		(Unaudited, in thousands)		(Unaudited, in thousands)	
Operating revenue					
Operating revenue	Operating revenue	$ 295,026	$ 273,976	$ 932,111	$ 613,073
Less: Fuel surcharge revenue	Less: Fuel surcharge revenue	42,928	47,468	134,077	107,814
Less: Fuel surcharge revenue					
Less: Fuel surcharge revenue					
Operating revenue, excluding fuel surcharge revenue					
Operating revenue, excluding fuel surcharge revenue					
Operating revenue, excluding fuel surcharge revenue	Operating revenue, excluding fuel surcharge revenue	252,098	226,508	798,034	505,259
Operating expenses	Operating expenses	302,466	239,234	900,431	450,881
Operating expenses					
Operating expenses					
Less: Fuel surcharge revenue					
Less: Fuel surcharge revenue					
Less: Fuel surcharge revenue	Less: Fuel surcharge revenue	42,928	47,468	134,077	107,814
Less: Amortization of intangibles	Less: Amortization of intangibles	1,301	1,026	3,902	2,221
Less: Acquisition-related costs		—	1,149	—	2,254
Less: Gain on sale of a terminal property		—	—	—	(73,175)
Less: Amortization of intangibles					
Less: Amortization of intangibles					
Adjusted operating expenses					
Adjusted operating expenses					
Adjusted operating expenses	Adjusted operating expenses	258,237	189,591	762,452	411,767
Operating (loss) income	Operating (loss) income	(7,440)	34,742	31,680	162,192
Operating (loss) income					
Operating (loss) income					
Adjusted operating (loss) income					
Adjusted operating (loss) income					
Adjusted operating (loss) income	Adjusted operating (loss) income	$ (6,139)	$ 36,917	$ 35,582	$ 93,492
Operating ratio	Operating ratio	102.5 %	87.3 %	96.6 %	73.5 %
Operating ratio					
Operating ratio					

Adjusted operating ratio	Adjusted operating ratio	102.4 %	83.7 %	95.5 %	81.5 %
Adjusted operating ratio					
Adjusted operating ratio					

(a) Operating revenue excluding fuel surcharge revenue is based upon operating revenue minus fuel surcharge revenue. Adjusted operating income (loss) is based upon operating revenue excluding fuel surcharge revenue, less operating expenses, net of fuel surcharge revenue, and non-cash amortization expense related to intangible assets, acquisition-related legal and professional fees, and the gain on sale of a terminal property. assets. Adjusted operating ratio is based upon operating expenses, net of fuel surcharge revenue, and amortization of intangibles, acquisition-related costs, and the gain on sale of terminal property, as a percentage of operating revenue excluding fuel surcharge revenue. We believe that operating revenue excluding fuel surcharge revenue, adjusted operating income, (loss), and adjusted operating ratio are more representative of our underlying operations by excluding the volatility of fuel prices, which we cannot control, and removes items resulting from acquisitions or one-time transactions that do not reflect our core operating performance. control. Operating revenue excluding fuel surcharge revenue, adjusted operating income, (loss), and adjusted operating ratio are not substitutes for operating revenue, operating income, (loss), or operating ratio measured in accordance with GAAP. There are limitations to using non-GAAP financial measures. Although we believe that operating revenue excluding fuel surcharge revenue, adjusted operating income, (loss), and adjusted operating ratio improve comparability in analyzing our period-to-period performance, they could limit comparability to other companies in our industry if those companies define such measures differently. Because of these limitations, operating revenue excluding fuel surcharge revenue, adjusted operating income, (loss), and adjusted operating ratio should not be considered measures of income (loss) generated by our business or discretionary cash available to us to invest in the growth of our business. Management compensates for these limitations by primarily relying on GAAP results and using non-GAAP financial measures on a supplemental basis.

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Results of Operations

The following table sets forth the percentage relationships of expense items to total operating revenue for the periods indicated:

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
Operating revenue	Operating revenue	100.0 %	100.0 %	100.0 %	100.0 %
Operating revenue					
Operating revenue					
Operating expenses:					
Operating expenses:					
Operating expenses:	Operating expenses:				
Salaries, wages, and benefits	Salaries, wages, and benefits	40.3 %	35.6 %	38.9 %	36.2 %
Salaries, wages, and benefits					
Salaries, wages, and benefits					
Rent and purchased transportation					
Rent and purchased transportation					
Rent and purchased transportation	Rent and purchased transportation	9.1 %	6.2 %	9.5 %	3.4 %
Fuel	Fuel	18.9 %	19.5 %	17.5 %	20.4 %
Fuel					
Fuel					
Operations and maintenance					
Operations and maintenance					
Operations and maintenance	Operations and maintenance	5.6 %	4.5 %	5.1 %	3.8 %
Operating taxes and licenses	Operating taxes and licenses	1.8 %	1.6 %	1.7 %	1.8 %
Operating taxes and licenses					
Operating taxes and licenses					
Insurance and claims					
Insurance and claims					
Insurance and claims	Insurance and claims	3.2 %	3.9 %	3.3 %	3.7 %
Communications and utilities	Communications and utilities	0.9 %	0.7 %	0.9 %	0.7 %
Communications and utilities					

Communications and utilities									
Depreciation and amortization									
Depreciation and amortization									
Depreciation and amortization	Depreciation and amortization	17.3	%	12.7	%	15.9	%	13.4	%
Other operating expenses	Other operating expenses	5.8	%	5.1	%	5.5	%	5.2	%
Other operating expenses									
Other operating expenses									
Gain on disposal of property and equipment									
Gain on disposal of property and equipment									
Gain on disposal of property and equipment	Gain on disposal of property and equipment	(0.4)	%	(2.5)	%	(1.7)	%	(15.1)	%
		102.5	%	87.3	%	96.6	%	73.5	%
Operating income (loss)									
Operating income (loss)									
Operating income (loss)	Operating income (loss)	(2.5)	%	12.7	%	3.4	%	26.5	%
Interest income	Interest income	0.1	%	0.2	%	0.2	%	0.2	%
Interest income									
Interest income									
Interest expense									
Interest expense									
Interest expense	Interest expense	(2.1)	%	(0.9)	%	(2.0)	%	(0.5)	%
Income before income taxes	Income before income taxes	(4.5)	%	12.0	%	1.6	%	26.2	%
Income before income taxes									
Income before income taxes									
Income taxes									
Income taxes									
Income taxes	Income taxes	(0.9)	%	3.1	%	0.6	%	6.9	%
Net income (loss)	Net income (loss)	(3.6)	%	8.9	%	1.0	%	19.3	%
Net income (loss)									
Net income (loss)									

Three Months Ended September 30, 2023 March 31, 2024 Compared With the Three Months Ended September 30, 2022

The Company acquired CFI on August 31, 2022, therefore the operating results of the Company for the three months ended September 30, 2023 includes the operating results of CFI while the three months ended September 30, 2022 includes the operating results of CFI for the month of September only. The acquisition impacted the change in operating revenues, salaries, wages, and benefits, rent and purchased transportation, fuel expense, operations and maintenance, operating taxes and licenses, insurance and claims, communications and utilities, depreciation and amortization, other operating expenses, and interest expense in 2023 compared to 2022 as further explained below. March 31, 2023

Our quarterly operating ratio was 102.5% 105.3% and 102.4% 105.6% non-GAAP adjusted operating ratio as compared to the prior year 87.3% 93.1% and 83.7% 91.4%. See the "GAAP to Non-GAAP Reconciliation Schedule" above for a reconciliation of our non-GAAP adjusted operating ratio. Our net loss was $10.7 million $15.1 million for the three months ended September 30, 2023 and March 31, 2024 compared to net income was $24.4 million of $12.6 million during the period ended September 30, 2022, a decrease of 143.8% March 31, 2023. The worsening of operating ratio and net income are primarily the result of the recent acquisitions of Smith Transport and CFI that are operating with a higher relative cost structure and higher operating ratio as compared to Heartland Express and Millis Transfer, together with the combination of a an extended and significant period of weak freight environment along with demand, driven by excess capacity in the industry, unfavorable weather early in the quarter, and ongoing operating cost inflation. Further, we have implemented strategic operational changes implemented impacting all of our operations. These strategic changes which targeted unprofitable customers and lanes of freight that were not acceptable for the long term profitability of our organization. These decisions, while difficult, were made to set a course to ensure that we are prepared to capitalize on stronger freight demand with more efficient operations in the future. Consistent with past acquisitions, we continue to implement cost reduction and freight optimization strategies at Millis Transfer, Smith Transport, and CFI, focused on improving the consolidated operating ratio.

Operating revenue increased $21.0 million (7.7% decreased $60.6 million (18.3%), to $295.0 million $270.3 million for the three months ended September 30, 2023 March 31, 2024 from $274.0 million $330.9 million for the three months ended September 30, 2022 March 31, 2023. The increase decrease in revenue was primarily due the result of a weak freight environment leading to the acquisition of CFI driving an increase a decline in total miles resulting in the increase decrease in trucking and other revenues of $25.6 million (11.3% $47.2 million (16.8%). This was partially offset by along with a decrease to fuel surcharge revenue of $4.6 million (9.6% $13.4 million (27.1%) from $47.5 million $49.6 million in 2022 2023 to $42.9 million $36.2 million in 2023. 2024. Operating revenues (the total of trucking and fuel surcharge revenue) are primarily earned based on loaded miles driven in providing truckload services. The number of loaded miles is affected by general freight supply and demand trends and the number of revenue earning equipment vehicles (tractors). The number of tractors is directly affected by the number of available drivers providing capacity to us. The increase in total miles was a result of the increased number of drivers providing capacity following the CFI acquisition. Our operating revenues are reviewed regularly by our CODM on a combined basis across the U.S. due to the similar nature of our services offerings and related similar base pricing structure.

Fuel surcharge revenues represent fuel costs passed on to customers based on customer specific fuel surcharge recovery rates and billed loaded miles. Fuel surcharge revenues decreased due to lower average DOE diesel fuel prices (17.7% (10.2%), as reported by the DOE, partially offset by an increase along with a decrease in loaded miles during the three months ended September 30, 2023 March 31, 2024 compared to September 30, 2022 March 31, 2023.

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Salaries, wages, and benefits increased $21.5 million (22.1% decreased $10.6 million (8.6%), to $118.9 million $112.7 million for the three months ended September 30, 2023 March 31, 2024 from $97.4 million $123.3 million in the 2022 2023 period. Salaries, wages, and benefits increased decreased primarily due to the addition reduction of CFI. driver payroll as a result of lower company miles, along with a reduction of office and shop employees. Offsetting this decrease was an increase in driver pay for non-productive time associated with weather shut downs, layovers, and other factors associated with a slower freight environment. As a result, salaries, wages, and benefits as a percentage of gross revenues was higher in 2024 compared to 2023. We have continued to get more creative in providing better pay, driving opportunities, benefits, equipment, and facilities for our drivers. We expect the qualified driver shortage within the trucking industry to continue to be a challenge in the foreseeable future. However, driver availability began to change late improved in 2022 through 2023 and to date in 2023, 2024, as a result of the changing freight and economic environments and we believe certain drivers have moved from smaller less financially stable carriers to more financially stable carriers.

Rent and purchased transportation increased $9.7 million decreased $9.2 million, to $26.7 million $23.9 million for the three months ended September 30, 2023 March 31, 2024 from $17.0 million $33.1 million for the same period of 2022. 2023. The increase decrease resulted from the acquisition of CFI which included more reduced purchased transportation utilized throughout their operations, including owner operators. and lower contractor miles associated with the CFI business integration, along with a reduction of leased equipment, partially offset by an increase in property leases.

Fuel increased $2.4 million (4.5% decreased $10.2 million (17.7%), to $55.8 million $47.3 million for the three months ended September 30, 2023 March 31, 2024 from $53.4 million $57.5 million for the same period of 2022. 2023. The increase decrease was primarily due to more miles driven partially offset by lower average diesel price per gallon (17.7% (10.2%) as reported by the DOE. Throughout the quarter ended September 30, 2023, we were in an elevated fuel price environment in relation to fuel prices over the last ten years. While diesel prices are down in relation to 2022, the average price in 2023 is the second highest during the most recent ten year period. DOE along with less miles driven. We expect to see fuel price volatility through the remainder of 2023. 2024.

Operations and maintenance expense increased $4.3 million (35.2% $1.3 million (8.3%), to $16.6 million $16.3 million during the three months ended September 30, 2023 March 31, 2024 from $12.3 million $15.0 million in the same period of 2022. 2023. The net increase is mainly attributable to the combination of more miles driven and larger fleet size, primarily from the CFI acquisition, along with higher costs of parts and materials. equipment maintenance costs. At September 30, 2023 March 31, 2024, the Company's tractor fleet had an average age of 1.9 2.4 years and the Company's trailer fleet had an average age of 6.2 6.7 years compared to September 30, 2022 March 31, 2023 when the Company's tractor fleet had an average age of 2.1 years and the Company's trailer fleet had an average age of 6.2 years. Based upon current agreements for new revenue equipment we anticipate that the average age of our fleet of tractors and trailers will increase by December 31, 2024, although due to warranties in place on our equipment we do not believe the increased age will significantly impact operations and maintenance expense.

Operating taxes and licenses increased $1.1 decreased $0.2 million (24.3% (4.1%), to $5.4 $5.3 million during the three months ended September 30, 2023 March 31, 2024 from $4.3 $5.5 million in the same period of 2022. 2023. The increase decrease resulted from a reduction of operating units as a result of the acquisitions of CFI and the resulting larger fleet size. soft freight environment.

Insurance and claims expense was $9.3 million $14.6 million during the three months ended September 30, 2023 March 31, 2024 compared to $10.8 million $11.0 million in 2022. On April 1, 2023, 2023. The increase is due to unfavorable claim severity and frequency. In April 2023, we renewed our primary auto liability insurance with a three year program. Under the April 2023 renewal, our auto liability retention limit across all operating entities was increased to $3.0 million for any individual claim, subject to a $3.5 million corridor for any one accident or combination of accidents that exceed $3.0 million, based on the insured party, accident date, and circumstances of the loss event. In April 2024, an additional corridor was added, where we retain liability of $5.0 million for any one accident or combination of accidents that exceed $10.0 million. Liabilities in excess of the $3.0 million deductible, the $3.5 million corridor, and the $5.0 million corridor are covered by insurance up to $80.0 million. We retain any liability in excess of $80.0 million. Our Furthermore, under the April 2023 renewal, our premiums are subject to upward or downward adjustments based on claims experience in the $3.0 million to $10.0 million policy during the three year program. We believe these insurance program features better meet the needs of our consolidated risk profile subsequent to the 2022 acquisitions of Smith Transport and CFI. The elevated retention limit and the premium adjustment feature could lead to increased volatility in our insurance and claims expense, depending on the frequency and magnitude of claims in future periods, but this policy structure positively impacted expense in comparison to claims. We believe these insurance program features better meet the three months ended September 30, 2022. needs of our consolidated risk profile.

Communications and utilities increased $0.6 decreased $0.5 million (33.0% (15.6%), to $2.5 $2.4 million during the three months ended September 30, 2023 March 31, 2024 from $1.9 $2.9 million in the same period of 2022. 2023. The increase decrease resulted from the growth in consolidation of terminal locations and fleet size as a result of the CFI acquisition. in overlapping markets.

Depreciation and amortization increased $16.3 million (46.9% decreased $2.0 million (4.1%), to $51.1 million $46.5 million during the three months ended September 30, 2023 March 31, 2024 from $34.8 million $48.5 million in the same period of 2022 2023 as a result of ongoing fleet replacement strategies and increase in depreciated units from the CFI acquisition. strategies. We expect depreciation expense in 2023 2024 to be approximately $195 million $180 million to $205 million $185 million.

Other operating expenses decreased $2.3 million, to $15.6 million during the three months ended March 31, 2024 from $17.9 million in the same period of 2023. The decrease resulted from a reduction of miles as a result of the soft freight environment.

Other operating expenses increased $3.1 million, to $17.2 million during the three months ended September 30, 2023 from $14.1 million in the same period of 2022. The increase resulted from our expanded operating fleet and general operations from the CFI acquisition.

Gains (loss) on the disposal of property and equipment decreased $5.7 $6.9 million, to a gain loss on disposal of $1.1 $0.1 million during the three months ended September 30, 2023 March 31, 2024 compared to $6.8 million gain on disposal in the same period of 2022. 2023. The decrease was primarily due to a significant decrease of equipment sales volume. We do not expect to recognize approximately $16 million of gains on disposition of equipment to be significant during the calendar year of 2023. 2024.

Interest expense increased $3.8 decreased $0.8 million, to $6.1 $5.3 million during the three months ended September 30, 2023 March 31, 2024 from $2.3 $6.1 million in the same period of 2022. 2023. The interest expense is made up of $5.7 $5.0 million from the Credit Facilities coinciding with the acquisition of CFI while the remaining $0.4 $0.3 million is the result of debt and financing leases assumed through the Smith Transport acquisition. We expect further reductions to interest expense as we pay down the debt.

Our effective tax rate was 19.1% 21.8% and 25.9% 27.1% for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. The decrease in the effective tax rate is primarily the result of per diem deductions disallowed permanent differences during the quarter offsetting the loss in 2023 that have an offsetting impact to 2024 while increasing the tax benefit of the loss before tax applicable rate calculated on income in 2023 whereas the per diem deductions were allowed in 2022.

Nine Months Ended September 30, 2023 Compared With the Nine Months Ended September 30, 2022

The Company acquired CFI on August 31, 2022 and Smith Transport on May 31, 2022, therefore the operating results of the Company for the nine months ended September 30, 2023 includes the operating results of CFI and Smith Transport while the nine months ended September 30, 2022 includes the operating results of Smith Transport for the months of June through September only and CFI for September only. The acquisitions impacted the change in operating revenues, salaries, wages, and benefits, rent and purchased transportation, fuel expense, operations and maintenance, operating taxes and licenses, insurance and claims, communications and utilities, depreciation and amortization, other operating expenses, and interest expense in 2023 compared to 2022 as further explained below.

Our operating ratio for the period was 96.6% and 95.5% non-GAAP adjusted operating ratio as compared to the prior year 73.5% and 81.5%. See the “GAAP to Non-GAAP Reconciliation Schedule” above for a reconciliation of our non-GAAP adjusted operating ratio. Our net income was $9.7 million for the nine months ended September 30, 2023 and $118.1 million during the period ended September 30, 2022, a decrease of 91.8%. The worsening of operating ratio and net income are primarily the result of a $73.2 million gain on a single terminal location during the prior year which did not repeat in the nine months ended September 30, 2023. Further impacting these metrics are the 2022 acquisitions of Smith Transport and CFI that are operating with a higher relative cost structure and higher operating ratio as compared to Heartland Express and Millis Transfer, together with the combination of a weak freight environment along with strategic operational changes implemented impacting all of our operations. These strategic changes targeted unprofitable customers and lanes of freight that were not acceptable for the long term profitability of our organization. These decisions, while difficult, were made to set a course to ensure that we are prepared to capitalize on stronger freight demand with more efficient operations in the future. Consistent with past acquisitions, we continue to implement cost reduction and freight optimization strategies at Millis Transfer, Smith Transport, and CFI, focused on improving the consolidated operating ratio.

Operating revenue increased $319.0 million (52.0%), to $932.1 million for the nine months ended September 30, 2023 from $613.1 million for the nine months ended September 30, 2022. The increase in revenue was primarily due to the acquisitions of Smith Transport and CFI driving an increase in total miles resulting in the increase in trucking and other revenues of $292.8 million (57.9%). Further contributing to this increase was an increase to fuel surcharge revenue of $26.3 million (24.4%) from $107.8 million in 2022 to $134.1 million in 2023. Operating revenues (the total of trucking and fuel surcharge revenue) are primarily earned based on loaded miles driven in providing truckload services. The number of loaded miles is affected by general freight supply and demand trends and the number of revenue earning equipment vehicles (tractors). The number of tractors is directly affected by the number of available drivers providing capacity to us. The increase in total miles was a result of the increased number of drivers providing capacity following the Smith Transport and CFI acquisitions.

Fuel surcharge revenues represent fuel costs passed on to customers based on customer specific fuel surcharge recovery rates and billed loaded miles. Fuel surcharge revenues increased primarily due to the acquisitions of Smith Transport and CFI driving an increase in loaded miles partially offset by lower average DOE diesel fuel prices (15.4%) during the nine months ended September 30, 2023 compared to September 30, 2022, as reported by the DOE.

Salaries, wages, and benefits increased $140.7 million (63.4%), to $362.6 million for the nine months ended September 30, 2023 from $221.9 million in the 2022 period. Salaries, wages, and benefits increased primarily due to the additions of Smith Transport and CFI. We have continued to get more creative in providing better pay, driving opportunities, benefits, equipment, and facilities for our drivers. We expect the qualified driver shortage within the trucking industry to continue to be a challenge in the foreseeable future. However, driver availability began to change late in 2022 through to date in 2023, as a result of the changing freight and economic environments and we believe certain drivers have moved from smaller less financially stable carriers to more financially stable carriers.

Rent and purchased transportation increased $67.4 million, to $88.3 million for the nine months ended September 30, 2023 from $20.9 million for the same period of 2022. The increase resulted from the acquisition of CFI which included more purchased transportation utilized throughout their operations, including owner operators. Further contributing to the rent and purchased transportation increase was lease expense resulting from the acquisition of Smith Transport along with a terminal lease entered into in May 2022 following the sale of that property.

Fuel increased $38.0 million (30.4%), to $163.2 million for the nine months ended September 30, 2023 from $125.2 million for the same period of 2022. The increase was primarily due to more miles driven partially offset by lower average diesel price per gallon (15.4%) as reported by the DOE. Throughout the nine months ended September 30, 2023, we were in an elevated fuel price environment in relation to fuel prices over the last ten years. While diesel prices are down in relation to 2022, the average price in 2023 is the second highest during the most recent ten year period. We expect to see fuel price volatility through the remainder of 2023.

Operations and maintenance expense increased $24.3 million (103.5%), to $47.7 million during the nine months ended September 30, 2023 from $23.4 million in the same period of 2022. The net increase is mainly attributable to the combination of more miles driven and larger fleet size, primarily from the Smith Transport and CFI acquisitions, along with higher costs of parts and materials. At September 30, 2023, the Company's tractor fleet had an average age of 1.9 years and the Company's trailer fleet had an average age of 6.2 years compared to September 30, 2022 when the Company's tractor fleet had an average age of 2.1 years and the Company's trailer fleet had an average age of 6.2 years.

Operating taxes and licenses increased $5.5 million (50.4%), to $16.4 million during the nine months ended September 30, 2023 from $10.9 million in the same period of 2022. The increase resulted from the acquisitions of Smith Transport and CFI and the resulting larger fleet size.

Insurance and claims expense was $30.8 million during the nine months ended September 30, 2023 compared to $22.7 million in 2022. There was an increase in severity and frequency of claims as well as an increase in risk exposure resulting from more miles driven, along with an increase in insurance premiums in 2023 compared to 2022. On April 1, 2023, we renewed our auto liability insurance with a three year program. Under the April 2023 renewal, our auto liability retention limit across all operating entities was increased to $3.0 million for any individual claim based on the insured party, accident date, and circumstances of the loss event. Liabilities in excess of the $3.0 million deductible are covered by insurance up to $80.0 million. We retain any liability in excess of $80.0 million. Our premiums are subject to upward or downward adjustments based on claims experience in the $3.0 million to $10.0 million policy during the three year program. We believe these insurance program features better meet the needs of our consolidated risk profile subsequent to the 2022 acquisitions of Smith Transport and CFI. The elevated retention limit and the premium adjustment feature could lead to increased volatility in our insurance and claims expense, depending on the frequency and magnitude of claims.

Communications and utilities increased $4.0 million (97.3%), to $8.1 million during the nine months ended September 30, 2023 from $4.1 million in the same period of 2022. The increase resulted from the growth in terminal locations and fleet size as a result of the Smith Transport and CFI acquisitions.

Depreciation and amortization increased $65.5 million (79.5%), to $147.9 million during the nine months ended September 30, 2023 from $82.4 million in the same period of 2022 as a result of ongoing fleet replacement strategies along with an increase in depreciated units from the Smith Transport and CFI acquisitions. We expect depreciation expense in 2023 to be approximately $195 million to $205 million.

Other operating expenses increased $19.2 million, to $51.4 million during the nine months ended September 30, 2023 from $32.2 million in the same period of 2022. The increase resulted from our expanded operating fleet and general operations from the Smith Transport and CFI acquisitions.

Gains on the disposal of property and equipment decreased $76.9 million, to a gain on disposal of $15.9 million during the nine months ended September 30, 2023 compared to $92.8 million gain on disposal in the same period of 2022. The decrease in

gains is primarily a result of a $73.2 million gain on a single terminal location during the prior year which did not repeat in the nine months ended September 30, 2023. We expect to recognize approximately $16 million of gains on disposition of equipment during the calendar year of 2023.

Interest expense increased $15.8 million, to $18.3 million during the nine months ended September 30, 2023 from $2.5 million interest expense in the same period of 2022. The interest expense is made up of $17.1 million from the Credit Facilities coinciding with the acquisition of CFI while the remaining $1.2 million is the result of debt and financing leases assumed through the Smith Transport acquisition.

Our effective tax rate was 34.5% and 26.5% for the nine months ended September 30, 2023 and 2022, respectively. The increase in the effective tax rate is primarily the result of a change in the deductibility of per diem related expenses in 2023 compared to 2022.

Liquidity and Capital Resources

The growth of our business requires significant investments in new revenue equipment. Historically, except for acquisitions, we have been debt-free, funding revenue equipment purchases with our primary sources of liquidity, cash flow provided by operating activities and proceeds from sales of used equipment. In conjunction with the acquisition of CFI on

August 31, 2022, (the “CFI Closing Date”), Heartland entered into a $550.0 million unsecured credit facility which included a $100.0 million revolving line of credit (“Revolving Facility”) and $450.0 million in term loans (“Term Facility” and, together with the Revolving Facility, the “Credit Facilities”). The Credit Facilities includes a consortium of lenders, including joint bookrunners JPMorgan Chase Bank, N.A. and Wells Fargo Bank, National Association (“Wells Fargo”).

The Credit Facilities replaced the previous credit arrangements in place for the Company which consisted of a November 2013 Credit Agreement with Wells Fargo, along with an asset-based credit facility with Citizens Bank of Pennsylvania that was assumed as part of the acquisition of Smith Transport on May 31, 2022.

The full amount of the Term Facility was made in a single draw on August 31, 2022 and amounts borrowed under the Term Facility that are repaid or prepaid may not be reborrowed. The Term Facility amortizes in quarterly installments beginning in September 2023, at 5% per annum through June 2025 and 10% per annum from September 2025 through June 2027, with the balance due on the date that is five years from the CFI Closing Date. Based on debt repayments made through September 30, 2023 March 31, 2024, required minimum payments have been covered through March 31, 2026 until the term loan maturity on August 31, 2027.

The Revolving Facility consists of a five-year revolving credit facility with aggregate commitments in an amount equal to $100.0 million, of which up to $50.0 million is available for the issuance of letters of credit, and including a swingline facility in an amount equal to $20.0 million. The Revolver will mature and the commitments thereunder will terminate on the date that is five years after the CFI Closing Date. Amounts repaid under the Revolving Facility may be reborrowed. The Credit Facilities include an uncommitted accordion feature pursuant to which the Company may request up to $275.0 million in incremental revolving or term loans, subject to lender approvals.

The indebtedness, obligations, and liabilities under the Credit Facilities are unconditionally guaranteed, jointly and severally, on an unsecured basis by the Company, Borrower, and certain other subsidiaries of the Company. The Borrower may voluntarily prepay outstanding loans under the Credit Facilities in whole or in part at any time without premium or penalty, subject to payment of customary breakage costs in the case of SOFR rate loans.

The Credit Facilities contain usual and customary events of default and negative covenants for a facility of this nature including, among other things, restrictions on the Company’s ability to incur certain additional indebtedness or issue guarantees, to create liens on the Company’s assets, to make distributions on or redeem equity interests (subject to certain exceptions, including that (a) the Company may pay regularly scheduled dividends on the Company’s common stock not to exceed $10.0 million during any fiscal year and (b) the Company may make any other distributions so long as it maintains a net leverage ratio not greater than 2.50 to 1.00), to make investments and to engage in mergers, consolidations, or acquisitions. The Credit Facilities contain customary financial covenants, including (i) a maximum net leverage ratio of 2.75 to 1.00, measured quarterly on a trailing twelve-month basis, and (ii) a minimum interest coverage ratio of 3.00 to 1.00, measured quarterly on a trailing twelve-month basis. We were in compliance with the respective financial covenants at March 31, 2024 and have been in compliance since the inception of the Credit Facilities.

Outstanding borrowings under the Credit Facilities will accrue interest, at the option of the Borrower, at a per annum rate of (i) for an “ABR Loan”, the alternate base rate (defined as the interest rate per annum equal to the highest of (a) the variable rate of

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interest announced by the administrative agent as its “prime rate”, (b) 0.50% above the Federal Funds Rate, (c) the Term SOFR for an interest period of one-month plus 1.1%, or (d) 1.00%) plus the applicable margin or (ii) for a “SOFR Loan”, the Term

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SOFR Rate for an interest period of one, three or six-months as selected by Company plus the applicable margin. The applicable margin for ABR Loans ranges from 0.250% to 0.875% and the applicable margin for SOFR Loans ranges from 1.250% to 1.875%, depending on the Company’s net leverage ratio.

We had $315.0 million $240.0 million outstanding on the Term Facility and no nothing outstanding under the Revolving Facility at September 30, 2023 March 31, 2024. Outstanding letters of credit associated with the Revolving Facility at September 30, 2023 March 31, 2024 were $12.0 million. As of September 30, 2023 March 31, 2024, the Revolving Facility available for future borrowing was $88.0 million. As of September 30, 2023 March 31, 2024 the weighted average interest rate on outstanding borrowings under the Credit Facilities was 6.9% 7.0%. Unamortized loan origination fees of $1.5 $1.0 million at September 30, 2023 March 31, 2024 are included in long-term debt and finance lease liabilities.

The May 31, 2022 acquisition of Smith Transport included the assumption of $46.8 million of debt and financing lease obligations associated with the fleet of revenue equipment of which $30.4 million $24.6 million was outstanding at September 30, 2023 March 31, 2024, (the "Smith Debt"). The Smith Debt has $8.2 million $7.3 million of outstanding principal and is made up of installment notes with a weighted average interest rate of 4.4% at September 30, 2023 March 31, 2024, due in monthly installments with final maturities at various dates ranging from November 2023 February 2027 to January 2029, secured by related revenue equipment. The remaining Smith Debt of $22.2 million $17.3 million are finance lease obligations with a weighted average interest rate of 3.9% at September 30, 2023 March 31, 2024, due in monthly installments with final maturities at various dates ranging from October 2023 2024 to April 2026 with the weighted average remaining lease term of 1.8 1.5 years.

At September 30, 2023 March 31, 2024, we had $20.1 million $23.8 million in cash and cash equivalents, $321.7 $246.3 million in net outstanding debt, $22.2 $17.3 million in finance lease liabilities, $11.5 million $14.1 million in operating lease obligations, and $88.0 million available borrowing capacity on the Revolving Facility.

We intend to diligently pay down the debt we incurred and assumed to complete our most recent acquisitions, while maintaining our regular quarterly dividends and funding our ongoing capital expenditure needs. While we are paying down the debt, we do not currently expect to declare special dividends repurchase shares of our common stock, or make significant acquisitions, however we acquisitions. We expect to evaluate the potential of share repurchases in addition to paying down the debt. The specific timing and amount of future repurchases will be determined by market conditions, cash flow requirements, securities law limitations, and other factors. We continue to remain flexible to ensure the best deployment of our capital. capital given market conditions and the needs of the Company.

The total estimated purchase commitments for tractors (net of tractor sale commitments) and trailer equipment as of September 30, 2023 March 31, 2024 was $17.7 million $4.8 million. These commitments extend through the remainder of 2023. 2024. We anticipate continued disposition of older tractors and trailers in the Smith Transport and CFI fleets throughout 2023 2024 and beyond. We During the calendar year of 2024, we currently expect net capital expenditures, including terminal projects, of approximately $60 $15 to $65 million for tractors $20 million and trailers and do not expect to recognize approximately $16 million of gains on disposition of equipment to be significant during the calendar year of 2023. 2024.

Cash flow provided by operating activities during the nine three months ended September 30, 2023 March 31, 2024 was $124.5 million $31.0 million as compared to $112.6 million $66.4 million during the same period of 2022. 2023. This increase decrease was primarily due to a $21.1 $23.2 million increase reduction in net income net of non-working capital items partially offset by $9.2 and a decrease of $12.3 million more less cash used provided by working capital items. Cash flows provided by operating activities was 13.4% 11.5% of operating revenues for the nine three months ended September 30, 2023 March 31, 2024 compared with 18.4% 20.1% for the same period of 2022. 2023.

Cash provided by investing activities was $2.0 million during the three months ended March 31, 2024 compared to cash used in investing activities was $81.8 million during the nine months ended September 30, 2023 compared to $621.5 million of $12.8 million during the comparative 2022 2023 period. The decrease increase in cash used was the combined result of $675.9 million cash for the acquisitions of Smith Transport and CFI during the comparative 2022 period, with no acquisitions provided by investing activities is due to $15.2 million decrease in 2023, partially offset by $136.8 million more net cash used by net property and equipment procurement. The increase in cash used by net property and equipment compared to the prior year is primarily due to cash received from the sale of a terminal property in the prior year, with no terminal sale proceeds in the current year comparative period. We have experienced higher net capital expenditures for revenue equipment in 2023 compared to 2022 as a result of the larger fleet size following the acquisitions and efforts to refresh these fleets. activity.

Cash used in financing activities increased $488.2 million decreased $10.6 million during the nine three months ended September 30, 2023 March 31, 2024 compared to the same period of 2022 2023 due mainly to $447.3 million a decrease of cash provided by proceeds from issuance of debt for the acquisition of CFI in 2022 along with an increase of $40.7 $10.7 million of repayments of finance leases and debt during the nine three months ended September 30, 2023 March 31, 2024.

We have a stock repurchase program with 6.6 million shares remaining authorized for repurchase under the program as of September 30, 2023 March 31, 2024 and the program has no expiration date. There were no shares repurchased in the open market during the nine three months ended September 30, 2023 March 31, 2024 and 2022. 2023. Shares repurchased are accounted for as treasury stock. While we are We expect to evaluate the potential of share repurchases in addition to paying down the debt, we do not currently expect debt. The specific timing and amount of future repurchases will be determined by market conditions, cash flow requirements, securities law limitations, and other factors. We continue to repurchase shares of our common stock, however we will remain flexible to ensure the best deployment of our capital. Any future repurchases will be determined by capital given market conditions cash flow and the needs of the Company.

requirements, securities law limitations, and other factors. The share repurchase authorization is discretionary and has no expiration date.

We had net income tax refunds of $0.1 million and net income tax payments of $3.4 million and $4.4 million for income taxes, net of refunds, in the three months ended September 30, 2023 and 2022, respectively. Tax payments year over year decreased $0.2 million for the three months ended September 30, 2023 due to a decrease in estimated tax liability principally due to reduction in income year over year. We had net payments of $29.1 million March 31, 2024 and $32.7 million for income taxes, net of refunds, in the nine months ended September 30, 2023 and 2022, 2023, respectively. Tax payments year over year decreased for the nine months ended September 30, 2023 due to a decrease in estimated tax liability primarily due to irregular tax gains realized in 2022 and the reduction in book taxable income in 2023.

Management believes we have adequate liquidity to meet our current and projected needs in the foreseeable future. Management believes we will continue to have significant capital requirements over the long-term, which we expect to fund with current available cash, cash flows provided by operating activities, proceeds from the sale of used equipment and to a lesser extent, available capacity on the Credit Facilities.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

General

We are exposed to market risk changes in interest rates during periods when we have outstanding borrowings and from changes in commodity prices, primarily fuel and rubber. We do not currently use derivative financial instruments for risk management purposes, although we have used instruments in the past for fuel price risk management, and do not use them for either speculation or trading. Because substantially all of our operations are confined to the United States, we are not directly subject to a material foreign currency risk.

Interest Rate Risk

We had $321.7 million $246.3 million net debt outstanding and $22.2 $17.3 million in finance lease liabilities at September 30, 2023 March 31, 2024. Of the total $343.9 $263.6 million net debt and finance lease liabilities outstanding, $315.0 million $240.0 million is subject to variable interest rates and the remainder is at fixed annual interest rates. Interest rates associated with borrowings under the Credit Facilities are based on the SOFR rate plus a spread based on the Company’s net leverage ratio. Increases in interest rates would currently impact our interest expense given our outstanding borrowings subject to variable interest rates. An increase of 1.0% in the SOFR rate would drive a decrease to our income before income taxes by approximately $3.2 million $2.4 million annually based on the current amount of debt outstanding that is subject to variable interest rates.

Commodity Price Risk

We are subject to commodity price risk primarily with respect to purchases of fuel and rubber. We have fuel surcharge agreements with most customers that enable us to pass through most long-term price increases therefore limiting our exposure to commodity price risk. Fuel surcharges that can be collected do not always fully offset an increase in the cost of fuel as we are not able to pass through fuel costs associated with out-of-route miles, empty miles, and tractor idle time. Based on our actual fuel purchases for 2022, annualized for acquisition impacts, 2023, assuming miles driven, fuel surcharges as a percentage of revenue, percentage of unproductive miles, and miles per gallon remained consistent with 2022 2023 amounts, a $1.00 increase in the average price of fuel per gallon, year over year, would decrease our income before income taxes by approximately $9.3 million $12.3 million in 2023. 2024. We use a significant amount of tires to maintain our revenue equipment. We are not able to pass through 100% of price increases from tire suppliers due to the severity and timing of increases and current rate environment. Historically, we have sought to minimize tire price increases through bulk tire purchases from our suppliers. Based on our expected tire purchases for 2023, 2024, a 10% increase in the price of tires would increase our tire purchase expense by $2.0 million $2.2 million, resulting in a corresponding decrease in income before income taxes.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures– We have established disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) to ensure that material information relating to us, including our consolidated subsidiaries, is made known to the officers who certify our financial reports and to other members of senior management and the Board of Directors.

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including the Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Accounting and Financial Officer), of the effectiveness of the design and operations of our disclosure controls and procedures. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2023 March 31, 2024.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures, or our internal controls, will prevent all errors or intentional fraud. An internal control system, no matter how well-conceived and operated, can only provide reasonable, not total, assurance that the objectives of such internal controls are met.

Changes in Internal Control Over Financial Reporting – During the third quarter of 2023, we finalized implementation of internal controls following the acquisitions of Smith Transport and CFI, with the controls operating effectively at September 30, 2023. The Smith Transport and CFI controls are now subject to our ongoing internal control testing regimen and are part of our conclusion that internal controls are operating effectively as of September 30, 2023. There have been no other changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2023 March 31, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

We are a party to ordinary, routine litigation and administrative proceedings incidental to our business. These proceedings primarily involve claims for personal injury, property damage, cargo, and workers' compensation incurred in connection with the transportation of freight. We maintain insurance to cover liabilities arising from the transportation of freight for amounts in excess of certain self-insured retentions.

ITEM 1A. RISK FACTORS

While we attempt to identify, manage, and mitigate risks and uncertainties associated with our business, some level of risk and uncertainty will always be present. Our Annual Report on Form 10-K for the year ended December 31, 2022 and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2023 December 31, 2023, in the sections section entitled "Item 1A. Risk Factors," describe describes some of the risks and uncertainties associated with our business. The information presented below supplements such risk factors. We are amending and restating in its entirety the risk factor entitled "We self-insure for a significant portion of our claims exposure, which could significantly increase the volatility of, and decrease the amount of, our earnings" from our Annual Report on Form 10-K for the year ended December 31, 2023, as set forth below. The risk factor set forth below should be read in conjunction with the risk factors included in our Annual Report on Form 10-K for the year ended December 31, 2023. These risks and uncertainties have the potential to materially affect our business, financial condition, results of operations, cash flows, projected results, and future prospects.

We self-insure for a significant portion of our claims exposure, which could significantly increase the volatility of, and decrease the amount of, our earnings.

Our future insurance and claims expense might exceed historical levels, which could reduce our earnings. Our business results in a substantial number of claims and litigation related to workers' compensation, auto liability, general liability, cargo and property damage claims, personal injuries, and employment issues as well as employees' health insurance. We self-insure for a portion of our claims, which could increase the volatility of, and decrease the amount of, our earnings, and could have a materially adverse effect on our results of operations. We are also responsible for our legal expenses relating to such claims. We reserve currently for anticipated losses and related expenses. We periodically evaluate and adjust our claims reserves to reflect trends in our own experience as well as industry trends. However, ultimate results may differ from our estimates due to a number of uncertainties, including evaluation of severity, legal costs, and claims that have been incurred but not reported, which could result in losses over our reserved amounts. Due to our high retained amounts, we have significant exposure to fluctuations in the number and severity of claims. If we are required to reserve or pay additional amounts because our estimates are revised or the claims ultimately prove to be more severe than originally assessed or if our self-insured retention levels change, our financial condition and results of operations may be materially adversely affected.

We maintain insurance for most risks above the amounts for which we self-insure with licensed insurance carriers. We do not currently maintain directors' and officers' insurance coverage, although we are obligated to indemnify them against certain liabilities they may incur while serving in such capacities. If any claim is not covered by an insurance policy, exceeds our coverage, or falls outside the aggregate coverage limit, we would bear the excess or uncovered amount, in addition to our other self-insured amounts. Certain insurance carriers that provide excess insurance coverage to us currently and for past claim years have encountered financial issues. In recent years there have been several insurance carriers that have exited the excess reinsurance market. Insurance carriers have raised premiums and collateral requirements for many businesses, including trucking companies. This trend is expected to continue. As a result, our insurance and claims expense could likely increase if we have a similar experience at renewal, or we could find it necessary to raise our self-insured retention or decrease our aggregate coverage limits when our policies are renewed or replaced.

In April 2023, we renewed our primary auto liability insurance with a three year program. Under the April 2023 renewal, our auto liability retention limit across all operating entities was increased to $3.0 million for any individual claim, subject to a $3.5 million corridor for any one accident or combination of accidents that exceed $3.0 million, based on the insured party, accident date, and circumstances of the loss event. In April 2024, an additional corridor was added, where we retain liability of $5.0 million for any one accident or combination of accidents that exceed $10.0 million.Liabilities in excess of the $3.0 million deductible, the $3.5 million corridor, and the $5.0 million corridor are covered by insurance up to $80.0 million. We retain any liability in excess of $80.0 million. Furthermore, under the April 2023 renewal, our premiums are subject to upward or downward adjustments based on claims experience in the $3.0 million to $10.0 million policy during the three year program. The elevated retention limit and the premium adjustment feature could lead to increased volatility in our insurance and claims expense, depending on the frequency and magnitude of claims.

Should these expenses increase, we become unable to find excess coverage in amounts we deem sufficient, we experience a claim in excess of our coverage limits, we experience a claim for which we do not have coverage, or we have to increase our reserves or collateral, there could be a materially adverse effect on our results of operations and financial condition.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

During the third first quarter of 2023 2024 no director or officer adopted or terminated a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement other than Larry Gordon. On August 21 2023 Larry Gordon, a director of the Company during the quarter and through November 1, 2023, adopted a Rule 10b5-1 trading arrangement. The duration of the trading arrangement begins on August 21, 2023 and ends on November 22, 2024. The plan is for the sale of up to 303,159 shares of Common Stock. Mr. Gordon's trading arrangement was entered into during an open insider trading window and is intended to satisfy the affirmative defense of Rule 10b5-1(c) under the Exchange Act and the Company's policies regarding insider transactions.

ITEM 6. EXHIBITS

(a) Exhibits

3.1	Articles of Incorporation, as amended. Incorporated by reference to Exhibit 3.1 of the Company's Form 10-Q for the quarter ended September 30, 2017, dated November 9, 2017.
3.2	Amended and Restated Bylaws. Incorporated by reference to Exhibit 3.2 of the Company's Form 10-Q for the quarter ended September 30, 2017, dated November 9, 2017.
31.1*	Certification of Principal Executive Officer Pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.
31.2*	Certification of Principal Financial Officer Pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.
32.1**	Certification of Principal Executive Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of the Principal Financial Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document - 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 Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)

* Filed herewith.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1934, the registrant has duly caused the report to be signed on its behalf by the undersigned thereunto duly authorized.

HEARTLAND EXPRESS, INC.

Date: November 9, 2023 May 10, 2024

By: /s/ Christopher A. Strain

Christopher A. Strain

Vice President of Finance

and Chief Financial Officer

(Principal Accounting and Financial Officer)

Exhibit No. 31.1

Certification

I, Michael J. Gerdin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Heartland Express Inc. (the “Registrant”);

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 quarterly 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 quarterly 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 Rule 13a-15(f) and 15d-15(f)) for the Registrant and we 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 quarterly 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 quarterly report based on such evaluation; and

   d) Disclosed in this quarterly 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 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 independent registered public accounting firm and the audit committee of 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: November 9, 2023 May 10, 2024

By: /s/ Michael J. Gerdin
Michael J. Gerdin
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

Exhibit No. 31.2

Certification

I, Christopher A. Strain, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Heartland Express Inc. (the “Registrant”);

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 quarterly 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 quarterly 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 Rule 13a-15(f) and 15d-15(f)) for the Registrant and we 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 quarterly 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 quarterly report based on such evaluation; and

   d) Disclosed in this quarterly 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 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 independent registered public accounting firm and the audit committee of 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: November 9, 2023 May 10, 2024

By: /s/ Christopher A. Strain
Christopher A. Strain
Vice President-Finance
Treasurer and Chief Financial Officer
(Principal Accounting and Financial Officer)

Exhibit No. 32.1

CERTIFICATION OF
PRINCIPAL EXECUTIVE OFFICER
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 of Heartland Express, Inc. (the "Company"), on Form 10-Q for the period ended September 30, 2023 March 31, 2024 (the "Report"), filed with the Securities and Exchange Commission, I, Michael J. Gerdin, Chairman, President and 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 to the best of my knowledge:

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: November 9, 2023 May 10, 2024

By: /s/ Michael J. Gerdin
Michael J. Gerdin
Chairman, President and Chief Executive Officer

Exhibit No. 32.2

CERTIFICATION OF
PRINCIPAL FINANCIAL OFFICER
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 of Heartland Express, Inc. (the "Company"), on Form 10-Q for the period ended September 30, 2023 March 31, 2024 (the "Report"), filed with the Securities and Exchange Commission, I, Christopher A. Strain, Vice President-Finance, Treasurer and 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 to the best of my knowledge:

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: November 9, 2023 May 10, 2024

By: /s/ Christopher A. Strain
Christopher A. Strain
Vice President-Finance, Treasurer
and Chief Financial Officer

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