

2020 ANNUAL REPORT



EMPLOYEES

10,600

STATES WE NOW SERVE

44

BILLION IN REVENUE

\$1.8

TERMINALS

169

AVERAGE LENGTH OF HAUL

879



SERVICE WITHOUT EXCEPTION

While 2020 will long be remembered for the vast number of challenges the COVID-19 pandemic presented, it will also be remembered at Saia as a time of tremendous success as employees across the company joined together to overcome obstacles unlike any we have ever encountered on such a large scale. We overcame so we could provide the service our customers deserved to keep their businesses operating during what was an extraordinarily difficult time. In fact, even during the pandemic, not only did we realize some significant positive results in an annual industry survey measuring customer feedback, we posted a record low cargo claims ratio of 0.66%. Both of these, coupled with our own operational achievements last year, proves we are indeed a top tier national carrier.

Outside of delivering outstanding service for our customers, we also continued all of our major initiatives, including the construction of our new Memphis, Tennessee terminal and several large-scale improvement projects at other facilities like Dallas, Texas. Our new 200-door Memphis facility is 60% larger than our previous terminal and will allow us to meet the needs of our shippers well into the future. We also opened one new terminal in the Northeast, in Burlington, Vermont, providing customers with even more direct shipping points in the region.

THE FUTURE IS NOW

In addition to service, facility improvements and expansion, investments in technology allowed us to quickly pivot over 1,000 personnel to work from home and minimize employee-to-employee and customer interaction in the field, thus creating a safe environment for all. Other technology investments helped us achieve improved productivity as well as meaningful cost reductions.

We launched initiatives, which we'll further roll out in 2021, centered on new driver handhelds, a pickup and delivery application, paperless pickup and delivery options, streamlined driver data entry, and increased visibility and dispatch capabilities. All of this is the culmination of a partnership formed by operations and our IT team and the meaningful developments they've made these last several years.

SAFETY REIGNS SUPREME

At Saia, safety has always been a core value, but in 2020, it took on a new significance because of COVID-19. It goes without saying that our primary concern was, and continues to be, the health and safety of our employees. Since the onset of the pandemic, we've closely monitored its impact and progression and followed all relevant advisories, making sure we had the policies, resources, personal protective equipment (PPE), and infrastructure in place to safeguard team members and customers and fulfill our very important role in supporting our nation's supply chain. In fact, we began investing significant amounts every month in PPE including masks, hand sanitizer, spray sanitizer, and gloves so our personnel could safely interact with each other, our customers and our vendors.

Still, even in the midst of the pandemic, we continued to invest in safety-related technology for our equipment and provided training and ongoing education for our employees so they had the tools and resources needed to keep them injury and accident-free. We also presented over 4,300 awards to our drivers, dockworkers and mechanics in recognition of their safety achievements. Of these individuals, nearly 150 drivers received a ring to commemorate safely driving a million miles.

LIVING OUR CORE VALUES

Lastly, but certainly not least, Saia's core values took center stage as they formed the foundation of our principles and success in 2020. For instance, by "Taking Care of Each Other," the company worked to support employees by offering 40 hours of paid time off to all full-time hourly personnel, offering a voluntary leave of absence for any employee needing time away from work, and providing free counseling sessions through our employee assistance program. We also offered an early retirement incentive employees could take advantage of. These benefits were offered because we simply wanted to "Do the Right Thing." Because of "Dignity and Respect," we developed and filled a new role for the company - vice president of organizational development, diversity and inclusion, and talent. So, whether it was operating as an "essential business" so we could put our "Customer(s) First," and support our "Communities," or making sure the health and "Safety" of our employees guided all decisions, our core values have never been more present and important.

DEAR FELLOW STOCKHOLDER

We are pleased to report that despite the difficult conditions brought on by the COVID-19 pandemic, 2020 proved to be a record year for Saia. Our plan for 2020 centered on execution, productivity and building density in new and existing markets. After reporting record profitability in the first quarter of 2020, second quarter results were dramatically impacted by the loss of volume we experienced as parts of the economy shutdown in an effort to slow the spread of COVID-19. The decline in business activity in early spring was sudden and dramatic, but by the middle of the second quarter, volumes had begun to stabilize. We experienced shipment and revenue declines of 10% in the second quarter, but we quickly adapted to the new environment, cut costs and found opportunities for improved efficiency and we remained solidly profitable in the quarter. Customer activity continued to build momentum in the second half of the year and we posted record quarterly earnings in both the third and fourth quarters of 2020.

Ultimately, full year financial results were a record for our company as revenue grew by 2% to a record \$1.8 billion. Our operating income for 2020 rose 18% to a record \$180.3 million and the full-year operating margin of 9.9% was a record as well. We reported record diluted earnings per share of \$5.20 in 2020 compared to \$4.30 in 2019.

The pandemic created unprecedented challenges during the year. From the outset, we were identified as an essential service, thus we operated throughout the pandemic. Our focus has been on the health and safety of our employees and customers. We made health and safety changes, including the distribution of personal protective equipment across our network, and moved administrative teams to a work-from-home position in a matter of days. These steps were maintained throughout the year and are still in place today.

Our operations team executed extremely well in 2020 and their work enabled us to effectively operate, even with the volatility around day-to-day shipment levels and while facing varying levels of employee availability during the year. Our sales organization successfully pivoted its go-to-market strategy to a virtual approach, as in-person contact with customers was restricted. The strategy was successful and our organization was able to pursue growth and yield improvement objectives in spite of these challenges.

While 2020 proved to be a record year for Saia's financial performance, we are also proud of and extremely grateful for the achievements of our employees. Saia associates have exhibited great professionalism and teamwork while working productively through these unprecedented and difficult times. More than 90% of our employees are unable to work from home due to the nature of their jobs and their willingness to adapt to new policies, procedures and safe practices has been remarkable.

While last year provided us all with plenty of challenges both professionally and personally, we learned that we are capable of pulling together as a team to deal with most any situation. Not only did we adapt quickly to changing conditions across our network brought on by COVID-19, but we did so while maintaining a high level of service. In 2020, we delivered 98% of our shipments on-time, despite experiencing periodic shortages of employees on any given day due to the pandemic. Protecting customers' freight remained a priority for our employees and our 2020 cargo claims ratio of 0.66% was a record. We are very proud of our team for providing this level of service for our customers and pleased that we could do our part in delivering essential goods in these difficult times.



Our employees remain our most important asset. In an effort to provide assistance for our employees through the pandemic, we offered our hourly employees five additional days of paid time off to be used during the year as desired to take additional rest or to care for a friend or family member in need. We maintained our industry-leading health and benefits programs throughout the year as our employees and their families continued to rely on these important benefits.

We are committed to supporting all of our employees through these challenging times and beyond. We seek to foster a work environment that promotes a high level of employee satisfaction, while also promoting an engaging work culture of diversity and inclusion. In early 2021, we launched a Diversity Council offering a cross-functional employee perspective of diversity-related issues within our company. The goal of the leaders here at Saia and of the council itself, is to promote a culture where individual differences are respected and all employees are valued for the skills and contributions they bring to the business.

In 2020, we continued to invest in our company, spending more than \$230 million on tractors, trailers, real estate and technology. Some \$138 million of this was for new tractors and trailers and we have now brought the average age of our tractors and trailers down to 4.3 years and 8.1 years, respectively. As we lower the age of our fleet, we are seeing compounding benefits in the form of better fuel mileage, up to over 7 miles per gallon, enhanced safety technologies in our tractors, lower maintenance costs and ultimately improved customer service as reliability and cargo claims metrics benefit.

After opening nine new terminals and relocating an additional five terminals in 2019, we opened one new terminal in the Northeast and relocated an additional five terminals in 2020. The highlight of our openings in 2020 was our new 200 door facility in Memphis, Tennessee. This terminal is 60% larger than our prior location and will allow us to meet the needs of our customers today and into the foreseeable future. The new terminal utilizes the latest in energy efficient technology and low maintenance design. The high-speed fueling station on the property features the latest in environmentally-safe and responsible construction.

With the new and relocated terminals, we expanded our total system-wide door count by approximately 5%.

Technology investments made over the past few years positioned us well for the rapidly changing work environment brought on by the onset of the COVID-19 pandemic. Our IT infrastructure was key to our ability to immediately shift more than 1,000 employees to a work from home environment as the pandemic necessitated. We also quickly made technology enhancements in the field to minimize employee interaction in the terminals and help promote a safe work environment. We are also making other technology investments to improve productivity and aid cost reduction. Key technology gains have been made in areas such as load planning, linehaul optimization, scheduling, dock productivity, pricing and others.

Over the past five years we have invested more than \$1 billion in our company. We have grown our terminal count by 14% and that enabled us to deliver 14% more shipments in 2020 than in 2015. Importantly, total revenue has grown by more than 50% in that time period, a clear indication that our pricing strategy is yielding positive results. The investments in real estate, terminal improvements, revenue equipment and technology have all combined to enable us to grow earnings faster than revenue. Our operating income has doubled in the past five years for a compounded annual growth rate of 15%.

In early spring last year, we announced the planned transition of our executive leadership team. Long-time Chairman of the Board Bert Trucksess retired and relinquished his chairmanship duties at our annual meeting in April and Rick O'Dell, our former CEO, assumed the position of chairman of the board. Fritz Holzgreffe was elevated from his role as president and chief operating officer to president and CEO.

We would like to recognize Bert and thank him for his leadership over our nearly 20-year history as a public company. Also retiring from the board in 2020, was John Holland, who had served continuously on our board since our emergence as a public company in late 2002. John was also the chairman of our Compensation Committee. Other board members, Björn Olson and Bill Evans, also retired during the year. Björn had served on our board since 2005 and was our lead independent director, while Bill served as a director since 2013 and was the chairman of our Audit Committee. We sincerely thank each of them for their years of service and their important contributions to our success.

Saia's mission is to safely drive our customers' success with custom solutions built on the three pillars of our service-focused values: people, purpose and performance. Our core values place the Customer First as they are the heart of the business. Safety is a unifying fundamental behavior and practice that supports our company's purpose and goals. Taking Care of Each Other is rooted in our leadership team caring for our employees and our employees caring for each other. Every employee deserves to be treated with Dignity and Respect. Our emphasis on Do the Right Thing focuses on making the ethical choice. Ultimately, we all seek and embrace our responsibility to the Community in which we live and operate. These values, along with our expansive, ongoing initiatives to touch all of our stakeholders, are outlined on our website at saia.com

Our successful results in 2020 were recognized by investors and our share price rose 94% for the year after appreciating by 67% in 2019. We look forward to the year ahead and to strengthening our position as a leading provider of transportation services.

Thank you for your continued support and interest in Saia.

BOARD OF DIRECTORS

Richard D. O'Dell

Non-Executive Chairman

Di-Ann Eisnor⁽²⁾

Executive

Co-Founder and Chief Executive Officer at Core

Donna E. Epps^{(1) (3)}

Retired Partner Deloitte LLP

John P. Gainor, Jr.^{(1) (3)*}

Retired Chief Executive Officer & President

International Dairy Queen, Inc.

Frederick J. Holzgrefe, III

President & Chief Executive Officer

Randolph W. Melville^{(2)* (3) (4)}

Retired Senior Vice President & General Manager,
Western Division

Frito-Lay North America, Inc.

Jeffrey C. Ward^{(2) (3)}

Vice President

A.T. Kearney, Inc.

Susan F. Ward^{(1)*}

Retired VP and Chief Accounting Officer
of United Parcel Service, Inc.

OFFICERS

Frederick J. Holzgrefe, III

President & Chief Executive Officer

Douglas L. Col

Executive Vice President & Chief Financial Officer

Paul C. Peck

Executive Vice President Operations

Raymond R. Ramu

Executive Vice President & Chief Customer Officer

Stephanie R. Maschmeier

Vice President & Chief Accounting Officer

Karla J. Staver

Vice President Safety & Human Resources

1 - Audit Committee

2 - Compensation Committee

3 - Nominating & Governance Committee

4 - Lead Independent Director

*Denotes Committee Chair

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

Form 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 0-49983

Saia, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State of Incorporation)

48-1229851
(I.R.S. Employer
Identification No.)

11465 Johns Creek Parkway, Suite 400
Johns Creek, Georgia
(Address of Principal Executive Offices)

30097
(Zip Code)

(770) 232-5067

(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, par value \$.001 per share	SAIA	The Nasdaq Global Select Market

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

As of June 30, 2020, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was \$2,907,226,975 based on the last reported sales price of the common stock as reported on the National Association of Securities Dealers Automated Quotation System National Market System. The number of shares of Common Stock outstanding as of February 18, 2021 was 26,329,689.

Documents Incorporated by Reference

Portions of the definitive Proxy Statement to be filed within 120 days of December 31, 2020, pursuant to Regulation 14A under the Securities Exchange Act of 1934 for the Annual Meeting of Stockholders to be held April 27, 2021, have been incorporated by reference into Part III of this Form 10-K.

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PART I.

Item 1. *Business*

Overview

Saia, Inc., through its wholly-owned subsidiaries, is a transportation company headquartered in Johns Creek, Georgia (Saia, Inc. together with its subsidiaries, the Company or Saia). We provide less-than-truckload (LTL) services through a single integrated organization. While more than 97% of our revenue is derived from transporting LTL shipments, we also offer customers a wide range of other value-added services, including non-asset truckload, expedited and logistics services across North America.

Founded in 1924, Saia Motor Freight Line, LLC (Saia LTL Freight) is a leading LTL carrier that serves 44 states and provides LTL services to Canada and Mexico through relationships with third-party interline carriers. Saia LTL Freight specializes in offering its customers a range of LTL services including time-definite and expedited options. Saia LTL Freight primarily provides its customers with solutions for shipments between 100 and 10,000 pounds.

As of December 31, 2020, Saia LTL Freight operated a network comprised of 174 owned and leased facilities, including three general offices and owned approximately 5,700 tractors and 17,400 trailers, including equipment acquired with finance leases.

In May 2017, Saia initiated a strategy to provide direct service to the portions of the continental United States not then serviced by the Company. The focus began with the Northeast and includes additional investments in density and service in our legacy geographies. Since that time the Company has opened 23 new terminals. Over the past five years, Saia has invested more than \$1 billion in capital expenditures, primarily for revenue equipment, real estate and technology. These investments have reduced the age of Saia's fleet, improved fuel economy, reduced carbon emissions, enhanced safety and supported Saia's plans for additional volume growth. Saia has also invested substantially in technology, training and business processes to enhance the Company's ability to monitor and manage customer service, safety, operations and profitability.

In 2020, Saia generated revenue of \$1.8 billion and operating income of \$180.3 million. In 2019, Saia generated revenue of \$1.8 billion and operating income of \$152.6 million. In 2020, the average Saia LTL Freight shipment weighed approximately 1,314 pounds and traveled an average distance of approximately 879 miles.

None of our approximately 10,600 employees is represented by a union. In recent years, due to competition for quality employees, the compensation divide between union and non-union carriers has closed dramatically. However, there are still significant differences in benefit costs and work rule flexibility. In addition, non-union carriers have more work rule flexibility with respect to work schedules, routes and other similar items. Work rule flexibility is a major consideration for us as flexibility is important to meet the service levels required by customers. We believe this provides for better communications and employee relations, stronger future growth prospects, improved efficiencies and customer service capabilities.

Industry

The trucking industry consists of three segments: private fleets and two "for-hire" carrier groups. The private carrier segment consists of fleets owned and operated by shippers who move their own goods. The two "for-hire" carrier groups, truckload and LTL, are defined by the typical shipment sizes handled by the transportation service companies. Truckload refers to providers generally transporting shipments greater than 10,000 pounds and LTL refers to providers generally transporting shipments less than 10,000 pounds. Saia is primarily an LTL carrier. In addition to the three main trucking segments, Saia also competes with small package carriers, final mile delivery services, railroads, air freight carriers, third party logistics providers and other emerging digital competitors.

LTL carriers typically pickup numerous shipments, generally ranging from 100 to 10,000 pounds, consolidate them at local carrier-operated freight terminals and then transport the shipments from the terminal to the carrier-operated destination terminal for delivery to the ultimate destination. As a result, LTL carriers require expansive

networks of pickup and delivery operations around local freight terminals and linehaul operations to transport freight between the local terminals.

The truckload segment is the largest portion of the “for-hire” truck transportation market. Truckload carriers primarily transport large shipments from origin to destination with no intermediate handling.

Because truckload carriers do not require an expansive network to provide point-to-point service, the overall cost structure of truckload carriers is typically lower and more variable relative to LTL carriers. However, the lack of a network subjects their drivers to extended periods away from home thus resulting in higher driver turnover and periodic driver shortages. The truckload segment is comprised of several major carriers and numerous small entrepreneurial players. At the most basic level, a truckload company can be started with capital for rolling stock (a tractor and a trailer), insurance, a driver and little else. As size becomes a factor, capital is needed for technology, infrastructure and some limited facilities. Saia LTL Freight may participate in the truckload market as a means to fill empty miles in lanes that are not at capacity. Saia also offers its customers the truckload and expedited offerings of its non-asset operations.

Capital requirements are significantly higher in the traditional LTL segment versus the truckload segment. In the LTL sector, substantial amounts of capital are required for a network of freight terminals, shipment handling equipment and revenue equipment (both for city pick-up, delivery and linehaul). In addition, investment in technology has become increasingly important in the LTL segment largely due to the number of transactions and number of customers served on a daily basis. Saia LTL Freight picks up approximately 29,000 shipments per day, each of which has a shipper and consignee, and sometimes a third-party payor, all of whom need access to information in a timely manner. More importantly, technology plays a key role in improving customer service, operations efficiency and compliance, safety and yield management. As a result of the significant infrastructure required to operate an LTL carrier, the LTL segment is more concentrated than the truckload segment with the largest LTL players operating nationally or in regional markets. Driver turnover in the LTL sector is significantly lower relative to the truckload sector, although LTL carriers also face periodic driver shortages.

Business Strategy

Saia has grown historically through a combination of organic growth and geographic integration or “tuck-in” acquisitions of smaller trucking and logistics companies. More recently Saia has grown largely through organic growth.

Key elements of our business strategy include:

Continue to focus on operating safely.

Our most valuable resource is our employees. It is a corporate priority to continuously emphasize the importance of safe operations to reduce both the frequency and severity of injuries and accidents. This emphasis on safe operations is focused not only on protecting our employees and the communities in which we operate, but with the continued escalation of commercial insurance and healthcare costs, it is important to maintain and improve stockholder returns. Operational safety has a broader impact on the communities we serve and we expect regulatory requirements to become an increasing priority.

Manage yields and business mix.

This element of our business strategy involves managing both the price we charge for our services and the mix of freight we transport to operate our network more profitably. Improvements in the economy coupled with the tightening of available capacity in the industry over the last several years allowed the Company to implement pricing initiatives to increase the Company's yield and revenue per shipment.

Increase density in existing geographies.

We gain operating leverage by growing volume and density within existing geography. Depending on pricing and the specific lanes, we estimate that the potential incremental profitability on growth in current markets can be as much as 20 percent or more. This improves margins, asset turnover and return on capital. We actively monitor opportunities to add freight terminals where there is sufficient market potential. Future volume growth at Saia could result from improvements in the general economy, industry consolidation, geographic expansion and strategic acquisitions, as well as specific sales and marketing initiatives.

Continue to focus on delivering best-in-class service.

The foundation of Saia's growth strategy is consistent delivery of high-quality service through on-time delivery and reduced claims for lost and damaged freight. Commitment to service quality is valued by customers and allows us to charge fair compensation for our services and positions us to improve market share.

Continue to focus on improving operating efficiencies.

Saia has operating initiatives focused on continuing to improve efficiency, including by optimizing our linehaul scheduling and pick-up and delivery operations. These initiatives help offset a variety of structural cost increases like wages, healthcare benefits, casualty insurance, workers' compensation claims and casualty claims and parts and maintenance expense. Optimizing our linehaul scheduling and pick-up and delivery operations provides the opportunity to better utilize assets and thus reduce fuel consumption and carbon emissions. We believe Saia continues to be well positioned to manage costs and utilize assets. We believe we will continue to see new opportunities for cost savings.

Prepare the organization for growth and expand geographic footprint.

While our immediate priority is to improve profitability in our existing geography, we plan to further pursue geographic expansion and build additional density in legacy markets to promote profitable growth and improve our customer value proposition over time. As a result, we plan to continue to invest in new terminals, in our tractor and trailer fleet and in new technology to enable us to efficiently handle the increased freight flows we anticipate to and from new and existing markets. In addition to direct expansion through adding new terminals, management may consider acquisitions from time to time to help expand geographic reach and density while gaining the business base of the acquired entity.

Continue to address environmental and social issues.

We are dedicated to building on our strong, positive culture by being a leading corporate citizen for the benefit of our customers, employees, communities and shareholders. In recent years, we have invested heavily in our tractor and trailer fleet to improve fuel efficiency and reduce carbon emissions, while also improving reliability and lowering maintenance expenses. We are also working to optimize our linehaul scheduling and pick-up and delivery operations to better utilize our assets and thus further reduce fuel consumption and carbon emissions. We are undertaking pilot programs involving the use of alternative fuels for our operations, including testing of tractors powered by compressed natural gas and electricity. The Company has implemented new procedures designed to reduce the risk of spills of hazardous materials we transport and to quickly and efficiently react to any environmental incidents. At our terminals, we have implemented electricity-saving procedures and have conservation initiatives in place to recycle used oil, scrap metal, paper and cardboard. Additionally, for new construction terminals we are using best practices of including green initiatives where possible.

We are focused on maintaining strong relationships with our employees. We invest in our employees through training and professional development programs, safety training, wellness programs, internal employee communications and employee recognition programs, along with providing competitive wages and employee benefit programs. We have recently added a Vice President in charge of promoting diversity and inclusion at all levels of our organization and have created a Diversity Council to foster a diverse workforce and promote a culture of respect for all employees. As part of the upgrade of our tractor fleet, we have added accident avoidance technology in our new over-the-road tractors, including active braking assistance, adaptive cruise control, lane departure warning systems and roll stability control, designed to make our drivers safer and to protect the communities where we operate.

Seasonality

Our revenues are subject to seasonal variations. Customers tend to reduce shipments after the winter holiday season and our operating expenses tend to be higher as a percent of revenue in the winter months primarily due to lower capacity utilization and weather effects. Generally, the first quarter is the weakest quarter while the second and third quarters are the strongest quarters in terms of revenue and profit. Quarterly profitability is also impacted by the timing of salary and wage increases and general rate increases which have varied over the years.

Human Capital

We believe our success as a company depends on the strength of our workforce. Our Vice President of Safety and Human Resources, reporting to our President and Chief Executive Officer, is responsible for developing and executing our human capital strategy. This includes recruiting, hiring, training and retention as well as the development of our compensation and benefits programs.

Our 10,600 union-free employees are comprised of about 52% licensed commercial drivers, about 23% dock workers (approximately one-third of whom are part-time) and the remaining 25% work in sales, technology and administration to support our business. Of Saia's workforce, approximately 90% are male. Approximately 48% of all employees have self-identified as Hispanic or Latino, Native American, Pacific Islander, Asian, Black or African American, or of two or more races. Additionally, nearly 80% of our workforce is under the age of 55, while our driver average tenure is almost nine years.

As the success of our business is fundamentally connected to the well-being of our people, we offer benefits that support their physical, financial and emotional well-being. We provide our employees with access to affordable and convenient medical programs intended to meet their physical and emotional needs and the needs of their families, with 97% of employees participating. To foster retention, employees with ten or more years of service do not pay premiums for participation in the medical program. In addition to standard medical coverage, we offer eligible employees dental and vision coverage. Additionally, Saia strives to help employees lead healthier lives through a voluntary wellness program aimed at engaging employees to promote proactive evaluation, tracking and management of major health and wellness indicators, such as blood pressure, weight, and routine blood laboratory analysis. The program has an annual participation rate of approximately 65% of our employee base.

As an added benefit for employees, we offer a 401(k) savings plan with a Company match as well as paid vacation and personal days. These benefits are in addition to the Company's market-based compensation program designed to maintain competitive compensation packages for all employees. We assess the competitiveness of our compensation by principal job classifications in markets across the country through periodic compensation surveys. Company-wide wage increases are also implemented from time-to-time, the most recent one being approximately 3.5% awarded to employees on January 1, 2021.

Recruiting, Hiring, Training and Professional Development.

We seek to hire employees with the desire they spend their career with us to retirement. With that in mind, identifying qualified candidates and attracting them with competitive compensation and benefits is key to our success. We have regional recruiting managers across the Company to facilitate our hiring needs. If necessary and to attract the most qualified candidates, we offer periodic signing bonuses to new hires.

We have more than 300 driver trainers, who assist in providing all new drivers with over 40 hours of onboarding training. To further our drivers' training, Saia annually trains all drivers in the Smith System defensive driving program and provides weekly safety training through various mediums, including safety videos and group and individual presentations on safety topics. Saia's tractor fleet is equipped with extensive safety technology, including video recording systems which enable managers to provide coaching and feedback to drivers throughout the year. Our dock employees also receive onboarding training which is supplemented with on-going safety and job training. Employees who express an interest in a long-term driving career can enroll in a Company-sponsored dock-to-driver program to obtain the necessary commercial driver certifications. Annual safety awards and recognition are given to both drivers and dock employees who qualify.

Diversity and Inclusion.

Saia is committed to fostering a work environment that values and promotes diversity and inclusion. We pride ourselves in the fair treatment of our employees and strive to have a high level of employee satisfaction and productivity. We use periodic employee engagement surveys as well as compensation surveys to measure our success in meeting our employees' needs in the workplace.

Our Vice President of Organizational Development, Diversity & Inclusion and Talent is charged with promoting diversity across our organization and leads our efforts to foster an inclusive, empowering work environment for our employees. We seek to promote workplace diversity and to create a spirit of inclusivity in our Company that encourages authenticity, celebrates our differences and supports collaborative effort gathered from the unique experiences and diverse perspectives of our employees.

In early 2021, we launched a Diversity Council offering a cross-functional employee perspective of diversity-related issues within our Company. The goal of the leaders in our Company and of the Council is to promote a culture where individual differences are respected and all employees are valued for the skills and contributions they bring to the business. The Council is responsible for continually examining the processes and systems in place to ensure that attraction, engagement, development and retention of a diverse workforce is encouraged by inclusive leadership principles.

Engagement.

We focus on driving employee engagement throughout our organization. We believe it is important to our success as an organization for our employees to understand how their work contributes to our overall performance. We communicate with our workforce through a variety of channels and encourage open and direct communication. Saia communication starts with an employee's manager and is supplemented by a variety of means, including regular industry updates, a monthly magazine, reports on quarterly performance directly from the CEO and executive team and annual employee engagement surveys.

COVID-19 Response.

During the COVID-19 pandemic, the health and safety of our employees and their families has been our top priority as we remain open for business as an essential service provider to our customers. Our Company has established policies and procedures designed to mitigate the potential for transmission of COVID-19 amongst our employees, customers and vendors. Personal Protective Equipment (PPE) in the form of masks, gloves and hand sanitizer have been made available to employees at all locations. Workplaces have been configured to provide for maximum social distancing where possible and, where job functions will allow, employees have worked remotely. New house-keeping and sanitization procedures have been implemented and, in instances where the workplace is exposed to an individual with a positive test result for COVID-19, an outside vendor is retained to do an extensive sanitization of the impacted facility. In an effort to further the wellness of our employees and their families, the Company offered all hourly employees an additional five days of paid time off in 2020 to allow employees to take the necessary time to focus on their health or the health of their family. Additionally, in July 2020, the Company paid virtually all employees a one-time \$250 bonus.

Corporate Culture.

Saia's mission is to safely drive our customers' success with custom solutions built on the three pillars of our service-focused values: people, purpose and performance. Our core values place the *Customer First* as they are the heart of the business. *Safety* is a unifying fundamental behavior and practice that supports our Company's purpose and goals. *Taking Care of Each Other* is rooted in our leadership team caring for our employees and our employees caring for each other. Every employee deserves to be treated with *Dignity and Respect*. Our emphasis on *Do the Right Thing* focuses on making the ethical choice. Ultimately, we all seek and embrace our responsibility to the *Community* in which we live and operate.

The Company has sought to adhere to our core values with a commitment to communicating with employees, providing long-term growth and by providing development opportunities and a leading and comprehensive employee compensation and benefits program. We believe this focus has fostered a positive company culture and great success with our employees and customers.

Competition

Although there has been some tightening of capacity and some industry consolidation, shippers continue to have a wide range of choices. We believe that service quality, price, variety of services offered, geographic coverage, responsiveness and flexibility are the important competitive differentiators.

Saia focuses on providing LTL services in a highly competitive environment against a wide range of transportation service providers. These competitors include a small number of large, national transportation service providers in the long haul and two-day markets and a larger number of shorter-haul or regional transportation companies in the two-day and overnight markets. Saia also competes in and against several modes of transportation, including LTL, truckload and private fleets. The larger the service area, the greater the barriers to entry into the LTL trucking segment due to the need for additional equipment and freight terminals associated with this coverage. The level of technology investment required and density needed to provide adequate labor and asset utilization make larger-scale entry into the LTL market difficult. Saia also competes with small package carriers, final mile delivery services, railroads, air freight carriers, third party logistics providers and other emerging digital competitors.

Regulation

Over the past 40 years, the trucking industry has been substantially deregulated and rates and services are largely free of regulatory controls. Nevertheless, the trucking industry remains subject to regulation by many federal and state governmental agencies, and these authorities have broad powers over matters ranging from the authority to engage in motor carrier operations, motor carrier registration, driver hours of service, safety and fitness of transportation equipment and drivers, insurance requirements, fuel efficiency and emissions standards, and the transportation and handling of hazardous materials.

Key areas of regulatory activity include:

Department of Homeland Security.

The trucking industry is working closely with government agencies to define and implement improved security processes. Federal, state and municipal authorities have implemented and continue to implement anti-terrorism measures, including checkpoints and travel restrictions on large trucks. The Transportation Security Administration (TSA) continues to focus on trailer security, driver identification, security clearance and border-crossing procedures. These and other safety and security measures, such as rules for transportation of hazardous materials and cargo-security regulations, could increase the cost of operations, reduce the number of qualified drivers and disrupt or impede the timing of our deliveries to customers.

Department of Transportation.

Motor carrier and freight brokerage operations are subject to safety, insurance and bonding requirements prescribed by the U.S. Department of Transportation (DOT) and various state agencies.

Within the DOT, the Federal Motor Carrier Safety Administration (FMCSA) has issued rules including hours of service regulations that limit the maximum number of hours a driver may be on duty between mandatory off-duty hours. Our operations have been adjusted to comply with these rules, and while our base operations have not been materially affected, we did experience deterioration in the cost, availability and reliability of purchased transportation. Revisions to these rules could further impact our operations, further tighten the market for qualified drivers and put additional pressure on driver wages and purchased transportation costs.

The FMCSA's Compliance Safety Accountability Program (CSA) could adversely affect our results and ability to maintain or grow our fleet. CSA is an enforcement and compliance model that assesses a motor carrier's on-road performance and investigation results for a 24-month period using roadside stops and inspections, resulting in safety and performance ratings in the following categories: unsafe driving; hours-of-service compliance; driver fitness; controlled substances/alcohol; vehicle maintenance; hazardous material compliance; and crash indicators. The evaluations are used to rank carriers and individual drivers and to select carriers for audit and other interventions.

The FMCSA has established the Commercial Driver's License Drug and Alcohol Clearinghouse, which is a database that discloses drug and alcohol violations of commercial motor vehicle drivers. The clearinghouse was established by the FMCSA in an effort to help better identify drivers who are prohibited from operating commercial motor vehicles based on drug and alcohol violations and ensure drivers cannot conceal drug and alcohol violations by changing jobs or locations. The clearinghouse launched on January 6, 2020 and requires us to check for current and prospective employee's drug and alcohol violations and annually query for violations of each driver we currently employ.

Environmental Protection Agency.

The EPA has issued regulations reducing sulfur content of diesel fuel and reducing engine emissions. These regulations increased the cost of replacing and maintaining trucks. Future environmental laws in this area could further increase our costs and impact our operations.

Our operations are subject to environmental laws and regulations dealing with the handling of hazardous materials, underground fuel storage tanks and discharge and retention of storm water. We operate in industrial areas where truck terminals and other industrial activities are located and where groundwater or other forms of environmental contamination may have occurred. Our operations involve the risks of fuel spillage or seepage, environmental damage and hazardous waste disposal, and costs associated with the leakage or discharge of hazardous materials we transport for our customers, among others. Although we have programs in place designed to monitor and control environmental risks and to promote compliance with applicable environmental laws and regulations, violations of applicable environmental laws or regulations or spills or other accidents involving hazardous substances can still occur and may subject us to cleanup costs, liabilities not covered by insurance, substantial fines or penalties and to civil and criminal liability, any of which could adversely affect our financial condition, results of operations, liquidity and cash flows.

Other countries have implemented laws that limit greenhouse gas emissions. If the U.S. enacted environmental laws further limiting greenhouse gas emissions, our costs could increase and our operations could be adversely impacted. The EPA and DOT have announced Fuel Efficiency Standards for medium and Heavy-Duty Trucks, which require a reduction of up to 25 percent in carbon emissions over the next decade. The EPA could also decide to further reduce nitrogen oxide emissions and to develop a NOx standard, which could impose substantial costs on us. In 2020, both the EPA and the California Air Resources Board (CARB) published proposals to further reduce engine emissions from heavy-duty engines. The United States rejoined the Paris climate accord in 2021 and, as a result, the United States may take further action to reduce greenhouse gas emissions, which, could adversely affect our business. Individual states are also implementing emissions regulations, such as the CARB regulations that apply not only to California intrastate carriers, but also to carriers outside the state who own or dispatch equipment in California.

Food and Drug Administration.

As a transportation provider of foodstuffs, we are subject to rules and regulations issued by the Food and Drug Administration (FDA) to provide for the security of food and foodstuffs throughout the supply chain. The FDA has issued a final rule to establish certain requirements under the Sanitary Food and Transportation Act (SFTA) for vehicles and transportation equipment, transportation operations, training, recordkeeping and waivers. The rule is designed to promote the continuance of best practices in the industry concerning cleaning, inspection, maintenance, loading and unloading of, and operation of vehicles. Under the SFTA requirements, carriers are required to develop and implement written procedures subject to recordkeeping that specify its practices for cleaning, sanitizing, and inspecting vehicles and transportation equipment. Continued compliance with current and future SFTA requirements may cause us to incur additional expenses and affect our operations.

Data Privacy Regulations.

There have been increased regulatory efforts regarding data protection and transparency in how customer data is used and stored in the U.S. and other countries. For example, the European Union (EU) General Data Protection Regulation (GDPR), effective May 2018, imposes strict rules on controlling and processing data originating from the EU. Other governments have enacted similar data protection laws, including the State of California's California Consumer Privacy Act of 2018, as amended and extended by the California Privacy Rights Act of 2020. As a transportation and logistics provider, we collect and process significant amounts of customer data on a daily basis. Complying with the new data protection laws may increase our compliance costs or require alterations to our data handling practices. Violations or noncompliance could result in significant fines from governmental or consumer actions and negative impacts to our reputation, operating results and financial condition.

Trademarks and Patents

We have registered several service marks and trademarks in the United States Patent and Trademark Office, including Saia Guaranteed Select[®], Saia Customer Service Indicators[®] and Saia Xtreme Guarantee[®]. We believe these service marks and trademarks are important components of our marketing strategy.

Additional Information

Saia has a website that is located at www.saia.com. Saia makes available, free of charge through its website, all filings with the Securities and Exchange Commission (SEC) as soon as reasonably practicable after making such filings with the SEC.

Information about our Executive Officers

Information regarding executive officers of Saia is as follows:

<u>Name</u>	<u>Age</u>	<u>Positions Held</u>
Frederick J. Holzgrefe, III	53	President and Chief Executive Officer of Saia, Inc. since April 2020. Mr. Holzgrefe served as President and Chief Operating Officer of Saia, Inc. since January 2019. Prior to this, Mr. Holzgrefe served as Executive Vice President and Chief Financial Officer since September 2014. Prior to joining Saia, Mr. Holzgrefe was Vice President of Business Development and Vice President and Chief Financial Officer for Golden Peanut Company. Mr. Holzgrefe has been a member of the Board of Directors of Saia, Inc. since January 2019.
Douglas L. Col	56	Executive Vice President and Chief Financial Officer of Saia, Inc. since April 2020 and Vice President and Chief Financial Officer since January 2020. Mr. Col joined the Company in 2014 as Treasurer and continued in that role until January 2020. Mr. Col has also served as the Company's Secretary since February 2019.
Paul C. Peck	61	Executive Vice President Operations of Saia, Inc. since October 2018 and Vice President of Central Operations for Saia LTL Freight from July 2008 until October 2018.
Raymond R. Ramu	52	Executive Vice President and Chief Customer Officer of Saia, Inc. since May 2015. Mr. Ramu joined Saia LTL Freight in December 1997 and served as Vice President of Sales - East from April 2007 to May 2015.
Karla J. Staver	58	Vice President of Safety and Human Resources of Saia, Inc. since October 2019. Ms. Staver has been employed by the Company since 2008 and served as Director of Safety from 2011 until October 2019.
Stephanie R. Maschmeier	48	Vice President and Chief Accounting Officer of Saia, Inc. since February 2020. Ms. Maschmeier served as Controller since October 2007. Ms. Maschmeier, a certified public accountant, joined Saia in July 2002 as Corporate Financial Reporting Manager.

Officers are elected by the Board of Directors of Saia, Inc. (the Board) and serve at the discretion of the Board. With the exception of Mr. Holzgrefe, none of the officers of the Company are subject to an employment agreement with the Company. There are no family relationships between any executive officer and any other executive officer or director of Saia or its subsidiaries.

Item 1A. Risk Factors

Saia stockholders should be aware of certain risks, including those described below and elsewhere in this Form 10-K, which could adversely affect the value of their holdings and could cause our actual results to differ materially from those projected in any forward looking statements.

Industry and Economic Risks

We are subject to general economic conditions that are largely out of our control, any of which could adversely affect our business.

Our business is subject to a number of general economic conditions that may have a material adverse effect on our financial condition, the results of operations, liquidity and cash flows, many of which are largely out of our control. These include recessionary economic cycles and downturns in customer business cycles, global uncertainty and instability, changes in U.S. social, political, and regulatory conditions, tariff and trade discussions and/or a disruption of financial markets. Economic conditions may adversely affect the business levels of our customers, the amount of transportation services they need and their ability to pay for our services and could reduce the prices we are able to charge for our services.

We operate in a highly competitive industry and our business will be adversely impacted if we are unable to adequately address potential downward pricing pressures and other factors.

Numerous competitive factors could impair our ability to maintain our current profitability. These factors include the following:

- competition with many other transportation service providers of varying types including competitor LTL carriers, TL and parcel carriers, as well as non-asset based logistics and freight brokerage companies, some of whom have more equipment, a broader coverage network, a wider range of services and greater capital resources than we do or have other competitive advantages;
- transportation companies periodically reduce their prices to gain business, especially during economic recessions or times of reduced growth rates in the economy which may limit our ability to maintain or increase prices or grow our business;
- many customers reduce the number of carriers they use by selecting approved transportation service providers, periodically accepting bids from multiple carriers for their shipping needs, or by developing their own or using alternative delivery mechanisms, and these practices may depress prices or result in the loss of business;
- the trend towards consolidation in the surface transportation industry may create other large carriers with greater financial resources than us and other competitive advantages due to their size;
- disruptive technologies, including driverless trucks, electric vehicles, alternative fuels, artificial intelligence applications and software applications to monitor supply and demand may significantly alter historical business models of the trucking industry, potentially leading to increased capital expenditures and emergence of new competitors, some of whom may have greater financial resources than us and other advantages due to their size;
- the trend toward increased sales in the e-commerce sector as opposed to the traditional brick and mortar store model could threaten the continued operation of our retail customers, which could reduce the demand for our services and adversely impact our revenues; and
- technological advances require increased investments to remain competitive, and we may not utilize enough advanced technology, select the correct technology solutions or convince our customers to accept higher prices to cover the cost of these investments.

The transportation industry is affected by business risks that are largely out of our control.

Businesses operating in the transportation industry are affected by risks that are largely out of their control, any of which could have a material adverse effect on our financial condition, results of operations, liquidity and cash flows. These risks include health of the economy, weather and other seasonal factors, excess capacity in the transportation industry, supply chain disruptions, decline in U.S. manufacturing, acts of terrorism, health epidemics, interest rates, fuel costs, fuel taxes, license and registration fees, healthcare costs, insurance premiums and coverage availability. In particular, harsh weather or natural disasters, such as hurricanes, tornadoes, fires and floods, global pandemics and acts of terrorism can affect our operations by increasing operational costs, reducing demand, introducing infrastructure instability and disrupting advance route and load planning.

We are dependent on cost and availability of qualified drivers and purchased transportation.

There is significant competition for qualified drivers within the trucking industry and attracting and retaining qualified drivers has become more challenging as the available pool of qualified drivers has been decreasing in recent years. Age demographics, hours of service rules, ability to obtain insurance coverage, the legalization and growing recreational use of marijuana and regulatory requirements, including the Federal Motor Carrier Safety Administration's (FMCSA) data-driven safety and compliance enforcement initiative, Compliance, Safety, Accountability (CSA), have contributed to the reduction in the number of eligible drivers and may continue to do so in the future. We may experience shortages of qualified drivers that could result in us not meeting customer demands, upward pressure on driver wages and benefits, underutilization of our truck fleet and/or use of higher cost purchased transportation which could have a material adverse effect on our financial condition, results of operations, liquidity and cash flows. There is also significant competition for quality purchased transportation within the trucking industry. We periodically experience shortages of quality purchased transportation that could result in higher costs for these services or prevent us from meeting customer demands which could have a material adverse effect on our financial condition, results of operations, liquidity and cash flows.

We are dependent on cost and availability of fuel.

Fuel is a significant operating expense and its availability is vital to daily operations. We do not hedge against the risk of fuel price increases. Global political events, acts of terrorism, federal, state and local laws and regulations, natural or man-made disasters, adverse weather conditions and other external factors could adversely affect the cost and availability of fuel. In the past, we have been able to obtain fuel from various sources and in the desired quantities, but there can be no assurance that this will continue to be the case in the future and any shortage or interruption in the supply or distribution of fuel could have a material adverse effect on our financial condition, results of operations, liquidity and cash flows. To the extent not offset by fuel surcharges or other customer price changes, volatility in fuel prices or significant increases in fuel taxes resulting from these economic or regulatory changes could have a material adverse effect on our financial condition, results of operations, liquidity and cash flows. Historically, we have been able to offset significant fuel price volatility through fuel surcharges and other pricing adjustments but we cannot be certain that we will be able to do so in the future. In recent years, given the significance of fuel surcharges, the negotiation of customer price increases has become commingled with fuel surcharges. We have experienced increases in other operating costs as a result of volatility in fuel prices; however, the total impact of volatility in fuel prices on other non-fuel related expenses is difficult to determine. Fluctuations in our fuel surcharge recovery may result in fluctuations in our revenue. Rapid and significant fluctuations in diesel fuel prices would reduce our profitability unless we are able to make the appropriate adjustments to our pricing strategy.

Business and Operational Risks

Ongoing insurance and claims expenses could significantly reduce and cause volatility in our earnings.

We are regularly subject to claims resulting from personal injury, cargo loss, property damage, group healthcare and workers' compensation claims. The Company has self-insured retention limits generally ranging from \$250,000 to \$1 million per occurrence for medical, workers' compensation, casualty and cargo claims and from \$2 million to \$10 million for auto liability. We also maintain insurance with licensed insurance companies above these self-insured retention limits. In recent years the trucking business has experienced significant increases in the cost of liability insurance and in the median verdict of trucking accidents. If the number or severity of future claims continues to increase, claim expenses might exceed historical levels or could exceed the amounts of our

insurance coverage or the amount of our reserves for self-insured claims, which would adversely affect our financial condition, results of operations, liquidity and cash flows.

The Company is dependent on a limited number of third party insurance companies to provide insurance coverage in excess of its self-insured retention amounts. Recently, several insurance companies have completely stopped offering coverage to trucking companies or have significantly reduced the amount of coverage they offer or have significantly raised premiums as a result of increases in the severity of automobile liability claims and sharply higher costs of settlements and verdicts. To the extent that the third party insurance companies propose increases to their premiums for coverage of commercial trucking claims, the Company may decide to pay such increased premiums or increase its financial exposure on an aggregate or per occurrence basis, including by increasing the amount of its self-insured retention or reducing the amount of total coverage. This trend could adversely affect our ability to obtain suitable insurance coverage, could significantly increase our cost for obtaining such coverage, or could subject us to significant liabilities for which no insurance coverage is in place, which would adversely affect our financial condition, results of operations, liquidity and cash flows. Additionally, as the number of third party insurance companies willing to provide insurance coverage to trucking companies decreases, the risk of failure of one of these companies increases. In the event of the failure of one of the insurance companies, the Company may be faced with a situation where the insurance company may not be able to fund a catastrophic loss.

Our self-insured retention limits can make our insurance and claims expense higher and/or more volatile. We accrue for the costs of the uninsured portion of pending claims based on the nature and severity of individual claims and historical claims development trends. Estimating the number and severity of claims, as well as related judgment or settlement amounts is inherently difficult. This, along with legal expenses associated with claims, incurred but not reported claims, and other uncertainties can cause unfavorable differences between actual self-insurance costs and our reserve estimates.

Generally, the Company is responsible for the risk retention amount per occurrence of \$2.0 million under its automobile liability insurance policy. Thereafter, the policy provides insurance coverage for a single occurrence of \$8.0 million, an aggregate loss limit of \$24.0 million for each policy year, and a \$48.0 million aggregate loss limit for the 36-month term originally ended March 1, 2021. Our current automobile liability insurance policy contains a provision under which we have the option, on a retroactive basis, to assume responsibility for the entire cost of covered claims during certain periods in exchange for a refund of a portion of the premiums we paid for the policy. This is referred to as "commuting" the policy. In August 2019, the Company elected to commute the policy for the period from March 1, 2018 to February 28, 2019. As a result of commuting the policy for that 12-month period, the Company is now self-insured for the first \$10 million per occurrence with respect to such 12-month period and the policy has been extended for one additional year to March 1, 2022. Additionally, the Company is required to pay an additional premium of up to \$11.0 million if losses paid by the insurer are greater than \$15.6 million over the three-year policy period ending March 1, 2022. Commencing on August 30, 2022, the Company may elect to commute the policy with respect to the insurer's entire liability under the policy in which case the Company would be entitled to a return of a portion of the premium paid, up to \$15.6 million, based on the amount of claims paid and the insurer would be released from all liability under the policy ending March 1, 2022. As a result, if the Company elects to commute the policy as to the entire policy term, the Company would be self-insured for \$10 million per occurrence for the four years ended March 1, 2022. To the extent the Company incurs one or more significant claims not covered by insurance, either because the claims are within our self-insured layer or because they exceed our total insurance coverage, our financial condition, results of operation, and liquidity could be materially and adversely affected.

Furthermore, insurance companies, as well as certain states, require collateral in the form of letters of credit or surety bonds for the estimated exposure of claims within our self-insured retentions. Their estimates of our future exposure as well as external market conditions could influence the amount and costs of additional letters of credit required under our insurance programs and thereby reduce capital available for future growth or adversely affect our financial condition, results of operations, liquidity and cash flows. In addition, insurance companies are increasingly encouraging or requiring trucking companies to increase the level of technology and safety measures used in their fleet, which could increase the costs of our fleet in order to obtain acceptable coverage or avoid rate hikes.

We face risks related to our geographic expansion.

From 2017 through 2020, we opened terminals in markets in Pennsylvania, Maryland, Massachusetts, New Jersey, New Hampshire, New York, and Vermont. We plan to open at least one new terminal in 2021 and are reviewing several other opportunities in other markets. There is no assurance that we will be successful at adding new markets as planned or that such markets will be profitable. This expansion has required and will continue to require significant investments in purchased or leased terminals, equipment (including the purchase of new tractors and trailers), technology, employees and other related start-up costs to facilitate our growth plans. Additionally, we plan to invest in certain areas of our existing network so that we will be able to handle the increased freight flows we anticipate to and from new markets and to more efficiently operate in existing markets. Expansion could cause disruptions in our existing geography or require management to devote excessive time and effort to manage the expansion, which could adversely affect our business operations and profitability. Operating in new territory may increase the possibility of union organizing efforts. A delay between the outlay of expenditures to expand our geographic footprint and generation of new revenue or higher than anticipated costs or lower than expected revenues from the expansion could adversely affect our financial condition, results of operations, liquidity and cash flows. We may experience decreased profitability until we are able to fully realize the benefits of the investment, if ever.

We rely heavily on technology to operate our business and cybersecurity threats or other disruptions to our technology infrastructure could harm our business or reputation.

Our ability to attract and retain customers and compete effectively depends upon reliability of our technology network including our ability to provide services that are important to our customers. Any disruption, failure or breach to our technology infrastructure (including services provided to us for use in our business by outside providers), including those impacting our computer systems and website, could adversely impact our customer service and revenues and result in increased risk of litigation or costs. Our cybersecurity and technology infrastructure (including services provided to us for use in our business by outside providers) may experience errors, interruptions, delays or damage from a number of causes, including power outages, hardware, software and network failures, computer viruses, malware or other destructive software, internal design, manual or usage errors, cyber-attacks, terrorism, workplace violence or wrongdoing, catastrophic events, natural disasters and severe weather conditions. While we have invested and continue to invest in technology security initiatives and disaster recovery plans, these measures cannot fully protect us from technology disruptions that could have a material adverse effect on our financial condition, results of operations, liquidity and cash flows.

Our dependence on electronic data storage, automated systems and technology, including our website, gives rise to cybersecurity risks. Although we have systems and processes in place designed to protect against the risk of system failure and cyber-attacks, the techniques used to obtain unauthorized access or to disable or degrade systems change frequently, have become increasingly more complex and sophisticated, may be difficult to detect for a period of time and we may not be able to anticipate these acts or respond adequately or timely. A security breach of our systems or those of our third-party providers may cause a disruption of our business, impact our ability to attract, retain and service customers, damage our reputation and brand, expose us to a loss of information or demand for payment of ransom or result in litigation, violations of applicable privacy and other laws, and regulatory scrutiny, investigations, actions, fines or penalties, and could have a material adverse effect on our financial condition, results of operations, liquidity and cash flows. The Company maintains cybersecurity insurance in the event of an information security or cyber incident; however, the coverage may not be sufficient to cover all financial losses. Disruptions to our technology could have an adverse impact on our financial condition, results of operations, liquidity and cash flows.

A failure to keep pace with developments in technology could impair our operations or competitive position.

Our business continues to demand the use of sophisticated systems and technology. These systems and technologies must be refined, updated and replaced with more advanced systems on a regular basis in order for us to meet our customers' demands and expectations. If we are unable to do so on a timely basis or within reasonable cost parameters, or if we are unable to appropriately and timely train our employees to operate any of these new systems, our business could suffer. We also may not achieve the benefits that we anticipate from any new system or technology and a failure to do so could result in higher than anticipated costs or could impair our operating results.

Technology and new market entrants may also disrupt the way we, and our competitors operate. We expect our customers to continue to demand more sophisticated systems and technology-driven solutions from their suppliers. If we do not pursue technological advances or engage in innovation, or if the new technology doesn't yield the results we expect, we may be placed at a competitive disadvantage, lose customers, incur higher costs or fail to meet our growth strategy. A failure to successfully pursue technological advances could have an adverse impact on our financial condition, results of operations, liquidity and cash flows.

Employees of Saia are non-union. The ability of Saia to compete could be impaired if operations were to become unionized.

None of our employees are currently subject to a collective bargaining agreement. We have in the past been the subject of unionization efforts which have been defeated. However, the U.S. Congress could pass labor legislation, such as the formerly proposed Employee Free Choice Act, or the National Labor Relations Board or other federal agencies could issue regulations or administrative changes, which could make it significantly easier for unionization efforts to be successful. If this bill or a variation of it is enacted in the future or if federal regulations regarding labor relations are changed, it could have an adverse impact on our financial condition, results of operations, liquidity and cash flows. Our expansion into new geographic territory, including the Northeast, could increase our overall risk of unionization. There can be no assurance that further unionization efforts will not occur in the future and that such efforts will be defeated. The non-union status of Saia is an important factor in our ability to compete in our markets, and if all or a portion of our workforce becomes unionized it could increase our costs and subject us to workplace rules, which would have an adverse impact on our financial condition, results of operations, liquidity and cash flows.

Demand for new and used revenue equipment and limited supply of suitable real estate may adversely affect our business.

Investment in new revenue equipment is a significant part of our annual capital expenditures. We may have difficulty in purchasing new trucks due to decreased supply, increased demand and restrictions on the availability of capital. The price of such equipment may increase as a result of regulations on newly manufactured tractors, such as regulations issued by the Environmental Protection Agency (EPA) and regulations issued by various state agencies, particularly the California Air Resources Board (CARB), requiring progressive reductions in exhaust emissions. These regulations have increased prices for tractors and increased maintenance costs. In addition, as we purchase new revenue equipment as part of our normal replacement cycle each year, we rely on the used equipment market to dispose of our older equipment. Oversupply in the transportation industry, higher maintenance or operating costs associated with older equipment, as well as adverse economic conditions can negatively impact the demand for used equipment and, therefore, reduce the value we can obtain for our used equipment. If we are unable to sell our older equipment at or above our salvage value, the resulting losses could have a significant impact on our financial condition, results of operations, liquidity and cash flows.

Our business model is also dependent on cost and availability of terminal facilities in key metropolitan areas. Shortages in the availability of suitable real estate or delays in construction due to difficulties in obtaining permits or approvals may result in significant additional investment in leasing, purchasing or building facilities, increase our operating expenses, reduce our revenues, restrict our ability to grow or expand into new markets and/or prevent us from efficiently serving certain markets. In addition, we may not realize sufficient revenues or profits from our infrastructure investments.

Capacity and infrastructure constraints could adversely affect service and operating efficiency.

We may experience capacity constraints due to increased demand for transportation services and decaying highway infrastructure. The 2015 FAST Act highway law that provided funding for infrastructure improvements was set to expire in September 2020, but was extended for an additional year. Bills that would provide significant federal funding to improve and maintain the nation's deteriorating infrastructure have not been passed. Poor infrastructure conditions and roadway congestion could slow service times, reduce our operating efficiency and increase maintenance expense. Some states have taken infrastructure funding measures into their own hands and have explored or instituted road-usage programs, truck-only tolling, congestion pricing, and fuel tax increases. These measures could adversely affect our financial conditions, results of operations, liquidity and cash flows.

We face risks arising from our international business operations and relationships.

We are subject to the requirements of the Foreign Corrupt Practices Act of 1977 (FCPA) for our transportation and logistics services to and from various international locations. Failure to comply with the FCPA may result in legal claims against us or subject us to substantial fines. In addition, we face other risks associated with international operations and relationships, which may include restrictive trade policies, anti-corruption law enforcement, the renegotiation of international trade agreements, imposition of duties, taxes or government royalties imposed by foreign governments.

Our results of operations may be affected by seasonal factors, harsh weather conditions and disasters caused by climate change.

Our operations are subject to seasonal trends and fluctuations common in the transportation industry, which can impact our revenues and operating results. Severe weather events and natural disasters, such as harsh winter weather, floods, hurricanes, tornadoes or earthquakes could adversely impact our performance by reducing demand, disrupting our operations or the operations of our customers or destroying our assets, which could adversely affect our financial condition, results of operations, liquidity and cash flows.

The Company and our customers are also vulnerable to the increasing impact of climate change and the potential impact of global warming. Volatile changes in weather conditions, including extreme heat or cold, could increase the risk of wildfires, floods, blizzards, hurricanes and other weather-related disasters. Disasters created by extreme conditions could cause significant damage to or destruction of our facilities and equipment or the infrastructure we need to operate, which could result in temporary or long-term closures of our facilities and disruptions to our operations. Damage caused by disasters could cause the Company to incur significant expense for repair or replacement of damaged or destroyed facilities and equipment and potential increase in fuel prices and insurance costs. This could also result in loss or damage to employee homes or being unable to relocate key employees. This could result in adverse impact to the available workforce, damage to or destruction of freight and tractors and trailers, cancellation of orders, and breaches of customer contracts leading to reduced revenue. The Company has previously experienced severe weather events, including floods in Houston and unseasonal snowstorms in the Southeast and Southwest. Similar events could disrupt our facilities or operations. The continued impacts of climate change could adversely affect our financial condition, results of operations, liquidity and cash flows.

We face risks related to the geographic concentration of our customers.

We have operations throughout the South, Southwest, Midwest, Pacific Northwest, West and portions of the Northeast. As a result, changes in the economic climate, consumer trends, market fluctuations or supply shortages in these regions could decrease demand for our services in these regions and may adversely affect our financial condition, results of operations, liquidity and cash flows. For example, the energy sector is important to local economies in several of these regions. If oil and gas market conditions change materially, the demand for our services in these regions could be impacted significantly, which could also adversely affect our financial condition, results of operations, liquidity and cash flows.

We face risks related to the creditworthiness of our customers or other business partners and their ability to pay for services.

If one or more of our customers experiences financial difficulties, including filing for bankruptcy, it may negatively affect our business due to the decreased demand for our services from these customers, or the potential inability of these companies to make full payment on amounts owed to us. Customer bankruptcies also entail the risk of potential recovery by the bankruptcy estate of amounts previously paid to us that are deemed a preference under bankruptcy laws. We do not carry insurance against the risk of customer default on their payment obligations to us or against bankruptcy preference claims. The risks associated with these matters will likely increase in the event of an economic downturn. The loss of revenue from these customers or payment of preference claims could have a material adverse effect on our financial condition, results of operations, liquidity and cash flows.

We have significant ongoing cash requirements that could limit our growth and affect profitability if we are unable to generate sufficient cash from operations or obtain sufficient financing on favorable terms.

Our business is highly capital intensive. Our net capital expenditures for 2020 were approximately \$219 million inclusive of equipment acquired with finance leases. Additionally, we anticipate net capital expenditures in 2021 of approximately \$275 million. We depend on cash flows from operations, borrowings under our credit facilities and operating and finance leases. If we are unable to generate sufficient cash from operations and obtain sufficient financing on favorable terms in the future, we may have to limit our growth, enter into less favorable financing arrangements or operate our trucks and trailers for longer periods prior to replacement, possibly increasing our maintenance costs. The amount and timing of capital investments depend on various factors, including anticipated volume levels and the price and availability of appropriate-use property for service facilities and newly manufactured tractors. If anticipated service facilities and/or fleet requirements differ materially from actual usage, we may have too much or too little capacity. Any of these could have a material adverse effect on our financial condition, results of operations, liquidity and cash flows.

Under our current credit facilities, we are subject to certain debt covenants, which limit our ability to pay dividends and repurchase our capital stock, require us to maintain a minimum debt service coverage ratio and provides for a maximum leverage ratio, among other restrictions, that could limit availability of capital to meet our future growth.

Our ability to repay or refinance our indebtedness will depend upon our future operating performance which will be affected by general economic, financial, competitive, legislative, regulatory and other factors beyond our control.

Our credit and debt agreements contain financial and other restrictive covenants and we may be unable to comply with these covenants. A default could cause a material adverse effect on our business.

We must maintain certain financial and other restrictive covenants under our credit agreement, including among others, covenants requiring us to maintain a minimum debt service coverage ratio and providing for a maximum leverage ratio. If we fail to comply with any of the covenants under our credit agreement, we will be in default under the agreement which could cause cross-defaults under other financial arrangements. In the event of any such default, if we fail to obtain replacement financing, amendments to or waivers under the financing arrangement, our financing sources could cease making further advances, cease issuing letters of credit required

under our insurance programs or declare our debt to be immediately due and payable. If acceleration occurs, we may have difficulty in borrowing sufficient additional funds to refinance the accelerated debt or obtain required letters of credit, or we may have to issue securities which would dilute stock ownership. Even if new financing is made available to us, it may not be available on acceptable terms. A default under our credit agreement could cause a material adverse effect on our financial condition, results of operations, liquidity and cash flows.

We must test our goodwill for impairment at least annually, which could result in a material, non-cash write-down of goodwill and could have a material adverse impact on our business.

Goodwill is subject to impairment assessments at least annually (or more frequently when events or changes in circumstances indicate that an impairment may have occurred) by applying a fair-value based test. Our principal intangible asset is goodwill. A loss of significant customers or a decrease in our market capitalization or profitability increases the risk of goodwill impairment. An impairment charge could have a material adverse impact on our financial condition and results of operations.

If we are unable to retain our key employees, our business could be adversely impacted.

We depend on the efforts and abilities of our senior management. The future success of our business will continue to depend in part on our ability to retain our current management team and to attract, hire, develop and retain highly qualified personnel in the future. Competition for senior management is intense, and most members of our senior management do not have employment agreements. Certain members of senior management are subject to non-compete and non-solicitation agreements; however, there is no assurance that such agreements will be enforced as written or that they will be effective to prevent members of senior management from working for a competitor or soliciting our customers. The loss of the services of any of our senior management could have a material adverse effect on our financial condition, results of operations, liquidity and cash flows. Inadequate succession planning or the unexpected departure of a member of senior management would require our remaining executive officers to divert immediate and substantial attention to fulfilling the duties of the departing executive and to seeking a replacement. The inability to adequately fill vacancies in our senior management positions on a timely basis could negatively affect our ability to implement our business strategy and thus impact our results of operations.

Changes to our compensation and benefits could adversely affect our ability to attract and retain qualified employees.

The compensation we offer our employees is subject to market conditions that may require increases in employee compensation, which becomes more likely as economic conditions improve. If we are unable to attract and retain a sufficient number of qualified employees, we could be required to increase our compensation and benefits packages, or reduce our operations and face difficulty meeting customer demands, any of which could adversely affect our financial condition, results of operations, liquidity and cash flows.

An increase in the cost of healthcare benefits could have a negative impact on our business.

We maintain and sponsor very competitive health insurance and other benefits for our employees and their dependents and offer a competitive healthcare program to attract and retain our employees. We cannot predict the impact that federal or state healthcare legislation or regulation could have on our operations, but it is possible that healthcare benefits and administration costs could become increasingly cost prohibitive, either forcing us to reduce our benefits program (making it more difficult to attract and retain qualified employees) or require us to pay the higher costs. Either outcome could negatively impact our financial condition, results of operations, liquidity and cash flows.

Our business depends in part on our strong reputation.

We believe that Saia's corporate reputation is a valuable asset. As use of social media becomes more prevalent, our susceptibility to risks related to adverse publicity, whether or not justified, increases. The immediacy

of certain social media outlets precludes us from having real-time control over postings related to Saia, whether matters of fact or opinion. Information distributed via social media could result in immediate unfavorable publicity for which we, like our competitors, do not have the ability to reverse. This unfavorable publicity could result in damage to our reputation and therefore negatively impact our operations and profitability.

We may not make future acquisitions or, if we do, we may not realize the anticipated benefits of future acquisitions and integration of these acquisitions may disrupt our business and management.

We may acquire additional businesses and operations in the future. However, there is no assurance that we will be successful in identifying, negotiating, consummating or integrating any future acquisitions. Additionally, we may not realize the anticipated benefits of any future acquisitions. Each acquisition has numerous risks including:

- difficulty in integrating the operations and personnel of the acquired company or unanticipated costs to support new business lines or separate legal entities;
- disruption of our ongoing business, distraction of our management and employees from other opportunities and challenges due to integration issues;
- additional indebtedness or the issuance of additional equity to finance future acquisitions, which could be dilutive to our stockholders;
- potential loss of key customers or employees of acquired companies along with the risk of unionization of employees;
- temporary depression in prices we charge certain customers in order to match existing customer pricing in the acquired company's markets;
- inability to achieve the financial and strategic goals for the acquired and combined businesses;
- potential impairment of tangible and intangible assets and goodwill acquired as a result of acquisitions; and
- potential failure of the due diligence processes to identify significant issues with legal and financial liabilities and contingencies, among other things.

In the event that we do not realize the anticipated benefits of an acquisition or if the acquired business is not successfully integrated, there could be a material adverse effect on our financial condition, results of operations, liquidity and cash flows.

Litigation and Regulatory Risks

We face litigation risks that could have a material adverse effect on the operation of our business.

We face litigation risks regarding a variety of issues, including without limitation, accidents involving our trucks and employees, alleged violations of federal and state labor and employment laws, securities laws, environmental liability and other matters. These proceedings may be time-consuming, expensive and disruptive to normal business operations. The defense of such lawsuits could result in significant expense and the diversion of our management's time and attention from the operation of our business. In recent years, several insurance companies have completely stopped offering coverage to trucking companies, have significantly reduced the amount of coverage they offer or have significantly raised premiums as a result of increases in the severity of automobile liability claims and sharply higher costs of settlements and verdicts. This trend could adversely affect our ability to obtain suitable insurance coverage, could significantly increase our cost of obtaining such coverage or could subject us to significant liabilities for which no insurance is in place, which would adversely affect our financial condition, results of operations, liquidity and cash flows. Costs we incur to defend or to satisfy a judgment or settle claims may not be covered by insurance or could exceed the amount of that coverage or increase our insurance costs and could have a material adverse effect on our financial condition, results of operations, liquidity and cash flows.

We may face higher corporate taxes and new regulations.

Single-party control of the United States executive and legislative branches increases the likelihood that our business will be subject to new laws and regulations. The new administration has stated its intention to consider tax law changes, which could increase our corporate tax obligations. We may also face new regulations on a variety of topics, including climate change and greenhouse gas emissions, employment related law, and other healthcare and

Department of Transportation initiatives. Direct and indirect costs incurred to implement these or other potential changes in law or regulation could have a material adverse impact our financial condition, results of operations, liquidity and cash flows.

The engines in our newer tractors are subject to emissions-control regulations that could substantially increase operating expenses and future regulations concerning emissions or fuel-efficiency may have an adverse impact on our business.

Tractor engines that comply with the EPA emission-control design requirements have generally been less fuel-efficient and have increased maintenance costs compared to engines in tractors manufactured before these requirements became effective. If we are unable to offset resulting increases in fuel expenses or maintenance costs with higher freight rates or improved fuel economy, our financial condition, results of operations, liquidity and cash flows could be adversely affected. In 2020, both the EPA and CARB published proposals to further reduce engine emissions standards for heavy-duty engines. Future strengthening of EPA, CARB or other federal and state regulatory requirements regarding fuel-efficiency or engine emissions of tractors could also result in increases in the cost of capital equipment and maintenance.

We operate in a highly regulated and highly taxed industry. Costs of compliance with or liability for violation of existing or future regulations may adversely affect our business.

The Department of Transportation (DOT) and various state agencies exercise broad powers over our business, generally governing such activities as authorization to engage in motor carrier operations, safety and financial reporting. We may also become subject to new or more restrictive regulations imposed by the DOT, the Occupational Safety and Health Administration (OSHA) or other authorities relating to engine exhaust emissions, safety performance and measurements, driver hours of service, drug and alcohol testing, security, ergonomics, as well as other unforeseen matters. Compliance with such regulations could substantially impair equipment productivity and increase our costs.

Taxes are a significant part of our annual expenses and we are subject to various federal and state income, payroll, property, sales and other taxes. In addition, various federal and state authorities impose significant operating taxes on the transportation industry, including fuel taxes, tolls, excise and other taxes. There can be no assurance that such taxes will not substantially increase or that new or revised forms of operating taxes or tax laws or regulations, such as those included in the Tax Cuts and Jobs Act, will not be imposed on the industry. Higher tax rates, claims, audits, investigations or legal proceedings involving taxing authorities could have a material adverse effect on our financial condition, results of operations, liquidity and cash flows.

The FMCSA rules on motor carrier driver hours of service limit the maximum number of hours a driver may be on duty between mandatory off-duty hours. These rules could result in us not meeting customer demands, upward pressure on driver wages and benefits, underutilization of our truck fleet and/or use of higher cost purchased transportation which could have a material adverse effect on our financial condition, results of operations, liquidity and cash flows.

The Transportation Security Administration (TSA) continues to focus on trailer security, driver identification and security clearance and border crossing procedures. These and other safety and security measures, such as rules for transportation of hazardous materials could increase the cost of operations, reduce the number of qualified drivers and disrupt or impede the timing of our deliveries for our customers.

The Food and Drug Administration (FDA) issues rules and regulations for carriers of foodstuffs like us to provide for the security of food and foodstuffs throughout the supply chain. The FDA has issued a final rule to establish certain requirements under the Sanitary Food and Transportation Act (SFTA) for vehicles and transportation equipment, transportation operations, training, recordkeeping and waivers. The rule is designed to promote the continuance of best practices in the industry concerning cleaning, inspection, maintenance, loading and unloading of, and operation of vehicles. Under the SFTA requirements, carriers are required to develop and implement written procedures subject to recordkeeping that specify its practices for cleaning, sanitizing, and inspecting vehicles and transportation equipment. Continued compliance with current and future SFTA requirements may cause us to incur additional expenses and affect our operations.

Historically, the EPA has issued regulations that require progressive reductions in exhaust emissions from diesel engines. These regulations increased the cost of replacing and maintaining trucks and increased fuel costs by reducing miles per gallon. Regulations that reduce engine efficiency have the potential to reduce availability of fuel and reduce productivity, which could have a material adverse effect on our financial condition, results of operations, liquidity and cash flows.

The FMCSA has established the Commercial Driver's License Drug and Alcohol Clearinghouse, which is a database that will disclose drug and alcohol violations of commercial motor vehicle drivers. The clearinghouse was established by the FMCSA in an effort to help better identify drivers who are prohibited from operating commercial motor vehicles based on drug and alcohol violations and ensure drivers cannot conceal drug and alcohol violations by changing jobs or locations. The clearinghouse launched on January 6, 2020 and requires us to check for current and prospective employee's drug and alcohol violations and annually query for violations of each driver we currently employ. Implementation and future compliance with the clearinghouse may result in a reduction of the pool of qualified commercial motor vehicle drivers.

We may incur unforeseen costs from new and existing data privacy laws.

There have been increased regulatory efforts regarding data protection and transparency in how personally identifiable information is used and stored in the U.S. and other countries. For example, the European Union (EU) General Data Protection Regulation (GDPR), effective May 2018, imposes strict rules on controlling and processing personal data regarding data subjects in the EU. Other governments have enacted similar data protection laws, including the State of California's California Consumer Privacy Act of 2018 (CCPA) as amended and extended by the California Privacy Rights Act in November of 2020. As a transportation and logistics provider, we collect and process significant amounts of customer data on a daily basis. Complying with the new data protection laws may increase our compliance costs or require alterations to our data handling practices. Violations or noncompliance could result in significant fines from governmental or consumer actions and negative impacts to our reputation, financial condition, results of operations, liquidity and cash flows. The increasing scope and complexity and the uncertainty of the interpretation and enforcement of these laws create regulatory risks.

We are subject to various environmental laws and regulations. Costs of compliance with or liabilities for violations of existing or future regulations could have a material adverse effect on our business and operations.

Our operations are subject to environmental laws and regulations dealing with the handling of hazardous materials, underground fuel storage tanks and discharge and retention of storm water. We operate in industrial areas where truck terminals and other industrial activities are located and where groundwater or other forms of environmental contamination may have occurred. Our operations involve the risks of fuel spillage or seepage, environmental damage and hazardous waste disposal, and costs associated with the leakage or discharge of hazardous materials we transport for our customers, among others. Violations of applicable environmental laws or regulations or spills or other accidents involving hazardous substances can occur and may subject us to cleanup costs, liabilities not covered by insurance, substantial fines or penalties and to civil and criminal liability, any of which could adversely affect our financial condition, results of operations, liquidity and cash flows.

In addition, there is global scientific consensus that emissions of greenhouse gases (GHG) continue to alter the composition of Earth's atmosphere in ways that are affecting and are expected to continue to affect the global climate. As these climate change concerns become more prevalent, federal, state and local governments and our customers are increasingly sensitive to these issues. This increased focus may result in new legislation, taxes, regulations and customer requirements, such as limits on vehicle weight and size and limits and restrictions on GHG emissions, which could negatively affect us. Congress has previously considered and may in the future implement restrictions on GHG emissions through a cap-and-trade system under which emitters would be required to buy allowances to offset emissions of greenhouse gas. In addition, several states, including states where we conduct business, are considering various greenhouse gas registration and reduction programs. The EPA, prompted by judicial interpretation of the Clean Air Act, could also decide to regulate GHG emissions. These regulations could cause us to incur additional taxes or direct costs and capital expenditures to make changes to our operations in order to comply with any new regulations and customer requirements. The regulations could also cause delays in our operations if they require the Company to be subject to a maximum emissions allowance and could result in losses to our revenue. We could also lose revenue if our customers divert business from us because we have not complied

with their sustainability requirements. These costs, changes and loss of revenue could have a material adverse effect on our financial condition, results of operations, liquidity and cash flows.

CSA could adversely affect our results of operations and ability to maintain or grow our business.

CSA is an enforcement and compliance model required by the FMCSA that assesses a motor carrier's on-road performance and investigation results for a 24-month period using roadside stops and inspections, resulting in safety and performance ratings in the following categories: unsafe driving; hours-of-service compliance; driver fitness; controlled substances/alcohol; vehicle maintenance; hazardous material compliance; and crash indicators.

The CSA evaluations are used to rank carriers and individual drivers and to select carriers for audit and other interventions. Public disclosure of certain CSA scores was restricted through the enactment of the Fixing America's Surface Transportation Act of 2015 (the FAST Act) in 2015; however, the FAST Act does not restrict public disclosure of all data collected by the FMSCA. If we receive unacceptable CSA scores, and this data is made available to the public, our relationships with our customers or our reputation could be damaged, which could result in decreased demand for our services. The requirements of CSA could also shrink the industry's pool of drivers as those with unfavorable scores could leave the industry. While the ultimate impact of CSA is not fully known, it is possible that future CSA rulemaking could adversely impact our ability to attract and retain drivers which would adversely affect our financial condition, results of operations, liquidity and cash flows.

Legislation on healthcare and related regulations could affect the healthcare benefits required to be provided by the Company and cause our compensation costs to increase.

Under the comprehensive U.S. healthcare reform law enacted in 2010, the Affordable Care Act (ACA), and changes that became effective in 2014, and especially the employer mandate and employer penalties that became effective in 2015, our labor costs could significantly increase in future years. In any event, implementing the requirements of the ACA has imposed additional administrative costs on us, and those costs may increase over time. The costs and other effects of these healthcare requirements cannot be determined with certainty, particularly in light of the potential amendment or repeal of all or parts of the ACA, but they may have a material adverse effect on our financial condition, results of operations, liquidity and cash flows.

Our business may be adversely impacted by potential future changes in accounting and financial practices.

Future changes in accounting standards or practices, and related legal and regulatory interpretations of those changes, may adversely impact public companies in general, the transportation industry or our operations specifically. New accounting standards or requirements could change the way we record revenues, expenses, assets and/or liabilities or could be costly to implement. These types of regulations could have a negative impact on our financial position, results of operations, liquidity and cash flows.

The London Interbank Offered Rate ("LIBOR") benchmark, commonly used for setting interest rates in commercial and financial contracts, will no longer be quoted after 2021 by private-sector banks. The discontinuation of LIBOR could have an impact on the financial markets and on the rate of applicable interest on our borrowings. Uncertainty in the interpretation of contracts that include LIBOR past 2021 or comparable replacement rates may cause weakness or disruption in the financial markets. The discontinuation of LIBOR may also increase our interest expense, affect our ability to refinance some or all of our existing indebtedness and adversely affect our financial condition, results of operations, liquidity and cash flows.

Other Risks

We are unable to predict the extent to which the global COVID-19 pandemic and related impacts will adversely impact our business operations, financial condition, results of operations, liquidity and cash flows.

Because the severity, magnitude and duration of the COVID-19 pandemic and its economic consequences are uncertain, rapidly changing and difficult to predict, the pandemic's impact on our operations, financial performance and financial condition, as well as its impact on our ability to successfully execute our business strategies and initiatives, remains uncertain and difficult to predict. Further, the ultimate impact of the COVID-19 pandemic on our operations, financial performance and financial condition depends on many factors that are not within our control, including, but not limited, to: governmental, business and individuals' actions that have been and continue to be taken in response to the pandemic (including restrictions on travel, quarantines, shelter in place orders and workforce pressures); pricing pressures brought about by actions of competitors; the impact of the pandemic and actions taken in response on global, national and regional economies, travel, and economic activity; general economic uncertainty in key global, national and regional markets and financial market volatility; global economic conditions and levels of economic activity, including the effects of a recession, depression or other significant economic downturn; and the timing and pace of recovery when the COVID-19 pandemic subsides.

The COVID-19 pandemic has subjected our operations, financial performance and financial condition to a number of risks, including, but not limited to those discussed below:

- **Operations-related risks:** We are facing increased operational challenges and have incurred higher operating expenses from the need to protect employee health and safety, workplace disruptions and restrictions on the movement of people and goods, both at our own facilities and at those of our customers and suppliers. We have also experienced, and have the potential to experience again in the future, lower demand for our transportation services, increased costs, customer requests for potential payment deferrals, supply chain disruptions and delays and other challenges related directly and indirectly to the COVID-19 pandemic that adversely impact our business. We believe the longer the period of economic and global supply chain disruption continues, the more the adverse impact could be on our business operations, financial performance, financial condition and results of operations.
- **Liquidity- and funding-related risks:** While we have sources of cash and liquidity and access to a committed credit line, a prolonged period of generating lower cash from operations could adversely affect our financial condition, including as a result of a failure to satisfy financial covenants contained in our credit agreements. Conditions in the financial and credit markets may also limit the availability of funding or increase the cost of funding, which could adversely affect our business, financial position and results of operations.

The COVID-19 pandemic may also have the effect of heightening many of the other risks described in this Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2020. In particular, see the risk factors regarding "General Economic Conditions," "Highly Competitive Industry," "Creditworthiness of Our Customers," "Significant Ongoing Cash Requirements," "Credit and Debt Agreements," "Disruptions in Credit Markets" and "Market Value of Our Common Stock." Further, the COVID-19 pandemic may also affect our operating and financial results and financial condition in a manner that is not presently known to us or that we currently do not expect to present significant risks to our operations or financial results or financial condition.

We are subject to increasing investor and customer sensitivity to social and sustainability issues and our failure to address these issues could impact the price of our stock and the demand for our services.

Current and potential stockholders are increasingly focused on non-financial factors when evaluating and selecting investments, the effect of which is demonstrated by the growth of Environmental, Social & Governance (ESG) metrics. This focus is rapidly growing and evolving. Despite our efforts to adapt to and address these concerns, our Company's efforts may be insufficient and our industry may be generally disfavored by the investing community at large. Due to the rapid evolution of tracking scorecards in sustainable investing, it is difficult to predict how our efforts with respect to social and sustainability matters will be evaluated by current and prospective investors. As a result, investors may choose not to purchase our stock, which may result in a general decline in the market price for our shares. It is possible the increasing focus on social and sustainability matters could have a material adverse effect on our financial condition, results of operations, liquidity and cash flows.

Anti-terrorism measures and terrorist events may disrupt our business.

Federal, state and municipal authorities have implemented and are continuing to implement various anti-terrorism measures, including checkpoints and travel restrictions on large trucks. If additional security measures disrupt or impede the timing of our deliveries, we may fail to meet requirements of our customers or incur increased expenses to do so. There can be no assurance that new anti-terrorism measures will not be implemented and that such measures will not have a material adverse effect on our financial condition, results of operations, liquidity and cash flows. Terrorism events that disrupt our operations or the operations of our customers could also materially impact our financial condition, results of operations, liquidity and cash flows.

Certain provisions of our governing documents and Delaware law could have anti-takeover effects.

As a Delaware corporation, we are subject to certain Delaware anti-takeover provisions. Under Delaware law, a corporation may not engage in a business combination with any holder of 15% or more of its capital stock unless the holder has held the stock for three years or, among other things, the Board of Directors has approved the transaction. Our Board of Directors could rely on Delaware law to prevent or delay an acquisition of us.

Our Restated Certificate of Incorporation and By-laws contain certain provisions which may have the effect of delaying, deferring or preventing a change of control of the Company. Such provisions include, for example, provisions classifying our Board of Directors, a prohibition on stockholder action by written consent, authorization of the Board of Directors to issue preferred stock in series with the terms of each series to be fixed by the Board of Directors and an advance notice procedure for stockholder proposals and nominations to the Board of Directors. These provisions may inhibit fluctuations in the market price of our common stock that could result from takeover attempts.

If we raise additional capital in the future, stockholders' ownership in us could be diluted.

Any issuance of equity we may undertake in the future could cause the price of our common stock to decline, or require us to issue shares at a price that is lower than that paid by holders of our common stock in the past, which would result in those newly issued shares being dilutive. If we obtain funds through a credit facility or through the issuance of debt or preferred securities, these obligations and securities would likely have rights senior to those of common stockholders, which could impair the value of our common stock.

Weakness or a loss of confidence in financial markets could adversely impact demand for our services or for our stock.

Weakness or a loss of confidence in the financial markets could cause a decline in our share price and cause broader economic downturns. An economic downturn could impact the ability of our customers to access capital or credit markets, which may lead to lower demand for our services, increased incidence of customers' inability to pay their accounts, or insolvency of our customers, any of which could adversely affect our financial condition, results of operations, liquidity and cash flows.

Disruptions in the credit markets, including in the availability and cost of short-term funds for liquidity and letter of credit requirements may adversely affect our business and our ability to meet long-term commitments.

If internal funds are not available from our operations, we may be required to rely on the capital and credit markets to meet our financial commitments and short-term liquidity needs. Disruptions in the capital and credit markets could adversely affect our ability to draw on our bank revolving credit facility and obtain letters of credit required for our insurance programs. Our access to funds and letters of credit under that credit facility is dependent on the ability of the banks that are parties to the facility to meet their funding commitments. Those banks may not be able to meet their funding commitments to us if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests from other borrowers within a short period of time.

Longer term disruptions in the capital and credit markets as a result of uncertainty, changing or increased regulation, reduced alternatives or failures of significant financial institutions could adversely affect our access to liquidity needed for our business. Any disruption could require us to take measures to conserve cash until the markets stabilize or until alternative credit arrangements or other funding for our business needs can be arranged.

The market value of our common stock may fluctuate and could be substantially affected by various factors.

The price of our common stock on the NASDAQ Global Select Market constantly changes. We expect that the market price of our common stock will continue to fluctuate and the fluctuations may be unrelated to our financial performance. Our share price may fluctuate as a result of a variety of factors, many of which are beyond our control. Factors that could cause fluctuation of our stock price include, but are not limited to, the following:

- Actual or anticipated variations in our earnings, financial or operating performance or liquidity, or those of other companies in our industry;
- Changes in recommendations or projections of research analysts who follow our stock or the stock of other companies in our industry;
- Failure to meet the earnings projections of research analysts who follow our stock;
- Changes in general economic and capital market conditions, including general market price declines or market volatility;
- Reactions to our regulatory filings and announcements related to our business;
- Operating and stock performance of other companies in our industry;
- Actions by government regulators;
- Litigation involving our company, our general industry or both;
- News reports or trends, concerns and other issues related to us or our industry, including changes in regulations; and
- Other factors described in this “Risk Factors” section.

Our financial condition, results of operations, liquidity and cash flows could be adversely affected by an unfavorable outcome resulting from these risks and uncertainties.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Saia is headquartered in Johns Creek, Georgia and has additional general offices in Houma, Louisiana, Boise, Idaho and Dallas, Texas. At December 31, 2020, Saia owned 84 service facilities, including the Houma, Louisiana general office and leased 90 service facilities, including the Johns Creek, Georgia corporate office and the Boise, Idaho general office. Saia owns 48 percent of its service facility locations and these locations account for 61 percent of its door capacity. This follows Saia’s strategy of seeking to own strategically-located facilities that are integral to its operations and lease service facilities in smaller markets to allow for more flexibility. As of December 31, 2020, Saia owned approximately 5,700 tractors and 17,400 trailers, inclusive of equipment acquired with finance leases.

The Company has pledged certain land and structures, tractors and trailers, accounts receivable and other assets to secure the Company's obligations under its revolving credit agreement. All terminals shown in the table below as owned by the Company are subject to liens pursuant to the revolving credit agreement, except where noted. See "Financial Condition" under Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations for more information about the revolving credit agreement.

Top 20 Saia Terminals by Number of Doors at December 31, 2020

Location	Own/Lease	Doors
Houston, TX	Own	234
Atlanta, GA.....	Own	217
Memphis, TN.....	Own	200
Dallas, TX.....	Own	174
Fontana, CA.....	Own	162
Chicago, IL	Lease	153
Indianapolis, IN ⁽¹⁾	Own	147
Garland, TX.....	Own	145
Harrisburg, PA ⁽¹⁾	Own	130
Phoenix, AZ.....	Own	121
Nashville, TN	Own	116
Cleveland, OH	Lease	115
Charlotte, NC.....	Own	108
Kansas City, MO ⁽¹⁾	Own	102
Newburgh, NY	Lease	101
Newark, NJ.....	Lease	101
Grayslake, IL ⁽¹⁾	Own	100
St. Louis, MO ⁽¹⁾	Own	99
Toledo, OH.....	Own	96
Philadelphia, PA.....	Lease	90

⁽¹⁾ Not subject to a lien.

Item 3. Legal Proceedings

The Company is subject to legal proceedings that arise in the ordinary course of its business. The Company believes that adequate provisions for resolution of all contingencies, claims and pending litigation have been made for probable and estimable losses and that the ultimate outcome of these actions will not have a material adverse effect on its financial condition but could have a material adverse effect on its results of operations in a given quarter or annual period.

Item 4. Mine Safety Disclosures

Not applicable.

PART II.

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Stock Information

Saia’s common stock is listed under the symbol “SAIA” on the Nasdaq Global Select Market.

Stockholders

As of January 31, 2021, there were 927 holders of record of our common stock.

Dividends

We have not paid a cash dividend on our common stock. Any payment of dividends in the future is dependent upon our financial condition, capital requirements, earnings, cash flow and other factors.

The payment of dividends is restricted under our current credit agreement. See Note 2 of the accompanying audited consolidated financial statements for more information on the credit agreement.

Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares (or Units) Purchased (1)	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that may Yet be Purchased under the Plans or Programs
October 1, 2020 through October 31, 2020	—	(2)\$	—	(2) \$ —
November 1, 2020 through.....	—	(3)\$	—	(3) —
December 1, 2020 through December 31, 2020.....	—	(4)\$	—	(4) —
Total	—	—	—	—

(1) Shares purchased by the Saia, Inc. Executive Capital Accumulation Plan were open market purchases. For more information on the Saia, Inc. Executive Capital Accumulation Plan, see the Registration Statement on Form S-8 (No. 333-155805) filed on December 1, 2008.

(2) The Saia, Inc. Executive Capital Accumulation Plan sold 60,079 shares of Saia stock at an average price of \$146.00 per share on the open market during the period of October 1, 2020 through October 31, 2020.

(3) The Saia, Inc. Executive Capital Accumulation Plan sold 1,700 shares of Saia stock at an average price of \$156.47 during the period of November 1, 2020 through November 30, 2020.

(4) The Saia, Inc. Executive Capital Accumulation Plan sold 490 shares of Saia stock at an average price of \$182.75 per share on the open market during the period of December 1, 2020 through December 31, 2020.

Item 6. Selected Financial Data

The following table shows summary consolidated historical financial data of Saia and its operating subsidiaries and has been derived from, and should be read together with, the consolidated financial statements and accompanying notes and in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations”. The summary financial information may not be indicative of the future performance of Saia.

	Years ended December 31,				
	2020	2019	2018	2017	2016
	(in thousands, except per share data and percentages)				
Statement of operations:					
Operating revenue	\$1,822,366	\$1,786,735	\$1,653,849	\$1,404,703	\$1,250,391
Operating income	180,321	152,586	141,177	94,710	79,136
Net income	138,340	113,719	104,981	91,129	48,024
Diluted earnings per share.....	5.20	4.30	3.99	3.49	1.87
Other financial data:					
Net cash provided by operating activities	309,145	272,876	256,436	157,846	146,426
Net cash used in investing activities	(218,817)	(281,031)	(222,584)	(181,524)	(117,683)
Depreciation and amortization	134,655	119,135	102,153	87,102	76,240
Balance sheet data:					
Cash and cash equivalents.....	25,308	248	2,194	4,720	1,539
Net property and equipment.....	1,136,027	1,052,599	893,058	735,780	604,119
Total assets	1,548,774	1,415,693	1,133,743	967,315	800,213
Total debt	70,976	136,430	122,859	132,916	73,804
Total stockholders’ equity.....	961,288	815,226	695,864	582,494	483,052
Measurements:					
Operating ratio(1).....	90.1%	91.5%	91.5%	93.3%	93.7%
Non-GAAP Diluted Earnings Per Share and Reconciliation to GAAP (2):					
Diluted earnings per share.....	\$ 5.20	\$ 4.30	\$ 3.99	\$ 3.49	\$ 1.87
Less: Diluted earnings per share impact of Tax Cuts and Jobs Act.....	-	-	-	(1.30)	-
Adjusted diluted earnings per share	<u>\$ 5.20</u>	<u>\$ 4.30</u>	<u>\$ 3.99</u>	<u>\$ 2.19</u>	<u>\$ 1.87</u>

(1) The operating ratio is the calculation of operating expenses divided by operating revenue.

(2) The Tax Cuts and Jobs Act (the Tax Act) was enacted on December 22, 2017 and lowers U.S. corporate income tax rates as of January 1, 2018, among other changes. The impact of the Tax Act was a reduction of deferred income tax liability due to the effects of the remeasurement of deferred tax assets at lower enacted corporate tax rates. Management believes that presenting the Company’s results excluding the Tax Act is meaningful as excluding this item increases the comparability of period-to-period results. Diluted earnings per common share excluding the impact of the Tax Act is a non-GAAP financial measure. Non-GAAP financial measures do not have definitions under GAAP and may be defined differently by and not be comparable to similar non-GAAP measures used by other companies.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

The Securities and Exchange Commission (the SEC) encourages companies to disclose forward-looking information so that investors can better understand the future prospects of a company and make informed investment decisions. This Annual Report on Form 10-K, including “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” contains these types of statements, which are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “may,” “plan,” “predict,” “believe,” “should” and similar words or expressions are intended to identify forward-looking statements. Investors should not place undue reliance on forward-looking statements, and the Company undertakes no obligation to publicly update or revise any forward-looking statements. All forward-looking statements reflect the present expectation of future events of our management as of the date of this Annual Report on Form 10-K and are subject to a number of important factors, risks, uncertainties and assumptions that could cause actual results to differ materially from those described in any forward-looking statements. These factors, risks, uncertainties and assumptions include, but are not limited to, the following:

- general economic conditions including downturns in the business cycle;
- operation within a highly competitive industry and efforts to address downward pricing pressures and other factors;
- industry-wide external factors largely out of our control;
- cost and availability of qualified drivers, purchased transportation and fuel;
- insurance and claims expenses and other expense volatility;
- failure to successfully execute the strategy to expand our service geography;
- disruption in or failure of our technology or equipment including services essential to our operations;
- failure to keep pace with technological developments;
- labor relations, including the adverse impact should a portion of our workforce become unionized;
- cost and availability of real property and revenue equipment;
- capacity and highway infrastructure constraints;
- risks arising from international business operations and relationships;
- seasonal factors, harsh weather and disasters caused by climate change;
- economic declines in the geographic regions or industries in which our customers operate;
- the creditworthiness of our customers and their ability to pay for services;
- our need for capital and uncertainty of the credit markets;
- the possibility of defaults under our debt agreements (including violation of financial covenants);
- failure to operate and grow acquired businesses in a manner that support the value allocated to acquired businesses;
- dependence on key employees;
- increased costs of healthcare benefits;
- social media risks;
- failure to make future acquisitions or to achieve acquisition synergies;
- the effect of litigation and class action lawsuits, including impacts on the cost and availability of insurance coverage,
- the potential of higher corporate taxes and new regulations;
- the effect of specified governmental regulations, including but not limited to Hours of Service, engine emissions, the Compliance, Safety, Accountability (CSA) initiative, the Food and Drug Administration, Homeland Security, healthcare and environmental regulations;
- unforeseen costs from new and existing data privacy laws;
- changes in accounting and financial practices;

- widespread outbreak of an illness or any other communicable disease, including the COVID-19 pandemic, or any other health crisis or business disruptions that may arise from the COVID-19 pandemic in the future;
- increasing investor and customer sensitivity to social and sustainability issues;
- anti-terrorism measures and terrorist events;
- provisions in our governing documents that may have anti-takeover effects;
- issuances of equity that would dilute stock ownership; and
- other financial, operational and legal risks and uncertainties detailed from time to time in the Company's SEC filings.

These factors and risks are more completely described in Part I, Item 1A. "Risk Factors" of this Annual Report on Form 10-K.

As a result of these and other factors, no assurance can be given as to our future results and achievements. Accordingly, a forward-looking statement is neither a prediction nor a guarantee of future events or circumstances and those future events or circumstances may not occur. You should not place undue reliance on the forward-looking statements, which speak only as of the date of this Form 10-K. We are under no obligation, and we expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.

Executive Overview

The Company's business is highly correlated to non-service sectors of the general economy. The Company's strategy is to improve profitability by increasing yield while also increasing volumes to build density in existing geography and to pursue geographic expansion to promote profitable growth and improve our customer value proposition over time. The Company's business is labor intensive, capital intensive and service sensitive. The Company looks for opportunities to improve safety, cost effectiveness and asset utilization (primarily tractors and trailers). Pricing initiatives have had a positive impact on yield and profitability. The Company continues to execute targeted sales and marketing programs along with initiatives to align costs with volumes and improve customer satisfaction. Technology continues to be an important investment that is improving customer experience, operational efficiencies and Company image.

COVID-19.

In March 2020, the World Health Organization categorized Coronavirus Disease 2019 ("COVID-19") as a pandemic, and the President of the United States declared the COVID-19 outbreak a national emergency. We are considered an essential and critical business by the U.S. Department of Homeland Security's Cyber and Infrastructure Security Agency (CISA) and will continue to operate under state of emergency and shelter in place orders issued in various jurisdictions across the country. Management has made a variety of efforts seeking to ensure the ongoing availability of Saia's transportation services, while instituting actions and policies to help safeguard employees and customers from COVID-19, including limiting physical employee and customer contact, implementing enhanced cleaning and hygiene protocols at Saia's facilities, and instituting telecommuting where possible. Through the date of this filing, the Company has not experienced significant disruptions in the Company's LTL network operations.

Beginning in the latter part of the first quarter of 2020, we experienced lower demand for our transportation services along with increased costs and other challenges related to COVID-19 that adversely affected our business, particularly in the second quarter of 2020 with a subsequent rebound in volumes in the third and fourth quarters of 2020. We believe we have significant liquidity available to continue business operations during this volatile period. As discussed in the "Financial Condition" section below, the Company has a revolving credit facility (including a \$100 million accordion feature that is available, subject to certain conditions and lender commitments) and other sources of borrowing in place that provides liquidity of up to \$300 million in addition to its regular cash inflows

from operations. The Company was in compliance with the debt covenants under its debt agreements at December 31, 2020.

Overview.

The Company's operating revenue increased by 2.0 percent in 2020 compared to 2019. The increase resulted primarily from pricing actions, including a 5.9 percent general rate increase taken on February 3, 2020, for customers subject to general rate increases.

Consolidated operating income was \$180.3 million for 2020 compared to \$152.6 million in 2019. The increase in 2020 operating income resulted primarily from pricing actions as well as decreases in fuel costs, partially offset by salary and wage increases, higher purchase transportation costs, increased depreciation expense and slightly lower shipments due to the effects of COVID-19 on the first half of the year.

The Company generated \$309.1 million in net cash provided by operating activities in 2020 versus \$272.9 million in 2019. The Company used \$218.8 million of net cash in investing activities during 2020 compared to \$281.0 million during 2019.

On February 5, 2019, the Company entered into the Sixth Amended and Restated Credit Agreement with its banking group (as amended, the Amended Credit Agreement). The amendment increased the amount of the revolver from \$250 million to \$300 million and extended the term until February 2024. The Amended Credit Agreement also has an accordion feature that allows for an additional \$100 million availability, subject to lender approval compared to \$75 million under the prior agreement. The amendment reduced the interest rate pricing grid compared to the prior agreement. The Amended Credit Agreement provides for a LIBOR rate margin range from 100 basis points to 200 basis points, base rate margins from minus 50 basis points to plus 50 basis points, an unused portion fee from 17.5 basis points to 30 basis points and letter of credit fees from 100 basis points to 200 basis points, in each case based on the Company's leverage ratio.

The Company had \$65.3 million of net cash used in financing activities during 2020 compared to \$6.2 million of net cash provided by financing activities during 2019. The Company had a \$71.9 million decrease in net borrowings (net of repayments) under its revolving credit facility during 2020 compared to 2019 and made scheduled principal payments for finance lease obligations of \$19.5 million during 2020. Outstanding letters of credit were \$29.0 million and the cash and cash equivalents balance was \$25.3 million as of December 31, 2020. The Company had \$272.8 million in remaining availability under its revolving credit facility and \$71.0 million in obligations under finance leases at December 31, 2020. The Company was in compliance with the debt covenants under its debt agreements at December 31, 2020. See "Financial Condition" for a more complete discussion of these agreements.

General

The following Management's Discussion and Analysis describes the principal factors affecting the results of operations, liquidity and capital resources, as well as the critical accounting policies of Saia, Inc. and its wholly-owned subsidiaries (together, the Company or Saia). This discussion should be read in conjunction with the accompanying audited consolidated financial statements which include additional information about our significant accounting policies, practices and the transactions that underlie our financial results.

Saia is a transportation company headquartered in Johns Creek, Georgia that provides less-than-truckload (LTL) services through a single integrated organization. While more than 97% of its revenue is derived from transporting LTL shipments across 44 states, the Company also offers customers a wide range of other value-added services, including non-asset truckload, expedited and logistics services across the United States. The Chief Operating Decision Maker is the Chief Executive Officer who manages the business, regularly reviews financial information and allocates resources. The Company has one operating segment.

Our business is highly correlated to non-service sectors of the general economy. Our business also is impacted by a number of other factors as discussed under "Forward-Looking Statements" and Part I, Item 1A., "Risk Factors."

The key factors that affect our operating results are the volumes of shipments transported through our network, as measured by our average daily shipments and tonnage; the prices we obtain for our services, as measured by revenue per hundredweight (a measure of yield) and revenue per shipment; our ability to manage our cost structure for capital expenditures and operating expenses such as salaries, wages and benefits; purchased transportation; claims and insurance expense; fuel and maintenance; and our ability to match operating costs to shifting volume levels.

Results of Operations

Saia, Inc. and Subsidiaries
Selected Results of Operations and Operating Statistics
For the years ended December 31, 2020, 2019 and 2018
(in thousands, except ratios and revenue per hundredweight)

	2020	2019	2018	Percent Variance	
				'20 v. '19	'19 v. '18
Operating Revenue.....	\$1,822,366	\$1,786,735	\$1,653,849	2.0 %	8.0 %
Operating Expenses:					
Salaries, wages and employees' benefits	963,260	947,911	872,722	1.6	8.6
Purchased transportation	141,369	129,980	123,904	8.8	4.9
Depreciation and amortization	134,655	119,135	102,153	13.0	16.6
Fuel and other operating expenses	402,761	437,123	413,893	(7.9)	5.6
Operating Income.....	180,321	152,586	141,177	18.2	8.1
Operating Ratio.....	90.1%	91.5%	91.5%	(1.4)	(0.0)
Nonoperating Expense	4,043	5,934	5,344	(31.9)	11.0
Working Capital (as of December 31, 2020, 2019 and 2018)	(4,058)	(8,867)	4,063	(54.2)	(318.2)
Net Acquisitions of Property and Equipment	218,817	281,031	222,584	(22.1)	26.3
Saia LTL Freight Operating Statistics:					
LTL Tonnage.....	4,842	4,820	4,801	0.5	0.4
LTL Shipments.....	7,371	7,409	7,103	(0.5)	4.3
LTL Revenue per hundredweight..... \$	18.33	\$ 18.05	\$ 16.80	1.6	7.4

Year ended December 31, 2020 as compared to year ended December 31, 2019

Revenue and volume

Consolidated revenue increased 2.0 percent to \$1.8 billion primarily as a result of pricing actions and terminal expansion, partially offset by a decrease in fuel surcharge revenue as a result of lower fuel prices. The economic environment over the past few years permitted the Company to implement measured pricing actions to improve yield. As a result of these increased rates, along with increased length of haul, Saia's LTL revenue per hundredweight (a measure of yield) increased 1.6 percent to \$18.33 per hundredweight for 2020. Saia's LTL tonnage also increased 0.1 percent per workday while LTL shipments decreased 0.9 percent per workday for 2020, as a result of lower volumes in the first half of 2020. Overall LTL revenue per shipment increased 2.6 percent in 2020 due to the yield improvements discussed above. Additionally, LTL weight per shipment increased 1.0 percent during 2020. For 2020 and 2019, approximately 75 to 80 percent of Saia's operating revenue was subject to specific customer price adjustment negotiations that occur throughout the year. The remaining 20 to 25 percent of operating revenue was subject to a general rate increase which is based on market conditions. For customers subject to general rate increases, Saia implemented a 5.9 percent general rate increase on February 3, 2020. Competitive factors, customer turnover and mix changes, among other things, impact the extent to which customer rate increases are retained over time.

Operating revenue includes fuel surcharge revenue from the Company's fuel surcharge program. That program is designed to reduce the Company's exposure to fluctuations in fuel prices by adjusting total freight charges to account for changes in the price of fuel. The Company's fuel surcharge is generally based on the average national price for diesel fuel and is reset weekly. Fuel surcharges are widely accepted in the industry and are a significant component of revenue and pricing. Fuel surcharges are an integral part of customer contract negotiations but represent only one portion of overall customer price negotiations as customers may negotiate increases in base rates instead of increases in fuel surcharges or vice versa. Fuel surcharge revenue decreased to 11.1 percent of operating revenue for the year ended December 31, 2020 compared to 13.0 percent for the year ended December 31, 2019 primarily as a result of decreases in the cost of fuel.

Operating expenses and margin

Consolidated operating income was \$180.3 million in 2020 compared to \$152.6 million in 2019. In summary, the operations were favorably impacted in 2020 by higher tonnage and yield, which were partially offset by salary and wage increases, higher purchase transportation costs, and increased depreciation expense. The 2020 operating ratio (operating expenses divided by operating revenue) decreased to 90.1 percent as compared to 91.5 percent in 2019.

Salaries, wages and benefits expense increased \$15.3 million in 2020 compared to 2019 largely due to an overall increase in paid time off, a result of the additional five days awarded to all hourly employees in dealing with the impacts of COVID-19, and higher healthcare benefit costs. Fuel, operating expenses and supplies decreased \$40.8 million during 2020 compared to 2019 largely due to decreased fuel costs, in addition to a reduction of other operating expenses and supplies, partially attributable to the recalibration of our cost structure as volumes slowed in the first half of 2020. Claims and insurance expense in 2020 was \$6.7 million higher than 2019 largely due to increased insurance premiums in 2020 along with accident severity, particularly in the first half of 2020. The Company can experience volatility in accident expense as a result of its self-insurance structure which provides for retention amounts ranging from \$2 million to \$10 million per occurrence. Depreciation expense increased \$15.5 million in 2020 compared to 2019 primarily due to revenue equipment, real estate and technology investments in 2020. Purchased transportation expense increased \$11.4 million in 2020 compared to 2019 primarily due to increased surges in demand in the latter half of 2020 and capacity constraints in the internal network.

Other

Substantially all non-operating expenses represent interest expense. Interest expense in 2020 was \$1.5 million less than 2019 due to decreased average borrowings resulting from the \$62.2 million decrease in investing activities in 2020. The effective income tax rate was 21.5 percent and 22.5 percent for the years ended December 31, 2020 and 2019, respectively. The 2019 and 2020 effective income tax rates include the impact of the tax credits enacted in December 2019 for alternative fuel usage, resulting in an increase in earnings per share of \$0.04 and \$0.07 for 2020 and 2019, respectively. See Note 10 to the Company's audited consolidated financial statements for an analysis of the income tax provision, impacts of the alternative fuel tax credits and the effective tax rate.

Working capital/capital expenditures

Working capital at December 31, 2020 was negative \$4.1 million which increased from working capital at December 31, 2019 of negative \$8.9 million. This increase is primarily due to an increase in cash and cash equivalents and accounts receivable, partially offset by increases in accrued taxes and claims and insurance accruals. Cash flows from operating activities were \$309.1 million for 2020 versus \$272.9 million for 2019 largely driven by increased profitability. For 2020, net cash used in investing activities was \$218.8 million versus \$281.0 million in 2019 primarily due to lower capital expenditures for real estate, technology and revenue equipment during 2020 due to management's decision to reduce expenditures in light of uncertainty associated with COVID-19. Net cash used in financing activities was \$65.3 million in 2020 versus \$6.2 million in net cash provided by financing activities in 2019 primarily driven by a decrease in the net borrowings (net of repayments) under our revolving credit facility of \$71.9 million from 2020 compared to 2019.

Year ended December 31, 2019 as compared to year ended December 31, 2018

Revenue and volume

Consolidated revenue increased 8.0 percent to \$1.79 billion as a result of increased shipments, tonnage, fuel surcharges and pricing actions, including a 5.9 percent general rate increase taken February 18, 2019. Expansion into the Northeastern United States continued to be a contributing factor in the increased shipments and tonnage in 2019. The economic environment over the last couple of years permitted the Company to implement measured pricing actions to improve yield, which allowed Saia's LTL revenue per hundredweight (a measure of yield) increasing 7.4 percent to \$18.05 per hundredweight for 2019 primarily as a result of increased rates along with increased length of haul. Saia's LTL tonnage also increased 0.4 percent per workday and LTL shipments increased 4.3 percent per workday for 2019. Overall LTL revenue per shipment increased 3.4 percent due to the yield improvements discussed above. This was somewhat offset by a decrease in LTL weight per shipment decreases of 3.8 percent during 2019, which was mainly driven by slower economic industrial production trends. For 2019 and 2018, approximately 75 to 80 percent of Saia's operating revenue was subject to specific customer price adjustment negotiations that occur throughout the year. The remaining 20 to 25 percent of operating revenue was subject to a general rate increase which is based on market conditions. For customers subject to general rate increases, Saia implemented a 5.9 percent general rate increase on February 18, 2019. Competitive factors, customer turnover and mix changes, among other things, impact the extent to which customer rate increases are retained over time.

Operating revenue includes fuel surcharge revenue from the Company's fuel surcharge program. That program is designed to reduce the Company's exposure to fluctuations in fuel prices by adjusting total freight charges to account for changes in the price of fuel. The Company's fuel surcharge is generally based on the average national price for diesel fuel and is reset weekly. Fuel surcharges are widely accepted in the industry and are a significant component of revenue and pricing. Fuel surcharges are an integral part of customer contract negotiations but represent only one portion of overall customer price negotiations as customers may negotiate increases in base rates instead of increases in fuel surcharges or vice versa. Fuel surcharge revenue decreased to 13.0 percent of operating revenue for the year ended December 31, 2019 compared to 13.6 percent for the year ended December 31, 2018 primarily as a result of decreases in the cost of fuel.

Operating expenses and margin

Consolidated operating income was \$152.6 million in 2019 compared to \$141.2 million in 2018. In summary, the operations were favorably impacted in 2019 by higher tonnage, shipments, overall fuel surcharges and yield, which were offset by salary and wage increases, higher fuel and purchase transportation costs, increased depreciation expense and costs associated with the Company's geographic expansion. The 2019 operating ratio (operating expenses divided by operating revenue) was flat at 91.5 percent as compared to 2018.

Salaries, wages and benefit expense increased \$75.2 million in 2019 compared to 2018 largely due to higher wages associated with increased headcount in 2019, wage increases in July 2019 and 2018 and higher healthcare benefit costs. Fuel, operating expenses and supplies increased \$15.1 million during 2019 compared to 2018 largely due to increased costs of other operating expenses and supplies, including increased expenses related to the geographic expansion, partially offset by improved fuel efficiency from a newer fleet. Claims and insurance expense in 2019 was \$4.6 million higher than 2018 largely due to increased insurance reserves in 2019 associated with accident severity partially offset by the benefit from the commutation of the first 12 month period of the bodily injury and property damage liability policy. The Company can experience volatility in accident expense as a result of its self-insurance structure which provides for retention amounts ranging from \$2 million to \$10 million per occurrence. Depreciation expense increased \$17.0 million in 2019 compared to 2018 primarily due to revenue equipment, real estate and technology investments in 2019. Purchased transportation expense increased \$6.1 million in 2019 compared to 2018 primarily due to increases in purchased transportation cost per mile and utilization of purchased transportation carriers to maintain service requirements while supporting increased shipments, tonnage and length of haul throughout 2019.

Other

Substantially all non-operating expenses represent interest expense. Interest expense in 2019 was \$1.3 million greater than 2018 due to increased average borrowings resulting from the \$58.4 million increase in investing

activities in 2019. The effective income tax rate was 22.5 percent and 22.7 percent for the years ended December 31, 2019 and 2018, respectively. The 2018 and 2019 effective income tax rates include the impact of the Tax Cuts and Jobs Act (the Tax Act) legislation enacted on December 22, 2017 as well as the tax credits enacted in December 2019 for alternative fuel usage, resulting in an increase in earnings per share of \$0.07 for 2019. See Note 10 to the Company's audited consolidated financial statements for an analysis of the income tax provision, impacts of the Tax Act and the effective tax rate.

Working capital/capital expenditures

Working capital at December 31, 2019 was negative \$8.9 million which decreased from working capital at December 31, 2018 of \$4.1 million. This decrease is primarily due to the adoption of ASU 2016-02, which requires the current portion of operating lease liability, \$19.0 million at December 31, 2019, be recognized as a current liability at December 31, 2019. Additionally, the decrease in working capital was due to an increase in other current liabilities, mostly sales and use tax payables, partially offset by an increase in accounts receivable. Cash flows from operating activities were \$272.9 million for 2019 versus \$256.4 million for 2018 largely driven by increased profitability. For 2019, net cash used in investing activities was \$281.0 million versus \$222.6 million in 2018 primarily due to higher capital expenditures for real estate, technology and revenue equipment during 2019. Net cash provided by financing activities was \$6.2 million in 2019 versus \$36.4 million in net cash used in financing activities for 2018 primarily driven by an increase in the net borrowings (net of repayments) under our revolving credit facility of \$48.9 million from 2019 compared to 2018.

Outlook

Our business remains highly correlated to non-service sectors of the general economy and competitive pricing pressures, as well as the success of Company-specific improvement initiatives. There remains uncertainty as to the strength of economic conditions. We are continuing initiatives to increase yield, reduce costs and improve productivity. We focus on providing top quality service and improving safety performance. Planned revenue initiatives include, but are not limited to, building density in our current geography, targeted marketing initiatives to grow revenue in more profitable segments, further expanding our service geography, as well as pricing and yield management. On January 18, 2021 and February 3, 2020 Saia implemented 5.9 percent general rate increases, for customers comprising approximately 20 to 25 percent of Saia's operating revenue. The extent of success of this revenue initiative is impacted by what proves to be the underlying economic trends, competitor initiatives and other factors discussed under "Forward-Looking Statements" and Part I, Item 1A., "Risk Factors."

Effective January 2021, the Company implemented a salary and wage increase of approximately 3.5 percent for all of its employees. The cost of the compensation increase is expected to be approximately \$30.6 million annually, and the Company anticipates the impact will be partially offset by productivity and efficiency gains.

If the Company builds market share, including through its geographic expansion, it expects there to be numerous operating leverage cost benefits. Conversely, should the economy soften from present levels, the Company plans to match resources and capacity to shifting volume levels to lessen unfavorable operating leverage. The success of cost improvement initiatives is also impacted by the cost and availability of drivers and purchased transportation, fuel, insurance claims, cost and availability of insurance, regulatory changes, successful expansion of our service geography and other factors discussed under "Forward-Looking Statements" and Part I, Item 1A., "Risk Factors."

See "Forward-Looking Statements" and Part I, Item 1A., "Risk Factors," for a more complete discussion of potential risks and uncertainties that could materially affect our future performance.

Accounting Pronouncements Adopted in 2020

In 2016, the FASB issued ASU No. 2016-13, "*Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.*" Under this ASU an entity is required to utilize an "expected credit loss model" on certain financial instruments, including trade and financing receivables. This model requires consideration of a broader range of reasonable and supportable information and requires an entity to estimate expected credit losses over the lifetime of the asset. This standard became effective for interim and annual reporting periods beginning after December 15, 2019. The Company adopted the standard effective January 1, 2020 and upon adoption this standard did not have a material impact on its consolidated financial statements or related disclosures.

Financial Condition

The Company's liquidity needs arise primarily from capital investment in new equipment, land and structures, information technology and letters of credit required under insurance programs, as well as funding working capital requirements.

The Company is party to a revolving credit agreement with a group of banks to fund capital investments, letters of credit and working capital needs. The Company has pledged certain land and structures, accounts receivable and other assets to secure indebtedness under this agreement.

Credit Agreement

Prior to February 5, 2019, the Company was party to a Restated Credit Agreement with a group of banks that included a revolving credit facility for up to \$250 million expiring in March 2020. The Restated Credit Agreement also had an accordion feature that allowed for an additional \$75 million availability, subject to lender approval. The Restated Credit Agreement provided for a LIBOR rate margin range from 112.5 basis points to 225 basis points, base rate margins from minus 12.5 basis points to plus 50 basis points, an unused portion fee from 20 basis points to 30 basis points and letter of credit fees from 112.5 basis points to 225 basis points, in each case based on the Company's leverage ratio. Under the Restated Credit Agreement, the Company was required to maintain certain financial covenants including a minimum fixed charge coverage ratio and a maximum leverage ratio, among others. The Restated Credit Agreement also provided for a pledge by the Company of certain land and structures, certain tractors, trailers and other personal property and accounts receivable, to secure indebtedness under the Restated Credit Agreement.

On February 5, 2019, the Company entered into the Sixth Amended and Restated Credit Agreement with its banking group (as amended, the Amended Credit Agreement). The amendment increased the amount of the revolver from \$250 million to \$300 million and extended the term until February 2024. The Amended Credit Agreement also has an accordion feature that allows for an additional \$100 million availability, subject to certain conditions and availability of lender commitments. The amendment reduced the interest rate pricing. The Amended Credit Agreement provides for a LIBOR rate margin range from 100 basis points to 200 basis points, base rate margins from minus 50 basis points to plus 50 basis points, an unused portion fee from 17.5 basis points to 30 basis points and letter of credit fees from 100 basis points to 200 basis points, in each case based on the Company's leverage ratio. Under the Amended Credit Agreement, the Company must maintain a minimum debt service coverage ratio set at 1.25 to 1.00 and a maximum leverage ratio set at 3.25 to 1.00. The Amended Credit Agreement provides for a pledge by the Company of certain land and structures, accounts receivable and other assets to secure indebtedness under this agreement. The Amended Credit Agreement contains certain customary representations and warranties, affirmative and negative covenants and provisions relating to events of default. Under the Amended Credit Agreement, if an event of default occurs, the banks will be entitled to take various actions, including the acceleration of amounts due.

At December 31, 2020, the Company had no borrowings outstanding under its revolving credit line and outstanding letters of credit of \$27.2 million under the Amended Credit Agreement. At December 31, 2019, the Company had \$45.9 million of outstanding borrowings and outstanding letters of credit of \$26.1 million under the

Restated Credit Agreement. The available portion of the Amended Credit Agreement may be used for general corporate purposes, including capital expenditures, working capital and letter of credit requirements as needed.

Finance Leases

The Company is obligated under finance leases with seven year terms covering revenue equipment totaling \$71.0 million and \$90.5 million as of December 31, 2020 and 2019, respectively. Amortization of assets held under the finance leases is included in depreciation expense. The weighted average interest rates for the finance leases at December 31, 2020 and 2019 is 3.48% and 3.44%, respectively.

Other

The Company has historically generated cash flows from operations to fund a large portion of its capital expenditure requirements. The timing of capital expenditures can largely be managed around the seasonal working capital requirements of the Company. The Company believes it has adequate sources of capital to meet short-term liquidity needs through its operating cash flows and availability under its revolving credit agreement, which was \$272.8 million at December 31, 2020, subject to the Company’s satisfaction of existing debt covenants. Future operating cash flows are primarily dependent upon the Company’s profitability and its ability to manage its working capital requirements, primarily accounts receivable, accounts payable and wage and benefit accruals. The Company was in compliance with its debt covenants at December 31, 2020.

Net capital expenditures pertain primarily to investments in tractors and trailers and other revenue equipment, information technology, land and structures. Projected net capital expenditures for 2021 are approximately \$275 million, inclusive of equipment acquired using finance leases. This compares to 2020 net capital expenditures of \$219 million for property and equipment, inclusive of equipment acquired using finance leases. Projected 2021 capital expenditures include a normal replacement cycle of revenue equipment and technology investment for our operations. In addition, the Company plans to add revenue equipment and real estate investments to support our growth initiatives.

See “Forward-Looking Statements” and Item 1A., “Risk Factors,” for a more complete discussion of potential risks and uncertainties that could materially affect our future performance and financial condition.

Actual net capital expenditures, inclusive of equipment acquired using finance leases, are summarized in the following table (in millions):

	Years ended		
	2020	2019	2018
Land and structures:			
Additions	\$ 75.0	\$ 82.5	\$ 75.6
Sales	(5.9)	—	(1.8)
Revenue equipment, net.....	131.9	181.0	161.8
Technology and other	17.8	23.7	16.1
Total	<u>\$218.8</u>	<u>\$287.2</u>	<u>\$251.7</u>

In addition to the amounts disclosed in the table above, the Company had an additional \$16.3 million in capital expenditures for revenue equipment that was received but not paid for prior to December 31, 2020. In 2020, no revenue equipment was acquired with finance leases. Included in the 2019 and 2018 revenue equipment expenditures are finance leases totaling \$6.2 million and \$29.1 million, respectively.

Off Balance Sheet Arrangements

In accordance with U.S. generally accepted accounting principles, our operating leases with original maturities of less than one year are not recorded in our consolidated balance sheet; however, the future minimum lease payments are included in the “Contractual Obligations” table below. See the notes to the accompanying audited consolidated financial statements included in this Form 10-K for additional information. In addition to the principal amounts disclosed in the tables below, the Company has interest obligations of approximately \$3.5 million for 2021 and decreasing for each year thereafter, based on borrowings and commitments outstanding at December 31, 2020.

Contractual Obligations

The following tables set forth a summary of our contractual obligations and other commercial commitments as of December 31, 2020 (in millions):

	Payments due by year						Total
	2021	2022	2023	2024	2025	Thereafter	
Contractual cash obligations:							
Long-term debt obligations:							
Revolving line of credit (1).....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Leases:							
Finance Leases (1).....	22.8	21.0	15.4	10.7	5.5	0.7	76.1
Operating leases (2).....	28.6	25.3	21.1	17.5	13.3	36.9	142.7
Purchase obligations (2).....	23.0	—	—	—	—	—	23.0
Total contractual obligations.....	<u>\$74.4</u>	<u>\$46.3</u>	<u>\$36.5</u>	<u>\$28.2</u>	<u>\$18.8</u>	<u>\$ 37.6</u>	<u>\$241.8</u>

- (1) See Note 2 to the accompanying audited consolidated financial statements in this Form 10-K. The contractual finance lease obligation payments included in this table include both the principal and interest components.
- (2) See Note 3 to the accompanying audited consolidated financial statements in this Form 10-K.

	Amount of commitment expiration by year						Total
	2021	2022	2023	2024	2025	Thereafter	
Other commercial commitments:							
Available line of credit(1).....	\$ —	\$ —	\$ —	\$ —	\$272.8	\$ —	\$272.8
Letters of credit.....	29.0	—	—	—	—	—	29.0
Surety bonds.....	59.9	—	—	—	—	—	59.9
Total commercial commitments.....	<u>\$88.9</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$272.8</u>	<u>\$ —</u>	<u>\$361.7</u>

- (1) Subject to the satisfaction of existing debt covenants.

The Company has accrued approximately \$1.1 million for uncertain tax positions and accrued interest and penalties of \$0.1 million related to the uncertain tax positions as of December 31, 2020. The Company cannot reasonably estimate the timing of cash settlement with respective taxing authorities beyond one year and accordingly has not included the amounts within the above contractual cash obligations and other commercial commitment tables.

At December 31, 2020, the Company has \$95.8 million in claims, insurance and other liabilities. The Company cannot reasonably estimate the timing of cash settlement with respective adverse parties beyond one year and accordingly has not included the amounts within the above contractual cash obligations and other commercial commitment tables.

Critical Accounting Policies and Estimates

The Company makes estimates and assumptions in preparing the consolidated financial statements that affect reported amounts and disclosures therein. In the opinion of management, the accounting policies that generally have the most significant impact on the financial position and results of operations of the Company include:

- Claims and Insurance Accruals. As described in more detail in the Notes to the Consolidated Financial Statements contained herein, the Company has self-insured retention limits generally ranging from \$250,000 to \$1 million per occurrence for medical, workers' compensation, casualty and cargo claims and from \$2 million to \$10 million for auto liability. The liabilities are estimated in part based on historical experience, third-party actuarial analysis with respect to workers' compensation claims, demographics, nature and severity, and other assumptions. The liabilities for self-funded retention are included in claims and insurance reserves based on claims incurred with liabilities for unsettled claims and claims incurred but not yet reported being actuarially determined with respect to workers' compensation claims and, with respect to all other liabilities, estimated based on management's evaluation of the nature and severity of individual claims and historical experience. However, these estimated accruals could be significantly affected if the actual costs of the Company differ from these assumptions. A significant number of these claims typically take several years to develop and even longer to ultimately settle. These estimates tend to be reasonably accurate over time; however, assumptions regarding severity of claims, medical cost inflation, as well as specific case facts can create short-term volatility in estimates.
- Revenue Recognition and Related Allowances. Revenue is recognized over the transit time of the shipment as it moves from origin to destination while expenses are recognized as incurred. In addition, estimates included in the recognition of revenue and accounts receivable include estimates of shipments in transit and estimates of future adjustments to revenue and accounts receivable for billing adjustments and collectability.

Revenue is recognized in a systematic process whereby estimates of shipments in transit are based upon actual shipments picked up, day of delivery and current rates charged to customers. Since the cycle for pickup and delivery of shipments is generally 1-5 days, typically less than 5 percent of a total month's revenue is in transit at the end of any month. Estimates for credit losses and billing adjustments are based upon historical experience of credit losses, adjustments processed and trends of collections. Billing adjustments are primarily made for discounts and billing corrections. These estimates are continuously evaluated and updated; however, changes in economic conditions, pricing arrangements and other factors can significantly impact these estimates.

- Depreciation and Capitalization of Assets. Under the Company's accounting policy for property and equipment, management establishes appropriate depreciable lives and salvage values for the Company's revenue equipment (tractors and trailers) based on their estimated useful lives and estimated residual values to be received when the equipment is sold or traded in. These estimates are routinely evaluated and updated when circumstances warrant. However, actual useful lives and residual values could differ from these assumptions based on market conditions and other factors, thereby impacting the estimated amount or timing of depreciation expense.

These accounting policies and others are described in further detail in the notes to our audited consolidated financial statements included in this Form 10-K.

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to adopt accounting policies and make significant judgments and estimates to develop amounts reflected and disclosed in the consolidated financial statements. In many cases, there are alternative policies or estimation techniques that could be used. We maintain a thorough process to review the application of our accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the consolidated financial statements. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and the receipt of new or better information.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to a variety of market risks including the effects of interest rates and fuel prices. The detail of the Company’s debt structure is more fully described in the notes to the consolidated financial statements set forth in this Form 10-K for the year ended December 31, 2020. To help mitigate our exposure to rising fuel prices, the Company has implemented a fuel surcharge program. This program is well established within the industry and customer acceptance of fuel surcharges remains high. Since the amount of fuel surcharge is based on average national fuel prices and is reset weekly, exposure of the Company to fuel price volatility is significantly reduced. However, the fuel surcharge may not fully offset fuel price fluctuations during periods of rapid increases or decreases in the price of fuel and is also subject to overall competitive pricing negotiations.

The following table provides information about the Company’s third-party financial instruments as of December 31, 2020 with comparative information as of December 31, 2019. The table presents cash flows for principal payments (in millions) and related weighted average interest rates by contractual maturity dates. The fair value of the variable and fixed rate debt (in millions) was estimated based upon levels one and two in the fair value hierarchy, respectively. The fair value of the finance leases is based on current market interest rates for similar types of financial instruments.

	Expected maturity date						2020		2019	
	2021	2022	2023	2024	2025	Thereafter	Total	Fair Value	Total	Fair Value
Fixed rate debt	\$20.6	\$19.5	\$14.5	\$10.3	\$5.4	\$ 0.7	\$71.0	\$ 71.2	\$90.5	\$ 90.6
Average interest rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%				
Variable rate debt.....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$45.9	\$ 45.9
Average interest rate	—	—	—	—	—	—				

Item 8. Financial Statements and Supplementary Data

FINANCIAL STATEMENTS

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Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Saia, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Saia, Inc. and subsidiaries (the Company) as of December 31, 2020 and 2019, the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2020, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 24, 2021 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company has changed its method of accounting for leases as of January 1, 2019 due to the adoption of Accounting Standards Update No. 2016-02, *Leases* (Topic 842), and related amendments.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Evaluation of the estimated liabilities for self-insured workers' compensation and bodily injury claims

As discussed in Note 1 to the consolidated financial statements, the Company has recorded estimated liabilities for claims related to workers' compensation and bodily injury. These liabilities are recorded within claims and insurance accruals (current) of \$49.6 million, and claims, insurance, and other (non-current) of \$46.2 million, as of December 31, 2020.

We identified the evaluation of the estimated liabilities for self-insured workers' compensation and bodily injury claims as a critical audit matter because of the inherent uncertainty in the amounts that will ultimately be paid to settle these claims. Factors that may affect the settlement cost of claims include the length of time the claim remains open, its potential severity, and the results of litigation. Additionally, the Company's liabilities include estimates for future development of claims and specialized skills were needed to evaluate the actuarial methods and assumptions used to make these estimates.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company's self-insurance processes, including controls over the methods and assumptions used in estimating the liability. We evaluated the Company's estimated liabilities for self-insured workers' compensation and bodily injury claims by selecting a sample of claims and considering current available information, which may include legal claims, incident and case reports, historical experience, and attorneys' letters we received directly from the Company's external counsel. In addition, we involved an actuarial professional with specialized skills and knowledge, who assisted by comparing the Company's actuarial methods with generally accepted actuarial methods and evaluating the key assumptions used in determining the liabilities.

/s/ KPMG LLP

We have served as the Company's auditor since 2002.

Atlanta, Georgia
February 24, 2021

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Saia, Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited Saia, Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2020 and 2019, the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2020, and the related notes (collectively, the consolidated financial statements), and our report dated February 24, 2021 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Atlanta, Georgia

February 24, 2021

Saia, Inc. and Subsidiaries
Consolidated Balance Sheets
(in thousands, except share and per share data)

	December 31, 2020	December 31, 2019
ASSETS		
Current Assets:		
Cash and cash equivalents.....	\$ 25,308	\$ 248
Accounts receivable, less allowances of \$5,666 in 2020 and \$3,742 in 2019	216,899	196,119
Prepaid expenses	19,505	18,542
Income tax receivable	96	8,288
Other current assets	9,888	9,182
Total current assets	271,696	232,379
Property and Equipment, at cost	1,901,244	1,739,222
Less-accumulated depreciation and amortization	765,217	686,623
Net property and equipment	1,136,027	1,052,599
Operating Lease Right-of-Use Assets	113,715	103,890
Goodwill	12,105	12,105
Identifiable Intangibles, net	8,216	9,379
Other Noncurrent Assets	7,015	5,341
Total assets	\$ 1,548,774	\$ 1,415,693
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 89,381	\$ 83,621
Wages, vacation and employees' benefits	55,392	49,668
Claims and insurance accruals	49,613	36,888
Other current liabilities	40,571	32,644
Current portion of long-term debt	20,588	19,405
Current portion of operating lease liability	20,209	19,020
Total current liabilities	275,754	241,246
Other Liabilities:		
Long-term debt, less current portion	50,388	117,025
Operating lease liability, less current portion	95,321	86,239
Deferred income taxes	119,818	111,555
Claims, insurance and other	46,205	44,402
Total other liabilities	311,732	359,221
Commitments and Contingencies		
Stockholders' Equity:		
Preferred stock, \$0.001 par value, 50,000 shares authorized, none issued and outstanding	—	—
Common stock, \$0.001 par value, 50,000,000 shares authorized, 26,236,570 and 25,936,532 shares issued and outstanding at December 31, 2020 and 2019, respectively	26	26
Additional paid-in-capital	267,666	260,871
Deferred compensation trust, 91,888 and 143,987 shares of common stock at cost at December 31, 2020 and 2019, respectively	(2,944)	(3,871)
Retained earnings	696,540	558,200
Total stockholders' equity	961,288	815,226
Total liabilities and stockholders' equity	\$ 1,548,774	\$ 1,415,693

See accompanying notes to consolidated financial statements.

Saia, Inc. and Subsidiaries
Consolidated Statements of Operations
For the years ended December 31, 2020, 2019 and 2018
(in thousands, except per share data)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating Revenue	\$ 1,822,366	\$ 1,786,735	\$ 1,653,849
Operating Expenses:			
Salaries, wages and employees' benefits.....	963,260	947,911	872,722
Purchased transportation.....	141,369	129,980	123,904
Fuel, operating expenses and supplies.....	299,234	340,056	325,000
Operating taxes and licenses.....	56,294	54,397	50,089
Claims and insurance.....	49,761	43,073	38,425
Depreciation and amortization.....	134,655	119,135	102,153
Operating (gains) losses, net.....	<u>(2,528)</u>	<u>(403)</u>	<u>379</u>
Total operating expenses.....	<u>1,642,045</u>	<u>1,634,149</u>	<u>1,512,672</u>
Operating Income	180,321	152,586	141,177
Nonoperating Expenses (Income):			
Interest expense	5,177	6,688	5,418
Other, net	<u>(1,134)</u>	<u>(754)</u>	<u>(74)</u>
Nonoperating expenses, net	<u>4,043</u>	<u>5,934</u>	<u>5,344</u>
Income Before Income Taxes	176,278	146,652	135,833
Income Tax Expense	37,938	32,933	30,852
Net Income	<u>\$ 138,340</u>	<u>\$ 113,719</u>	<u>\$ 104,981</u>
Weighted average common shares outstanding – basic	<u>26,140</u>	<u>25,952</u>	<u>25,762</u>
Weighted average common shares outstanding – diluted	<u>26,592</u>	<u>26,435</u>	<u>26,291</u>
Basic Earnings Per Share	<u>\$ 5.29</u>	<u>\$ 4.38</u>	<u>\$ 4.08</u>
Diluted Earnings Per Share	<u>\$ 5.20</u>	<u>\$ 4.30</u>	<u>\$ 3.99</u>

See accompanying notes to consolidated financial statements.

Saia, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity
For the years ended December 31, 2020, 2019 and 2018
(in thousands, except share data)

	<u>Common Shares</u>	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Deferred Compensation Trust</u>	<u>Retained Earnings</u>	<u>Total</u>
BALANCE at December 31, 2017.....	25,551,617	\$ 26	\$ 246,454	\$ (3,486)	\$ 339,500	\$ 582,494
Stock compensation, including options and long-term incentives	5,184	—	4,509	—	—	4,509
Director deferred share activity.....	—	—	1,111	—	—	1,111
Exercise of stock options less shares withheld for taxes.....	103,703	—	4,165	—	—	4,165
Shares issued for long-term incentive awards, net of shares withheld for taxes.....	33,147	—	(1,396)	—	—	(1,396)
Purchase of shares by Deferred Compensation Trust	—	—	(105)	(700)	—	(805)
Sale of shares by Deferred Compensation Trust.....	—	—	—	805	—	805
Net income	—	—	—	—	104,981	104,981
BALANCE at December 31, 2018.....	25,693,651	26	254,738	(3,381)	444,481	695,864
Stock compensation, including options and long-term incentives	—	—	4,977	—	—	4,977
Director deferred share activity.....	49,750	—	1,210	—	—	1,210
Exercise of stock options less shares withheld for taxes.....	107,171	—	2,927	—	—	2,927
Shares issued for long-term incentive awards, net of shares withheld for taxes.....	85,960	—	(3,471)	—	—	(3,471)
Purchase of shares by Deferred Compensation Trust	—	—	687	(770)	—	(83)
Sale of shares by Deferred Compensation Trust.....	—	—	(197)	280	—	83
Net income	—	—	—	—	113,719	113,719
BALANCE at December 31, 2019.....	25,936,532	26	260,871	(3,871)	558,200	815,226
Stock compensation, including options and long-term incentives	—	—	6,306	—	—	6,306
Director deferred share activity.....	132,421	—	1,230	—	—	1,230
Exercise of stock options less shares withheld for taxes.....	108,240	—	3,786	—	—	3,786
Shares issued for long-term incentive awards, net of shares withheld for taxes.....	59,377	—	(3,600)	—	—	(3,600)
Purchase of shares by Deferred Compensation Trust	—	—	1,275	(1,275)	—	—
Sale of shares by Deferred Compensation Trust.....	—	—	(2,202)	2,202	—	—
Net income	—	—	—	—	138,340	138,340
BALANCE at December 31, 2020.....	<u>26,236,570</u>	<u>\$ 26</u>	<u>\$ 267,666</u>	<u>\$ (2,944)</u>	<u>\$ 696,540</u>	<u>\$ 961,288</u>

See accompanying notes to consolidated financial statements.

Saia, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
For the years ended December 31, 2020, 2019 and 2018
(in thousands)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating Activities:			
Net income	\$ 138,340	\$ 113,719	\$ 104,981
Noncash items included in net income:			
Depreciation and amortization	134,655	119,135	102,153
Provision for doubtful accounts	4,271	2,804	1,978
Deferred income taxes	8,263	24,662	27,470
Loss (gain) from property disposals, net	(2,528)	(403)	379
Stock-based compensation	7,536	6,187	5,619
Changes in operating assets and liabilities:			
Accounts receivable	(25,051)	(16,979)	(12,981)
Accounts payable	5,772	10,320	10,608
Other working capital items, net	33,344	4,203	15,537
Claims, insurance and other	1,804	7,504	(2,740)
Other, net	2,739	1,724	3,432
Net cash provided by operating activities.....	<u>309,145</u>	<u>272,876</u>	<u>256,436</u>
Investing Activities:			
Acquisition of property and equipment.....	(231,142)	(287,655)	(223,672)
Proceeds from disposal of property and equipment.....	12,325	6,624	1,088
Net cash used in investing activities.....	<u>(218,817)</u>	<u>(281,031)</u>	<u>(222,584)</u>
Financing Activities:			
Repayment of revolving credit agreement.....	(369,001)	(331,188)	(233,888)
Borrowing of revolving credit agreement.....	323,072	357,117	210,888
Proceeds from stock option exercises	3,786	2,927	4,165
Shares withheld for taxes	(3,600)	(3,471)	(1,396)
Debt issuance costs	—	(649)	—
Repayment of finance leases.....	(19,525)	(18,527)	(16,147)
Net cash (used in) provided by financing activities.....	<u>(65,268)</u>	<u>6,209</u>	<u>(36,378)</u>
Net Increase (Decrease) in Cash and Cash Equivalents.....	25,060	(1,946)	(2,526)
Cash and cash equivalents, beginning of year	248	2,194	4,720
Cash and cash equivalents, end of year	<u>\$ 25,308</u>	<u>\$ 248</u>	<u>\$ 2,194</u>
Non Cash Investing Activities			
Equipment financed with finance leases.....	\$ —	\$ 6,169	\$ 29,090

See accompanying notes to consolidated financial statements.

Saia, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2020, 2019 and 2018

1. Description of Business and Summary of Accounting Policies

Description of Business

Saia, Inc. and its subsidiaries (Saia or the Company) are headquartered in Johns Creek, Georgia. Saia is a leading, less-than-truckload (“LTL”) motor carrier with more than 97% of its revenue historically derived from transporting LTL shipments for customers. In addition to the core LTL services provided in 44 states, the Company also offers customers a wide range of other value-added services, including non-asset truckload, expedited and logistics services across the United States.

The Chief Operating Decision Maker is the Chief Executive Officer who manages the business, regularly reviews financial information and allocates resources. The Company has one operating segment.

Basis of Presentation

The accompanying consolidated financial statements include the accounts of Saia, Inc. and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

Use of Estimates

The preparation of our consolidated financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses. Management makes its best estimate of the ultimate outcome for these items based on historical trends and other information available when the financial statements are prepared. Changes in estimates are recognized in accordance with the accounting rules for the estimate, which is typically in the period when new information becomes available to management. Areas where the nature of the estimate makes it reasonably possible that actual results could materially differ from amounts estimated include: self-insurance accruals; long-term incentive compensation; tax liabilities; loss contingencies; litigation claims; and impairment assessments on long-lived assets (including goodwill).

Accounting Pronouncements Adopted in 2019

In February 2016, the Financial Accounting Standards Board (FASB) established *Topic 842, Leases*, by issuing Accounting Standards Update (ASU) No. 2016-02, which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. Topic 842 was subsequently amended by ASU No. 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU No. 2018-10, *Codification Improvements to Topic 842, Leases*; and ASU No. 2018-11, *Targeted Improvements*. The new standard establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement.

The new standard became effective for the Company on January 1, 2019. A modified retrospective transition approach is required, applying the new standard to all leases existing at the date of initial application. An entity may choose to use either (1) its effective date or (2) the beginning of the earliest comparative period presented in the financial statements as its date of initial application. The Company adopted the new standard using the effective date as its date of initial application. Consequently, financial information has not been updated and the disclosures required under the new standard are not provided for dates and periods before January 1, 2019.

The new standard provided a number of optional practical expedients in transition. The Company elected the ‘package of practical expedients’, which permits it not to reassess under the new standard its prior conclusions about lease identification, lease classification and initial direct costs. The Company did not elect the use-of-hindsight or

the practical expedient pertaining to land easements; the latter not being applicable to it. The Company elected the short-term lease recognition exemption for all leases that qualify. This means, for those leases that qualify, the Company will not recognize ROU assets or lease liabilities, and this includes not recognizing ROU assets or lease liabilities for existing short-term leases of those assets in transition. The Company also elected the practical expedient to not separate lease and non-lease components for all of its leases other than leases of real estate.

As of January 1, 2019, the Company recognized right-of-use assets and corresponding lease liabilities of approximately \$74 million and \$76 million, respectively. There were no material impacts to our results of operations or our cash flows. Disclosures related to the amount, timing, and uncertainty of cash flows arising from our leases are included in Note 4.

Accounting Pronouncements Adopted in 2020

In 2016, the FASB issued ASU No. 2016-13, “Financial Instruments-Credit Losses (Topic 326): *Measurement of Credit Losses on Financial Instruments*.” Under this ASU an entity is required to utilize an “expected credit loss model” on certain financial instruments, including trade and financing receivables. This model requires consideration of a broader range of reasonable and supportable information and requires an entity to estimate expected credit losses over the lifetime of the asset. This standard is effective for interim and annual reporting periods beginning after December 15, 2019. The Company adopted the standard effective January 1, 2020 and upon adoption this standard did not have a material impact on its consolidated financial statements or related disclosures.

Summary of Accounting Policies

Major accounting policies and practices used in the preparation of the accompanying consolidated financial statements not covered in other notes to the consolidated financial statements are as follows:

Cash and Cash Equivalents and Checks Outstanding: Cash and cash equivalents in excess of current operating requirements are invested in short-term interest bearing instruments purchased with original maturities of three months or less and are stated at cost, which approximates market. Checks outstanding in excess of cash on deposit are classified in accounts payable on the accompanying consolidated balance sheets and in operating activities in the accompanying consolidated statements of cash flows.

Parts, fuel and operating supplies: Parts, fuel and operating supplies are carried at average cost and included in other current assets.

Property and Equipment Including Repairs and Maintenance: Property and equipment are carried at cost less accumulated depreciation. Depreciation is computed using the straight-line method based on the following service lives:

	<u>Years</u>
Structures.....	20 to 25
Tractors.....	6 to 10
Trailers	10 to 14
Other revenue equipment	7 to 14
Technology equipment and software	3 to 5
Other.....	3 to 10

At December 31, property and equipment consisted of the following (in thousands):

	<u>2020</u>	<u>2019</u>
Land.....	\$ 116,187	\$ 106,024
Structures.....	440,015	389,096
Tractors.....	583,711	524,901
Trailers.....	426,000	411,269
Other revenue equipment.....	96,912	92,875
Technology equipment and software.....	141,735	127,408
Other.....	96,684	87,649
Total property and equipment, at cost.....	<u>\$1,901,244</u>	<u>\$ 1,739,222</u>

Maintenance and repairs are charged to operations while replacements and improvements that extend the asset's life are capitalized. The Company's investment in technology equipment and software consists primarily of systems to support customer service, maintenance and freight management. Depreciation and amortization of property and equipment was \$133.5 million, \$117.9 million and \$100.8 million for the years ended December 31, 2020, 2019 and 2018, respectively. Depreciation and amortization expense includes amortization of assets under finance leases. At December 31, 2020, trailers acquired under finance leases had a gross carrying value of \$138.0 million and accumulated depreciation of \$40.1 million. At December 31, 2019, trailers acquired under finance leases had a gross carrying value of \$138.2 million and accumulated depreciation of \$30.8 million.

Computer Software Developed or Obtained for Internal Use: The Company capitalizes certain costs associated with developing or obtaining internal-use software. Capitalizable costs include external direct costs of materials and services utilized in developing or obtaining the software and payroll and payroll-related costs for employees directly associated with the development of the project. For the years ended December 31, 2020, 2019, and 2018, the Company capitalized \$0.8 million, \$1.5 million, and \$1.1 million, respectively, of primarily payroll-related costs.

Claims and Insurance Accruals: Claims and insurance accruals, both current and long-term, reflect the estimated total settlement costs of claims for workers' compensation (discounted to present value), cargo loss and damage, and bodily injury and property damage not covered by insurance. These costs are included in claims and insurance expense, except for workers' compensation, which is included in employees' benefits expense. The liabilities are included in claims and insurance reserves based on estimates of claims incurred. Liabilities for unsettled claims and claims incurred but not yet reported are actuarially determined with respect to workers' compensation claims and with respect to all other liabilities, estimated based on management's evaluation of the nature and severity of individual claims and past experience. For workers' compensation, the amount of the discount at December 31, 2020 and December 31, 2019 was \$1.8 million and \$3.8 million, respectively.

Risk retention amounts per occurrence during the three years ended December 31, 2020, were as follows:

Workers' compensation.....	\$ 1,000,000
Bodily injury and property damage ⁽¹⁾	2,000,000
Employee medical and hospitalization.....	400,000
Cargo loss and damage.....	250,000

⁽¹⁾ \$10 million for period March 1, 2018 - February 28, 2019.

Effective March 1, 2018, the Company entered into a new automobile liability insurance policy with a three-year term. Generally, the Company is responsible for the risk retention amount per occurrence of \$2.0 million under the policy. Thereafter, the policy provides insurance coverage for a single loss of \$8.0 million, an aggregate loss limit of \$24.0 million for each policy year, and a \$48.0 million aggregate loss limit for the 36-month term originally ended March 1, 2021. Under the policy, the Company may elect to commute the policy with respect to the first 12 months of the policy term and concurrently extend the policy for an additional one-year period if paid losses in the first 12 months of the policy are less than \$5.2 million. In August 2019, the Company elected to commute the policy for such period. As a result, the Company received a return of \$5.2 million of the premium paid (the

maximum return premium available), based on the amount of claims paid and the insurer was released from all liability in connection with claims occurring in such 12-month period. The Company is now self-insured for the first \$10 million per occurrence with respect to such 12-month period and the policy has been extended for one additional year to March 1, 2022. As a result of the return premium and policy extension, the Company recognized a \$1.8 million reduction in insurance premium expense in 2020. The Company will continue to recognize the remainder of the return premium as a reduction in insurance premium expense ratably over the remainder of the policy period now ending March 1, 2022. Additionally, the Company is required to pay an additional premium of up to \$11.0 million if losses paid by the insurer are greater than \$15.6 million over the three-year policy period ending March 1, 2022. Based on claims experience since inception of the policy, no such additional premium was accrued at December 31, 2020. Commencing on August 30, 2022, the Company may elect to commute the policy with respect to the insurer's entire liability under the policy in which case the Company would be entitled to a return of a portion of the premium paid, up to \$15.6 million, based on the amount of claims paid and the insurer would be released from all liability under the policy ending March 1, 2022. As a result, if the Company elects to commute the policy as to the entire policy term, the Company would be self-insured for \$10 million per occurrence for the four years ended March 1, 2022.

Income Taxes: Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. 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. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. As required by FASB Accounting Standards Codification ("ASC") 740, *Income Taxes*, the Company follows this guidance which defines the threshold for recognizing the benefits of tax-filing positions in the financial statements as "more-likely-than-not" to be sustained by the tax authority. ASC 740 also prescribes a method for computing the tax benefit of such tax positions to be recognized in the financial statements. In addition, it provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

Revenue Recognition: The Company's revenues are derived primarily from the transportation of freight as it satisfies performance obligations that arise from contracts with its customers. The Company's performance obligations arise when it receives a bill of lading ("BOL") to transport a customer's commodities at negotiated prices contained in either a transportation services agreement or a publicly disclosed tariff rate. Once a BOL is received, a legally-enforceable contract is formed whereby the parties are committed to perform and the rights of the parties, shipping terms and conditions, and payment terms have been identified. A customer may submit many BOLs for transportation services at various times throughout a service agreement term but each shipment represents a distinct service that is a separately identified performance obligation.

The average transit time to complete a shipment is from 1 to 5 days. Billing for transportation services normally occurs after completion of the service and payment is generally due within 30 days after the invoice date. The Company recognizes revenue related to the Company's LTL, non-asset truckload and expedited services over the transit time of the shipment as it moves from origin to destination. Revenue for services started but not completed at the reporting date is recognized on actual transit status in each reporting period.

Key estimates included in the recognition and measurement of revenue and related accounts receivable are as follows:

- Revenue associated with shipments in transit is recognized ratably over transit time; and
- Adjustments to revenue for billing adjustments and collectability.

The portion of the gross invoice related to interline transportation services that involve the services of another party, such as another LTL service provider, is not recorded in the Company's revenues. Revenue from logistics services is recognized as the services are provided.

Remaining performance obligations represent the transaction price allocated to future reporting periods for freight services started but not completed at the reporting date. This includes the unearned portion of billed and

unbilled amounts for freight shipments in transit that the Company expects to recognize as revenue in the period subsequent to the reporting date, which is on average less than one week. The Company has elected to apply the optional exemption in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606 as it pertains to additional quantitative disclosures pertaining to remaining performance obligations.

Stock-Based Compensation: The Company accounts for its employee stock-based compensation awards in accordance with ASC 718, *Compensation-Stock Compensation*. ASC 718 requires that all employee stock-based compensation is recognized as an expense in the financial statements and that for equity-classified awards such expenses are measured at the grant date fair value of the award.

Stock options are accounted for in accordance with ASC 718 with the expense amortized over the three-year vesting period using a Black-Scholes-Merton model to estimate the fair value of stock options granted to employees.

Restricted stock is accounted for in accordance with ASC 718 with the expense amortized over a three to five year vesting period using the intrinsic valuation method to estimate the fair value of restricted stock awards granted to employees.

Stock-based Performance Unit Awards are accounted for in accordance with ASC 718 with the expense amortized over the three-year vesting period using a Monte Carlo model to estimate fair value at the date the awards are granted.

Credit Risk: The Company routinely grants credit to its customers. The risk of significant loss in trade receivables is substantially mitigated by the Company's credit evaluation process, short collection terms, low revenue per transaction and services performed for a large number of customers with no single customer representing more than 5.0 percent of accounts receivable at year end. Allowances for potential credit losses are based on historical loss experience, current economic environment, expected trends and customer specific factors.

Impairment of Long-Lived Assets: As required by ASC 360, *Property, Plant, and Equipment*, long-lived assets, such as property, plant and equipment, and purchased intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying value. If the carrying value of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as deemed necessary.

In accordance with ASC 350, *Intangibles – Goodwill and Other*, the Company first performs a qualitative assessment to determine whether it is necessary to perform the two-step goodwill impairment test required by the standard. The Company is not required to estimate the fair value of a reporting unit unless the Company determines, based on qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount.

Advertising: The costs of advertising are expensed as incurred. Advertising costs charged to expense were \$4.6 million, \$6.1 million, and \$3.9 million in 2020, 2019 and 2018, respectively.

Financial Instruments: The carrying amounts of financial instruments including cash and cash equivalents, accounts receivable, accounts payable and short-term debt approximated fair value as of December 31, 2020 and 2019, because of the relatively short maturity of these instruments. See Note 2 for fair value disclosures related to long-term debt.

2. Debt and Financing Arrangements

At December 31, debt consisted of the following (in thousands):

	December 31, 2020	December 31, 2019
Credit Agreement with Banks, described below	\$ —	\$ 45,929
Finance Leases, described below.....	70,976	90,501
Total debt	70,976	136,430
Less: current portion of long-term debt.....	20,588	19,405
Long-term debt, less current portion.....	<u>\$ 50,388</u>	<u>\$ 117,025</u>

The Company's liquidity needs arise primarily from capital investment in new equipment, land and structures, information technology and letters of credit required under insurance programs, as well as funding working capital requirements.

The Company is party to a revolving credit agreement with a group of banks to fund capital investments, letters of credit and working capital needs. The Company has pledged certain land and structures, accounts receivable and other assets to secure indebtedness under this agreement.

Credit Agreement

Prior to February 5, 2019, the Company was a party to a Restated Credit Agreement with a group of banks that included a revolving credit facility for up to \$250 million expiring in March 2020. The Restated Credit Agreement also had an accordion feature that allowed for an additional \$75 million in availability, subject to bank approval. The Restated Credit Agreement provided for a LIBOR rate margin range from 112.5 basis points to 225 basis points, base rate margins from minus 12.5 basis points to plus 50 basis points, an unused portion fee from 20 basis points to 30 basis points and letter of credit fees from 112.5 basis points to 225 basis points, in each case based on the Company's leverage ratio. Under the Restated Credit Agreement, the Company was required to maintain certain financial covenants including a minimum fixed charge coverage ratio and a maximum leverage ratio. The Restated Credit Agreement provided for a pledge by the Company of certain land and structures, accounts receivable and other assets to secure indebtedness under the Restated Credit Agreement.

On February 5, 2019, the Company entered into the Sixth Amended and Restated Credit Agreement with its banking group (as amended, the Amended Credit Agreement). The amendment increased the amount of the revolver from \$250 million to \$300 million and extended the term until February 2024. The Amended Credit Agreement also has an accordion feature that allows for an additional \$100 million availability, subject to certain conditions and availability of lender commitments. The amendment reduced the interest rate pricing grid. The Amended Credit Agreement provides for a LIBOR rate margin range from 100 basis points to 200 basis points, base rate margins from minus 50 basis points to plus 50 basis points, an unused portion fee from 17.5 basis points to 30 basis points and letter of credit fees from 100 basis points to 200 basis points in each case based on the Company's leverage ratio. Under the Amended Credit Agreement, the Company must maintain a minimum debt service coverage ratio set at 1.25 to 1.00 and a maximum leverage ratio set at 3.25 to 1.00. The Amended Credit Agreement provides for a pledge by the Company of certain land and structures, accounts receivable and other assets to secure indebtedness under this agreement. The Amended Credit Agreement contains certain customary representations and warranties, affirmative and negative covenants and provisions relating to events of default. Under the Amended Credit Agreement, if an event of default occurs, the banks will be entitled to take various actions, including the acceleration of amounts due.

At December 31, 2020, the Company had no outstanding borrowings and outstanding letters of credit of \$27.2 million under the Amended Credit Agreement. At December 31, 2019, the Company had borrowings of \$45.9 million and outstanding letters of credit of \$26.1 million under the Amended Credit Agreement. The available portion of the Amended Credit Agreement may be used for general corporate purposes, including capital expenditures, working capital and letter of credit requirements as needed.

Finance Leases

The Company is obligated under finance leases with seven year terms which include obligations collateralized by revenue equipment totaling \$71.0 million and \$90.5 million as of December 31, 2020 and 2019, respectively. Amortization of assets held under the finance leases is included in depreciation and amortization expense. The weighted average interest rate for the finance leases at December 31, 2020 and 2019 is 3.48% and 3.44%, respectively.

Other

The Company paid cash for interest of \$5.9 million, \$6.4 million, and \$5.2 million for the years ended December 31, 2020, 2019 and 2018, respectively.

The estimated fair value of total debt at December 31, 2020 and 2019 is \$71.2 million and \$136.5 million, respectively. The carrying amount of debt related to the revolving credit facility approximated fair value as of December 31, 2020 and 2019 due to the existence of variable interest rates, which approximate market rates. The fair value of the finance leases is based on current market interest rates for similar types of financial instruments which reflect Level 2 inputs.

Principal Maturities of Long-Term Debt

The principal maturities of long-term debt, including interest on finance leases, for the next five years (in thousands) are as follows:

	<u>Amount</u>
2021.....	\$ 22,756
2022.....	21,020
2023.....	15,441
2024.....	10,677
2025.....	5,517
Thereafter.....	714
Total.....	<u>76,125</u>
Less: Amounts Representing Interest on Finance Leases.....	5,149
Total.....	<u>\$ 70,976</u>

3. Commitments, Contingencies and Uncertainties

The Company leases certain service facilities and equipment. Rent expense was \$30.6 million, \$25.6 million, and \$23.2 million for the years ended December 31, 2020, 2019 and 2018, respectively.

At December 31, 2020, the Company was committed under non-cancellable operating lease agreements requiring minimum annual rentals payable as follows (in thousands):

	<u>Amount</u>
2021.....	\$ 28,620
2022.....	25,263
2023.....	21,143
2024.....	17,529
2025.....	13,329
Thereafter.....	36,844
Total.....	<u>\$ 142,728</u>

Management expects that in the normal course of business, leases will be renewed or replaced as they expire.

Capital expenditures committed were \$21.9 million at December 31, 2020. As of December 31, 2020 and 2019, the Company had \$16.3 million and \$16.3 million, respectively, of capital expenditures in accounts payable.

Other

The Company pays its pro rata share of the cost of letters of credit outstanding for certain workers' compensation claims incurred prior to March 1, 2000 that Saia's former parent maintains for insurance programs. The Company's pro rata share of these outstanding letters of credit was \$1.8 million at December 31, 2020 and 2019.

The Company is subject to legal proceedings that arise in the ordinary course of its business. Management believes that adequate provisions for resolution of all contingencies, claims and pending litigation have been made for probable and estimable losses and that the ultimate outcome of these actions will not have a material adverse effect on its financial condition but could have a material adverse effect on its results of operations in a given quarter or annual period.

4. Leases

The Company's leases include but are not limited to real estate, including terminals and general office buildings, trailers, corporate fleet vehicles and other equipment. Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheet; the Company recognizes lease expense for these leases on a straight-line basis over the lease term.

As of December 31, 2020 and 2019, approximately \$100.1 million and \$111.5 million, respectively, of finance leased assets, net of depreciation and amortization, were included in Property and Equipment. Accumulated depreciation and amortization for these assets totaled \$48.7 million and \$37.5 million as of the same periods ended.

Lease Cost	<u>2020</u>	<u>2019</u>
	(in thousands)	
Finance lease cost:		
Amortization of right-of-use assets	\$ 11,290	\$ 11,298
Interest on lease liabilities	2,780	3,412
Operating lease cost (includes variable and sublease costs as they are immaterial)	27,960	23,315
Short-term lease cost	6,355	5,231
Total lease cost	<u>\$ 48,385</u>	<u>\$ 43,256</u>
 Other Information		
Right-of-use assets obtained in exchange for new finance lease liabilities	—	6,165
Right-of-use assets obtained in exchange for new operating lease liabilities	33,396	50,044

The discount rate used in the Company's calculation of its right-of-use assets and corresponding lease liabilities was determined based on the stated rate within each contract when available, or its incremental borrowing rate, which approximates the rate at which the Company could borrow, on a collateralized basis, over the term of a lease. Supplemental cash flow and balance sheet information related to leases was as follows:

	<u>2020</u> (in thousands)	<u>2019</u> (in thousands)
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from finance leases	\$ 2,780	\$ 3,412
Operating cash flows from operating leases	27,660	23,760
Finance cash flows from finance leases	19,525	18,527
Weighted-average remaining lease term - finance leases (years)	3.2	4.1
Weighted-average remaining lease term - operating leases (years)	6.3	6.4
Weighted-average discount rate - finance leases	3.48%	3.44%
Weighted-average discount rate - operating leases	4.7%	4.8%

As of December 31, 2020, maturities of lease liabilities were as follows:

Maturity of Lease Liabilities

(in thousands)	Operating Leases	Finance Leases
2021	\$ 25,968	\$ 22,756
2022	25,263	21,020
2023	21,143	15,441
2024	17,529	10,677
2025	13,329	5,517
Thereafter	37,521	714
Total lease payments	140,753	76,125
Less: Interest	25,223	5,149
Present value of lease liabilities	<u>\$ 115,530</u>	<u>\$ 70,976</u>

5. Goodwill and Other Intangible Assets

The changes in gross carrying amounts of goodwill are as follows (in thousands):

	<u>Goodwill</u>
December 31, 2018	\$ 12,105
Goodwill acquired	—
December 31, 2019	12,105
Goodwill acquired	—
December 31, 2020	<u>\$ 12,105</u>

The Company assesses goodwill for impairment on an annual basis in the fourth quarter, or more frequently if events or changes in circumstances indicate that the asset might be impaired.

The Company reviews other intangible assets, including customer relationships and non-compete agreements, for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the asset group to the future undiscounted net cash flows expected to be generated by those assets. If such assets are considered to be impaired, the impairment charge recognized is the amount by which the carrying amounts of the assets exceeds the fair value of the assets.

The gross amounts and accumulated amortization of identifiable intangible assets are as follows (in thousands):

	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
	<u>Gross Amount</u>	<u>Accumulated Amortization</u>	<u>Gross Amount</u>	<u>Accumulated Amortization</u>
Amortizable intangible assets:				
Customer relationships (useful life of 6-15 years)	\$ 19,000	\$ 11,692	\$ 19,000	\$ 10,629
Trademarks (useful life of 15 years).....	1,500	592	1,500	492
Total	<u>\$ 20,500</u>	<u>\$ 12,284</u>	<u>\$ 20,500</u>	<u>\$ 11,121</u>

Amortization expense for intangible assets was \$1.2 million, \$1.2 million and \$1.4 million for 2020, 2019 and 2018, respectively. Estimated amortization expense for the next five years is as follows (in thousands):

	<u>Amount</u>
2021	\$ 1,163
2022	1,008
2023	853
2024	853
2025	853

6. Computation of Earnings Per Share

The calculation of basic earnings per common share and diluted earnings per common share is as follows (in thousands except per share amounts):

	<u>For The Years Ended December 31,</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Numerator:			
Net income	<u>\$ 138,340</u>	<u>\$ 113,719</u>	<u>\$ 104,981</u>
Denominator:			
Denominator for basic earnings per share—weighted average common shares	26,140	25,952	25,762
Effect of dilutive stock options and restricted stock	108	126	160
Effect of other common stock equivalents	344	357	369
Denominator for diluted earnings per share—adjusted weighted average common shares	<u>26,592</u>	<u>26,435</u>	<u>26,291</u>
Basic Earnings Per Share	<u>\$ 5.29</u>	<u>\$ 4.38</u>	<u>\$ 4.08</u>
Diluted Earnings Per Share	<u>\$ 5.20</u>	<u>\$ 4.30</u>	<u>\$ 3.99</u>

In 2020, there were no anti-dilutive options or restricted stock. In 2019, options and restricted stock for 108,078 shares of common stock were excluded from the calculation of diluted earnings per share because their effect was anti-dilutive.

7. Stockholders' Equity

Deferred Compensation Trust

The Saia Executive Capital Accumulation Plan (the Capital Accumulation Plan) allows plan participants to make an irrevocable election to invest in the Company's common stock. Upon distribution, the funds invested in the Company's common stock will be paid out in Company stock rather than cash.

The following table summarizes the shares of the Company's common stock that were purchased and sold by the Company's Rabbi Trust, which holds the investments for the Capital Accumulation Plan:

	For The Years Ended December 31,		
	2020	2019	2018
Shares of common stock purchased.....	16,660	11,240	10,390
Aggregate purchase price of shares purchased.....	\$1,274,641	\$ 769,847	\$ 700,234
Shares of common stock sold.....	68,759	10,867	37,086
Aggregate sale price of shares sold.....	\$9,722,577	\$ 787,021	\$2,777,630

Since the Capital Accumulation Plan provides for the obligation to be settled only in Company stock, the deferred compensation obligation is classified as an equity instrument with no adjustments to operating results based on changes in fair value.

Directors' Deferred Compensation

Under the Company's Directors' Deferred Fee Plan, non-employee directors may defer all or a portion of their annual fees and retainers which are otherwise payable. Such deferrals are converted into units equivalent to the value of the Company's stock. Upon the director's termination, death or disability, accumulated deferrals are distributed in the form of Company common stock. The Company has 89,696 and 208,587 shares reserved for issuance under the Directors' Deferred Fee Plan at December 31, 2020 and 2019, respectively. The shares reserved for issuance under the Directors' Deferred Fee Plan are treated as common stock in computing basic earnings per share.

8. Stock-Based Compensation

ASC 718 requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow. For the year ended December 31, 2020, 2019, and 2018 the associated cash flows from operating activities were \$2.3 million, \$2.9 million, and \$0.6 million, respectively.

The stockholders of the Company approved the 2018 Omnibus Incentive Plan (the 2018 Omnibus Plan) and the Second Amended and Restated 2011 Omnibus Incentive Plan (the 2011 Omnibus Plan) to allow the Company to issue equity based compensation to help attract and retain executive, managerial, supervisory or professional employees and non-employee directors. The 2018 Omnibus Plan has 1,100,000 shares of common stock reserved. The 2011 Omnibus Plan had a total of 2,350,000 shares of common stock reserved. Following stockholder approval of the 2018 Omnibus Plan, no additional awards have been made under the 2011 Omnibus Plan.

The 2018 Omnibus Plan and the 2011 Omnibus Plan provide for the grant or award of stock options; stock appreciation rights; restricted and unrestricted stock; restricted stock units; and Performance Unit Awards. Stock option awards are granted with an exercise price equal to the market price of the Company's stock at the date of grant; stock option awards granted to employees under the plans to date are non-qualified stock options, have vesting over three years, subject to earlier vesting upon a change of control and certain other events, and have a seven-year contractual term. Outstanding stock options held by non-employee directors totaled 53,450 shares as of December 31, 2020, and were all granted to the director while employed by Saia. No stock options have been granted to non-employee directors under the 2018 Omnibus Plan or the 2011 Omnibus Plan.

The 2011 Omnibus Plan provided for an annual grant to each non-employee director of no more than 12,000 shares with the exact number of shares granted each year determined by the Compensation Committee of the Board. These share awards vest over three years subject to acceleration of vesting upon leaving the Board (other than for cause) or a change in control. Shares issued to each non-employee director under this provision were 1,363 for the year ended December 31, 2018.

Non-employee directors were also issued in lieu of cash compensation in the aggregate 9,379, 13,204 and 11,577 units equivalent to shares in the Company's common stock under the Directors' Deferred Fee Plan during the years ended December 31, 2020, 2019 and 2018, respectively.

The 2018 Omnibus Plan provides for an annual grant to each non-employee director of shares of Saia stock with a value not to exceed \$500,000 with the number of shares to be determined each year by the Compensation Committee. For 2020 and 2019, each non-employee director was granted 1,098 and 1,514 shares, respectively of Saia stock under the 2018 Omnibus Plan. These shares vest in one year from grant, subject to accelerated vesting upon leaving the Board (other than for cause) or a change in control.

At December 31, 2020 and 2019, 449,751 and 519,633 shares, respectively, remain reserved and unissued under the provisions of the 2011 Omnibus Plan, a portion of which are allocated to outstanding Performance Unit Awards, outstanding stock options and restricted stock described below. At December 31, 2020 and 2019, 915,000 and 988,239 shares, respectively, remain reserved and unissued under the provisions of the 2018 Omnibus Plan, a portion of which are allocated to outstanding Performance Unit Awards, outstanding stock options and restricted stock described below. The Company has historically issued new shares to satisfy stock option exercises or other awards issued under the 2018 Omnibus Plan and 2011 Omnibus Plan.

The years ended December 31, 2020, 2019 and 2018 had stock option and restricted stock compensation expense of \$2.8 million, \$2.2 million and \$2.1 million, respectively, included in salaries, wages and employees' benefits. The Company recognized a tax benefit consistent with the appropriate tax rates for each of the respective periods. As of December 31, 2020, there is unrecognized compensation expense of \$3.4 million related to unvested stock options and restricted stock, which is expected to be recognized over a weighted average period of 2.0 years.

The following table summarizes stock option activity for the year ended December 31, 2020 for employees:

	<u>Options</u>	<u>Weighted Average Exercise price</u>	<u>Weighted Average Remaining Contractual Life (years)</u>	<u>Aggregate Intrinsic Value (000's)</u>
Outstanding at December 31, 2019	212,160	\$ 51.62		
Granted	48,840			
Exercised.....	(108,240)			
Forfeited.....	(3,840)			
Outstanding at December 31, 2020	<u>148,920</u>	<u>\$ 79.20</u>	<u>5.2</u>	<u>\$ 15,130</u>
Exercisable at December 31, 2020	<u>-</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>

The total intrinsic value of options exercised during the years ended December 31, 2020, 2019 and 2018 was \$8.3 million, \$4.9 million, and \$3.5 million, respectively. The weighted-average grant-date fair value per share of options granted during the years ended December 31, 2020, 2019 and 2018 was \$25.40, \$18.25, and \$23.74, respectively. The weighted-average grant-date fair value per share of options vested during the years ended December 31, 2020, 2019 and 2018 was \$15.49, \$9.99, and \$15.41, respectively.

The following table summarizes the weighted average assumptions used in valuing options for the years ended December 31, 2020, 2019 and 2018:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Risk-free interest rate	1.66%	2.70%	2.24%
Expected life in years	3.2	3.1	4.2
Expected volatility.....	32.80%	35.57%	36.31%
Dividend rate	—	—	—

The risk-free interest rate for periods within the contractual life of the option is based on the U.S. Treasury yield in effect at the time of grant. The expected life of the options represents the period of time that options granted are expected to be outstanding. Expected volatilities are based on historical volatility of the Company's stock.

The following table summarizes the status of the Company's unvested options as of December 31, 2020 and changes during the year ended December 31, 2020:

	<u>Options</u>	<u>Weighted Average Grant- date Fair Value</u>
Unvested at December 31, 2019	147,030	\$ 18.99
Granted	48,840	25.40
Vested	(43,110)	15.49
Forfeited.....	(3,840)	20.51
Unvested at December 31, 2020	<u>148,920</u>	<u>\$ 22.07</u>

The Company granted shares of restricted stock to certain key executives in September 2014, May 2015, February 2016, August 2017, May and November 2019, and July 2020. All of these shares of restricted stock awards vest 25% after three years, 25% after four years and the remaining 50% after five years assuming the executive has been in continuous service to the Company since the award date, subject to earlier vesting upon a change in control. Commencing in 2017, the Company began granting shares of restricted stock as part of its long-term incentive plan. These shares of restricted stock cliff vest in three years, subject to earlier vesting upon a change in control. The value of restricted stock is based on the fair market value of the Company's common stock at the date of grant.

The following table summarizes restricted stock activity during the year ended December 31, 2020:

	<u>Shares</u>	<u>Weighted Average Grant- date Fair Value</u>
Restricted Stock at December 31, 2019.....	87,143	\$ 57.35
Granted	20,398	104.15
Vested	(25,554)	43.29
Forfeited.....	(7,831)	68.95
Restricted Stock at December 31, 2020.....	<u>74,156</u>	<u>\$ 73.84</u>

Performance Unit Awards

The Company granted Performance Unit Awards to executives as part of the Company's long term incentive plan. The criteria for payout of the awards is based on a comparison over the three-year performance period of these awards of the total shareholder return (TSR) of the Company's common stock compared to the TSR of the companies in the peer group established by the Compensation Committee. The stock-based awards are accounted for in accordance with ASC 718 with the expense amortized over the three-year vesting period based on the fair value using the Monte Carlo method at the date the awards are granted. Operating results include expense for the Performance Unit Awards of \$3.5 million in 2020, \$2.8 million in 2019 and \$2.4 million in 2018. Shares earned under the Performance Unit Awards are issued in the first quarter of the year following the end of the performance period. There was an issuance of 58,662 shares for the January 2018 - December 2020 performance period in February 2021, 69,882 shares for the January 2017 - December 2019 performance period in February 2020, and 128,240 shares for the January 2016 - December 2018 performance period in February 2019. The issuance of shares related to the Performance Unit Awards would range from zero to a maximum of 78,710 shares per year as of December 31, 2020.

9. Employee Benefits

Defined Contribution Plans

The Company sponsors defined contribution plans. The plans principally consist of contributory 401(k) savings plans and noncontributory profit sharing plans. The Company's contributions to the 401(k) savings plans consist of a matching percentage. The Company match has historically been 50 percent of the first six percent of an eligible employee's contributions. The Company suspended its match for three months during 2020 due to COVID-

19. The Company's total contributions to the 401(k) savings plans included in continuing operations for the years ended December 31, 2020, 2019 and 2018, were \$8.0 million, \$10.8 million, and \$9.9 million, respectively.

Deferred Compensation Plan

The Saia Executive Capital Accumulation Plan is a nonqualified deferred compensation plan for Saia executives. The Capital Accumulation Plan allows for the plan participants to invest in the Company's common stock. Elections to invest in the Company's common stock are irrevocable and upon distribution, the funds invested in the Company's common stock will be paid out in Company common stock rather than cash. At December 31, 2020 and 2019, the Company's Rabbi Trust, which holds the investments for the Capital Accumulation Plan, held 91,888 and 143,987 shares of the Company's common stock, respectively, all of which were purchased on the open market. The shares held by the Capital Accumulation Plan are treated similar to treasury shares and deducted from basic shares outstanding for purposes of calculating basic earnings per share. However, because the distributions are required to be made in Company stock, these shares are added back to basic shares outstanding for the purposes of calculating diluted earnings per share.

Annual Incentive Awards

The Company provides annual cash performance incentive awards to certain salaried employees which are based primarily on actual operating results achieved for the year, compared to targeted operating results. Operating results include performance incentives of \$19.0 million, \$16.0 million, and \$19.9 million in 2020, 2019 and 2018, respectively. Included in these amounts are also incentives that are based on other targets specifically associated with the respective employees' position. Cash performance incentive awards for a year are primarily paid in the first quarter of the following year. Additionally, in July 2020, the Company paid virtually all employees a one-time \$250 bonus to compensate for working through difficult conditions created by the COVID-19 pandemic. This totaled approximately \$2.6 million.

Employee Stock Purchase Plan

In January 2003, the Company adopted the Employee Stock Purchase Plan of Saia, Inc. (ESPP) allowing all eligible employees to purchase common stock of the Company at current market prices through payroll deductions of up to 10 percent of annual wages. In 2015, the Company amended the ESPP to allow highly compensated employees as defined by Section 401(a)(17) of the Internal Revenue Code to make payroll deductions of up to 20 percent of annual wages. The custodian uses the funds to purchase the Company's common stock at current market prices. The custodian purchased 5,682, 8,169, and 6,840 shares in the open market during 2020, 2019 and 2018, respectively.

10. Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax liabilities (assets) are comprised of the following at December 31 (in thousands):

	<u>2020</u>	<u>2019</u>
Depreciation	\$ 153,573	\$ 142,459
Leases	29,036	26,091
Other	<u>3,545</u>	<u>3,076</u>
Gross deferred tax liabilities	186,154	171,626
Allowance for doubtful accounts.....	(1,325)	(926)
Equity-based compensation.....	(3,059)	(3,562)
Employee benefits	(5,869)	(5,451)
Leases	(29,028)	(26,082)
Claims and insurance.....	(22,704)	(18,119)
Other	<u>(4,351)</u>	<u>(5,931)</u>
Gross deferred tax assets	<u>(66,336)</u>	<u>(60,071)</u>
Net deferred tax liability	<u>\$ 119,818</u>	<u>\$ 111,555</u>

The Company has determined that a valuation allowance was not necessary at December 31, 2020 or 2019 for substantially all deferred tax assets since it is more likely than not they will be realized from future reversals of temporary differences or future taxable income.

The income tax provision (benefit) for continuing operations consists of the following (in thousands):

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Current:			
U.S. federal	\$ 24,311	\$ 5,095	\$ 1,650
State	<u>5,364</u>	<u>3,176</u>	<u>1,732</u>
Total current income tax provision	29,675	8,271	3,382
Deferred:			
U.S. federal	8,255	24,137	27,114
State	<u>8</u>	<u>525</u>	<u>356</u>
Total deferred income tax provision	8,263	24,662	27,470
Total income tax provision	<u>\$ 37,938</u>	<u>\$ 32,933</u>	<u>\$ 30,852</u>

A reconciliation between income taxes at the federal statutory rate (21 percent) and the effective income tax provision is as follows (in thousands):

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Provision at federal statutory rate	\$ 37,018	\$ 30,797	\$ 28,525
State income taxes, net.....	5,664	5,106	4,468
Tax credits	(1,424)	(2,249)	(1,659)
Excess tax benefit on stock compensation.....	(4,500)	(1,471)	(458)
Other, net.....	<u>1,180</u>	<u>750</u>	<u>(24)</u>
Total provision	<u>\$ 37,938</u>	<u>\$ 32,933</u>	<u>\$ 30,852</u>

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction and various state jurisdictions. For the U.S. federal jurisdiction, tax years 2017-2020 remain open to examination. The expiration of the statute of limitations related to the various state income tax returns that the Company files varies by state. In

general, tax years 2011-2020 remain open to examination by the various state and local jurisdictions. However, a state could challenge certain tax positions back to the 2007 tax year.

A reconciliation of the beginning and ending total amounts of gross unrecognized tax benefits is as follows (in thousands):

	<u>2020</u>	<u>2019</u>
Gross unrecognized tax benefits at beginning of year	\$ 957	\$ 869
Gross (decreases) increases in tax positions for prior years.....	(2)	45
Gross increases in tax positions for current year.....	236	256
Settlements	—	—
Lapse of statute of limitations	(139)	(213)
Gross unrecognized tax benefits at end of year	<u>\$ 1,052</u>	<u>\$ 957</u>

The Company recognizes interest and penalties related to uncertain tax positions as a component of income tax expense. During the years ended December 31, 2020, 2019 and 2018, the Company did not record any interest related to unrecognized tax benefits. The Company had approximately \$0.1 million and \$0.1 million of accrued interest and penalties at December 31, 2020 and 2019, respectively. The total amount of unrecognized tax benefits, which is recorded within claims, insurance and other liabilities on the consolidated balance sheets, that would affect the Company's effective tax rate if recognized is \$1.1 million and \$1.0 million as of December 31, 2020 and 2019, respectively. The Company paid cash for income taxes of \$10.0 million, \$15.0 million, and \$1.9 million in 2020, 2019 and 2018, respectively.

The Company does not anticipate total unrecognized tax benefits will significantly change during the next twelve months due to the settlements of audits and the expiration of statutes of limitations.

In February 2018, U.S. federal tax law changes were enacted that reinstated the tax credits for alternative fuel usage for 2017. The Company recognized the tax credits of approximately \$1.0 million in 2018.

In December 2019, U.S. federal tax law changes were enacted that reinstated the tax credits for alternative fuel usage for 2018 and 2019. The Company recognized the tax credits of approximately \$1.0 million in 2020 and \$2.0 million in 2019.

11. Summary of Quarterly Operating Results (unaudited)

(Amounts in thousands, except per share data)

Three months ended, 2020	<u>March 31</u>	<u>June 30</u>	<u>September 30</u>	<u>December 31</u>
Operating revenue.....	\$ 446,396	\$ 418,114	\$ 481,374	\$ 476,482
Operating income.....	38,776	35,681	55,216	50,648
Net income.....	<u>28,111</u>	<u>28,454</u>	<u>41,539</u>	<u>40,236</u>
Basic earnings per share	<u>\$ 1.08</u>	<u>\$ 1.09</u>	<u>\$ 1.59</u>	<u>\$ 1.54</u>
Diluted earnings per share	<u>\$ 1.06</u>	<u>\$ 1.07</u>	<u>\$ 1.56</u>	<u>\$ 1.51</u>

Three months ended, 2019	<u>March 31</u>	<u>June 30</u>	<u>September 30</u>	<u>December 31</u>
Operating revenue.....	\$ 410,584	\$ 464,195	\$ 468,891	\$ 443,065
Operating income.....	28,631	51,166	45,359	27,430
Net income.....	<u>22,259</u>	<u>37,073</u>	<u>32,968</u>	<u>21,419</u>
Basic earnings per share	<u>\$ 0.86</u>	<u>\$ 1.43</u>	<u>\$ 1.27</u>	<u>\$ 0.82</u>
Diluted earnings per share	<u>\$ 0.85</u>	<u>\$ 1.40</u>	<u>\$ 1.25</u>	<u>\$ 0.81</u>

12. Valuation and Qualifying Accounts

For the Years Ended December 31, 2020, 2019 and 2018

(in thousands)

	<u>Balance, beginning of period</u>	<u>Additions</u>		<u>Deductions(1)</u>	<u>Balance, end of period</u>
		<u>Charged to costs and expenses</u>	<u>Charged to other accounts</u>		
Year ended December 31, 2020:					
Deducted from asset account – Allowance for uncollectible accounts.....	\$ 3,742	\$ 4,271	\$ —	\$ (2,347)	\$ 5,666
Year ended December 31, 2019:					
Deducted from asset account – Allowance for uncollectible accounts.....	4,028	2,804	—	(3,090)	3,742
Year ended December 31, 2018:					
Deducted from asset account – Allowance for uncollectible accounts.....	3,991	1,978	—	(1,941)	4,028

(1) Primarily uncollectible accounts written off — net of recoveries.

13. COVID-19

In March 2020, the World Health Organization categorized Coronavirus Disease 2019 (“COVID-19”) as a pandemic, and the President of the United States declared the COVID-19 outbreak a national emergency. The Company is considered an essential and critical business by the U.S. Department of Homeland Security’s Cyber and Infrastructure Security Agency (CISA) and will continue to operate under state of emergency and shelter in place orders issued in various jurisdictions across the country. Management has made a variety of efforts seeking to ensure the ongoing availability of Saia’s transportation services, while instituting actions and policies to help safeguard employees and customers from COVID-19, including limiting physical employee and customer contact, implementing enhanced cleaning and hygiene protocols at Saia’s facilities, and instituting telecommuting where possible. Through the date of this filing, the Company has not experienced significant disruptions in the Company’s LTL network operations.

The Company’s consolidated financial statements reflect estimates and assumptions made by management that affect the reported amounts of assets and liabilities. The Company has considered the impact of COVID-19 on the assumptions and estimates used and determined that there were no material adverse impacts on the Company’s 2020 financial position. It is possible that these assumptions and estimates may materially change in the future.

On March 27, 2020, the U.S. government enacted the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) which includes modifications to the limitation on business interest expense and net operating loss provisions, and provides a payment delay of employer payroll taxes during 2020 after the date of enactment. The Company does not believe it will be able to take advantage of the provisions of the CARES Act.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures**Annual Controls Evaluation and Related CEO and CFO Certifications**

As of the end of the period covered by this Annual Report on Form 10-K, the Company conducted an evaluation of the effectiveness of the design and operation of its “disclosure controls and procedures” (Disclosure Controls). The Disclosure Controls evaluation was performed under the supervision and with the participation of management, including the Company’s Chief Executive Officer (CEO) and Chief Financial Officer (CFO).

Based upon the controls evaluation, the Company’s CEO and CFO have concluded that, as of the end of the period covered by this Annual Report on Form 10-K, the Company’s Disclosure Controls are effective to ensure that information the Company is required to disclose in reports that the Company files or submits under the Securities Exchange Act of 1934, as amended (the Exchange Act), is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms.

During the fourth quarter of 2020 covered by this Form 10-K, there were no changes in internal control over financial reporting that materially affected, or that are reasonably likely to materially affect, the Company’s internal control over financial reporting. Attached as Exhibits 31.1 and 31.2 to this Annual Report are certifications of the CEO and the CFO, which are required in accordance with Rule 13a-14 of the Exchange Act. This Controls and Procedures section includes the information concerning the controls evaluation referred to in the certifications and it should be read in conjunction with the certifications.

Definition of Disclosure Controls

Disclosure Controls are controls and procedures designed to ensure that information required to be disclosed in the Company’s reports filed under the Exchange Act is recorded, processed, summarized and reported timely. Disclosure Controls are also designed to ensure that such information is accumulated and communicated to the Company’s management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. The Company’s Disclosure Controls include components of its internal control over financial reporting which consists of control processes designed to provide reasonable assurance regarding the reliability of the Company’s financial reporting and the preparation of financial statements in accordance with U.S. generally accepted accounting principles.

Limitations on the Effectiveness of Controls

The Company’s management, including the CEO and CFO, does not expect that its Disclosure Controls or its internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Management's Report on Internal Control Over Financial Reporting

The management of Saia, Inc. and its subsidiaries is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Securities Exchange Act of 1934.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2020. In making this assessment, the Company's management used the criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's assessment included a review of the documentation of controls, evaluation of the design effectiveness of controls and testing of the effectiveness of controls. Based on this assessment, management has concluded that as of December 31, 2020, the Company's internal control over financial reporting is effective based on those criteria.

The Company's independent registered public accounting firm, KPMG LLP, has issued an attestation report on the Company's internal control over financial reporting as of December 31, 2020, which report appears on page 46 of this Form 10-K.

Frederick J. Holzgrefe
Douglas L. Col

Chief Executive Officer
Executive Vice President and Chief Financial Officer

Item 9B. Other Information

None.

PART III.

Item 10. Directors, Executive Officers and Corporate Governance

Information required by this Item 10 will be presented in the Company’s definitive proxy statement for its annual meeting of stockholders, which will be held on April 27, 2021, and is incorporated herein by reference. Certain information regarding executive officers of Saia is included above in Part I of this Form 10-K under the caption “Information about our Executive Officers”.

Item 11. Executive Compensation

Information regarding executive compensation will be presented in the Company’s definitive proxy statement for its annual meeting of stockholders, which will be held on April 27, 2021, and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Equity Compensation Plan Information as of December 31, 2020

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuances under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	148,920	\$ 79.20	1,364,751 (1)
Equity compensation plans not approved by security holders	—	—	—
Total	148,920	\$ 79.20	1,364,751

(1) See Note 8 to the audited consolidated financial statements for a description of the equity compensation plans for securities remaining available for future issuance.

Information regarding security ownership of certain beneficial owners and management and related stockholder matters will be presented in the Company’s definitive proxy statement for its annual meeting of stockholders, which will be held on April 27, 2021, and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information regarding certain relationships, related party transactions and director independence will be presented in the Company’s definitive proxy statement for its annual meeting of stockholders, which will be held on April 27, 2021, and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

Information regarding accounting fees and services will be presented in the Company’s definitive proxy statement for its annual meeting of stockholders, which will be held on April 27, 2021, and is incorporated herein by reference.

PART IV.

Item 15. Exhibits, Financial Statement Schedules

1. Financial Statements

The consolidated financial statements required by this item are included in Part II, Item 8, “Financial Statements and Supplementary Data” herein.

2. Financial Statement Schedules

The Schedule II — Valuation and Qualifying Accounts information is included in Note 12 to the consolidated financial statements contained herein. All other financial statement schedules have been omitted because they are not applicable.

3. Exhibits

Exhibit Number	Description of Exhibit
3.1	Restated Certificate of Incorporation of Saia, Inc., as amended (incorporated herein by reference to Exhibit 3.1 of Saia, Inc.'s Form 8-K (File No. 0-49983) filed on July 26, 2006).
3.2	Amended and Restated By-laws of Saia, Inc., as amended (incorporated herein by reference to Exhibit 3.1 of Saia, Inc.'s Form 8-K (File No. 0-49983) filed on July 29, 2008).
3.3	Certificate of Elimination filed with the Delaware Secretary of State on December 16, 2010 (incorporated herein by reference to Exhibit 3.1 of Saia, Inc.'s Form 8-K (File 0-49983) filed on December 20, 2010).
4.1	Description of Securities of the Registrant (incorporated herein by reference to Exhibit 4.1 of Saia, Inc.'s Form 10-K (File No. 0-49983) filed on February 25, 2020).
10.1	Master Separation and Distribution Agreement between Yellow Corporation (n/k/a Yellow Worldwide Inc.) and Saia, Inc. dated as of September 30, 2002 (incorporated herein by reference to Exhibit 10.3 of Saia, Inc.'s Form 10-Q (File No. 0-49983) for the quarter ended September 30, 2002).
10.2.1	Fifth Amended and Restated Credit Agreement, dated as of March 6, 2015, by and among Saia, Inc., BOKF, NA dba Bank of Oklahoma, N.A., as Administrative Agent and Collateral Agent, and the Banks named therein (incorporated herein by reference to Exhibit 10.1 of Saia, Inc.'s Form 8-K (File No. 0-49983) filed on March 9, 2015).
10.2.2	Sixth Amended and Restated Credit Agreement, dated as of February 5, 2019, by and among Saia, Inc., BOKF, NA dba Bank of Oklahoma, N.A., as Administrative Agent and Collateral Agent, and the Banks named therein (incorporated herein by reference to Exhibit 10.1 of Saia, Inc.'s Form 8-K (File No. 0-49983) filed on February 11, 2019).
10.3	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.2 of Saia, Inc.'s Form 8-K (File No. 0-49983) filed on December 13, 2006).*
10.4	SCS Transportation, Inc. Directors' Deferred Fee Plan as adopted December 11, 2003 (incorporated herein by reference to Exhibit 10.15 of Saia, Inc.'s Form 10-K (File No. 0-49983) for the year ended December 31, 2003).*
10.5.1	Form of Executive Severance Agreement used prior to 2009 (incorporated herein by reference to Exhibit 10.9 of Saia, Inc.'s Form 10-K (File No. 0-49983) for the year ended December 31, 2002).*
10.5.2	Form of Executive Severance Agreement.*
10.5.3	Executive Severance Agreement between Frederick J. Holzgrefe, III and Saia, Inc. dated March 5, 2020 (incorporated herein by reference to Exhibit 10.4 of Saia, Inc.'s Form 8-K (File No. 0-49983) filed on March 6, 2020).*
10.6	Form of Severance Agreement (incorporated herein by reference to Exhibit 10.4 of Saia's Form 8-K (File No. 0-49983) filed on February 9, 2015) .*
10.7	Employment Agreement between Saia, Inc. and Frederick J. Holzgrefe, III dated March 5, 2020 (incorporated herein by reference to Exhibit 10.3 of Saia, Inc.'s Form 8-K (File No. 0-49983) filed on March 6, 2020).*
10.8.1	Employment Agreement between Saia, Inc. and Richard D. O'Dell dated as of October 24, 2006 (incorporated herein by reference to Exhibit 10.1 of Saia, Inc.'s Form 8-K (File No. 0-49983) filed on October 30, 2006).*
10.8.2	Amendment to Employment Agreement dated as of October 23, 2008 between Saia, Inc. and Richard D. O'Dell (incorporated herein by reference to Exhibit 10.1 of Saia, Inc.'s Form 8-K (File No. 0-49983) filed on October 29, 2008).*

Exhibit Number	Description of Exhibit
10.8.3	Second Amendment to Employment Agreement dated as of April 1, 2009 between Saia, Inc. and Richard D. O'Dell (incorporated herein by reference to Exhibit 10.1 of Saia's Form 8-K (File No. 0-49983) filed on April 7, 2009).*
10.8.4	Termination of Employment Agreement between Richard D. O'Dell and Saia, Inc. dated March 5, 2020 (incorporated herein by reference to Exhibit 10.1 of Saia, Inc.'s Form 8-K (File No. 0-49983) filed on March 6, 2020).*
10.9.1	Amended and Restated Executive Severance Agreement between Saia, Inc. and Richard D. O'Dell dated as of October 24, 2006 (incorporated herein by reference to Exhibit 10.3 of Saia, Inc.'s Form 8-K (File No. 0-49983) filed on October 30, 2006).*
10.9.2	Amendment to Amended and Restated Executive Severance Agreement dated as of October 23, 2008 between Saia, Inc. and Richard D. O'Dell (incorporated herein by reference to Exhibit 10.4 of Saia, Inc.'s Form 8-K (File No. 0-49983) filed on October 29, 2008).*
10.9.3	Termination of Executive Severance Agreement between Richard D. O'Dell and Saia, Inc. dated March 5, 2020 (incorporated herein by reference to Exhibit 10.2 of Saia, Inc.'s Form 8-K (File No. 0-49983) filed on March 6, 2020).*
10.10	First Amended and Restated Saia, Inc. 2011 Omnibus Incentive Plan (incorporated herein by reference to Exhibit A of Saia's Definitive Proxy Statement (File No. 0-49983) filed on March 22, 2013).*
10.11	Form of Restricted Stock Agreement under the Saia, Inc. 2011 Omnibus Incentive Plan (incorporated herein by reference to Exhibit 10.25 of Saia Inc.'s Form 10-K (File No. 0-49983) for the year ended December 31, 2011).*
10.12	Form of Performance Unit Award Agreement under the Saia, Inc. 2011 Omnibus Incentive Plan (incorporated herein by reference to Exhibit 10.2 of Saia's Form 8-K (File No. 0-49983) filed on May 6, 2011).*
10.13.1	Form of Employee Nonqualified Stock Option Agreement under the Saia, Inc. 2011 Omnibus Incentive Plan for Options Awarded in 2011, 2012, 2013 and 2014 (incorporated herein by reference to Exhibit 10.1 of Saia's Form 8-K (File No. 0-49983) filed on May 6, 2011).*
10.13.2	Form of Employee Nonqualified Stock Option Agreement under the Saia, Inc. 2011 Omnibus Incentive Plan for Options awarded in 2015, 2016, 2017 and 2018 (incorporated herein by reference to Exhibit 10.1 of Saia's Form 8-K (File No. 0-49983) filed on February 9, 2015).*
10.13.3	Form of Employee Nonqualified Stock Option Agreement under the Saia, Inc. 2011 Omnibus Incentive Plan for Options Awarded to Richard D. O'Dell in 2015, 2016, 2017 and 2018 (incorporated herein by reference to the executed agreement originally filed as Exhibit 10.2 of Saia's Form 8-K (File No. 0-49983) filed on February 9, 2015).*
10.13.4	Form of Employee Nonqualified Stock Option Agreement under the Saia, Inc. 2011 Omnibus Incentive Plan for Options Awarded to Frederick J. Holzgrefe, III in 2015, 2016, 2017 and 2018 (incorporated herein by reference to the executed agreement originally filed as Exhibit 10.3 of Saia's Form 8-K (File No. 0-49983) filed on February 9, 2015).*
10.14	Saia, Inc. 2018 Omnibus Incentive Plan (incorporated by reference to Annex A of Saia's Definitive Proxy Statement (File No. 0-49983) filed on March 20, 2018).*
10.15	Form of Performance Unit Award Agreement under the Saia, Inc. 2018 Omnibus Incentive Plan (incorporated herein by reference to Exhibit 10.23 of Saia's Form 10-K (File No. 0-49983) filed on February 25, 2019).*
10.16	Form of Restricted Stock Agreement under the Saia, Inc. 2018 Omnibus Incentive Plan (incorporated herein by reference to Exhibit 10.24 of Saia's Form 10-K (File No. 0-49983) filed on February 25, 2019).*

Exhibit Number	Description of Exhibit
10.17.1	Form of Employee Nonqualified Stock Option Agreement under the Saia, Inc. 2018 Omnibus Incentive Plan for Options Awarded in 2019 (incorporated herein by reference to Exhibit 10.25 of Saia's Form 10-K (File No. 0-49983) filed on February 25, 2019).*
10.17.2	Form of Employee Nonqualified Stock Option Agreement under the Saia, Inc. 2018 Omnibus Incentive Plan for Options Awarded to Richard D. O'Dell in 2019 (incorporated herein by reference to Exhibit 10.25 of Saia's Form 10-K (File No. 0-49983) filed on February 25, 2020).*
10.17.3	Employee Nonqualified Stock Option Agreement under the Saia, Inc. 2018 Omnibus Incentive Plan for Options Awarded to Frederick J. Holzgrefe, III in 2019 (incorporated herein by reference to Exhibit 10.26 of Saia's Form 10-K (File No. 0-49983) filed on February 25, 2020).*
10.17.4	Form of Employee Nonqualified Stock Option Agreement under the Saia, Inc. 2018 Omnibus Incentive Plan for Options Awarded in 2020 (incorporated herein by reference to Exhibit 10.24 of Saia's Form 10-K (File No. 0-49983) filed on February 25, 2020).*
10.17.5	Form of Employee Nonqualified Stock Option Agreement under the Saia, Inc. 2018 Omnibus Incentive Plan for Options Awarded to Richard D. O'Dell in 2020 (incorporated herein by reference to Exhibit 10.25 of Saia's Form 10-K (File No. 0-49983) filed on February 25, 2020).*
10.17.6	Form of Employee Nonqualified Stock Option Agreement under the Saia, Inc. 2018 Omnibus Incentive Plan for Options Awarded to Frederick J. Holzgrefe, III in 2020 (incorporated herein by reference to Exhibit 10.26 of Saia's Form 10-K (File No. 0-49983) filed on February 25, 2020).*
10.17.7	Form of Employee Nonqualified Stock Option Agreement under the Saia, Inc. 2018 Omnibus Incentive Plan for Options Awarded in 2021.*
10.17.8	Form of Employee Nonqualified Stock Option Agreement under the Saia, Inc. 2018 Omnibus Incentive Plan for Options Awarded to Frederick J. Holzgrefe, III in 2021.*
14.1	Code of Business Conduct and Ethics (incorporated by reference to Exhibit 14.1 of Saia's Form 8-K (File No. 0-49983) filed on August 1, 2017).
21.1	Subsidiaries of Registrant.
23.1	Consent of KPMG LLP, Independent Registered Public Accounting Firm.
31.1	Certification of Principal Executive Officer pursuant to Exchange Act Rule 13a-15(e).
31.2	Certification of Principal Financial Officer pursuant to Exchange Act Rule 13a-15(e).
32.1	Certification of Principal Executive Officer, furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Principal Financial Officer, furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit Number	Description of Exhibit
101	The following financial information from Saia, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2020, formatted in iXBRL (Inline Extensible Business Reporting Language) includes: (i) Consolidated Balance Sheets as of December 31, 2020 and 2019, (ii) Consolidated Statements of Operations for the years ended December 31, 2020, 2019 and 2018, (iii) Consolidated Statements of Stockholders' Equity for the years ended December 31, 2020, 2019 and 2018, (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2020, 2019 and 2018, and (v) the Notes to the Consolidated Financial Statements. XBRL Instance Document – the XBRL Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
104	The cover page from Saia's Annual Report on Form 10-K for the year ended December 31, 2020, formatted in Inline XBRL (included as Exhibit 101).

* Management contract or compensatory plan or arrangement.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SAIA, INC.

Date: February 24, 2021

By: /s/ Douglas L. Col
 Douglas L. Col
 Executive Vice President and Chief
 Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ Frederick J. Holzgrefe</u> Frederick J. Holzgrefe	President and Chief Executive Officer, Saia, Inc. (Principal Executive Officer)	February 24, 2021
<u>/s/ Douglas L. Col</u> Douglas L. Col	Executive Vice President and Chief Financial Officer, Saia, Inc. (Principal Financial Officer)	February 24, 2021
<u>/s/ Stephanie R. Maschmeier</u> Stephanie R. Maschmeier	Vice President and Chief Accounting Officer, Saia, Inc. (Principal Accounting Officer)	February 24, 2021
<u>/s/ Richard D. O'Dell</u> Richard D. O'Dell	Chairman, Saia, Inc.	February 24, 2021
<u>/s/ Di-Ann Eisnor</u> Di-Ann Eisnor	Director	February 24, 2021
<u>/s/ Donna E. Epps</u> Donna E. Epps	Director	February 24, 2021
<u>/s/ John P. Gainor, Jr.</u> John P. Gainor, Jr.	Director	February 24, 2021
<u>/s/ Randolph W. Melville</u> Randolph W. Melville	Director	February 24, 2021
<u>/s/ Jeffrey C. Ward</u> Jeffrey C. Ward	Director	February 24, 2021
<u>/s/ Susan F. Ward</u> Susan F. Ward	Director	February 24, 2021

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FINANCIAL HIGHLIGHTS

Amounts in thousands, except ratios, per share data, miles and revenue per hundredweight

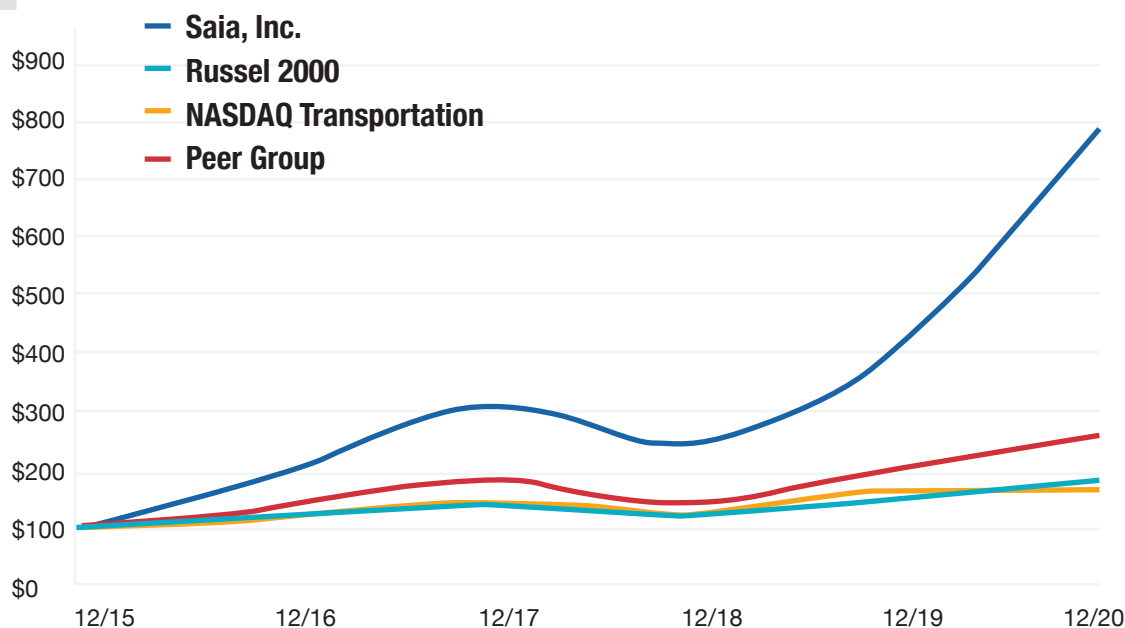
	2020	2019	2018
Statement of Operations			
Operating revenue	\$1,822,366	\$1,786,735	\$1,653,849
Operating income	180,321	152,586	141,177
Net income	138,340	113,719	104,981
Diluted earnings per share	5.20	4.30	3.99
Financial Data			
Cash and cash equivalents	25,308	248	2,194
Total debt	70,976	136,430	122,859
Total stockholders' equity	961,288	815,226	695,864
Operating cashflow	309,145	272,876	256,436
Net debt / total capital ¹	5%	14%	15%
Operating Data			
Operating ratio ²	90.1%	91.5%	91.5%
LTL tonnage	4,842	4,820	4,801
LTL shipments	7,371	7,409	7,103
Average length of haul	879	840	837
LTL revenue per hundredweight	18.33	18.05	16.80

(1) The net debt to total capital ratio is the calculation of total debt less cash and cash equivalents divided by total stockholders' equity plus total debt minus total cash and cash equivalents. Management believes net debt is a more meaningful measure of leverage to its investors than total debt.

(2) The operating ratio is the calculation of operating expenses divided by operating revenue.

COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN*

Among Saia, Inc., the Russell 2000 Index, the NASDAQ Transportation Index, and a Peer Group



The graph at left matches the cumulative 5-year total return of holders of Saia, Inc.'s common stock with the cumulative total returns of the Russell 2000 index, the NASDAQ Transportation index and a customized peer group of eleven companies that includes: Arcbest Corp., Covenant Transportation Group Inc, Heartland Express Inc, J B Hunt Transport Services Inc, Knight-Swift Transportation Holdings Inc, Marten Transport Ltd, Old Dominion Freight Line Inc, PAM Transportation Services Inc, Saia Inc, Werner Enterprises Inc and YRC Worldwide Inc. The graph assumes that the value of the investment in our common stock, in each index, and in the peer group (including reinvestment of dividends) was \$100 on 12/31/2015 and tracks it through 12/31/2020.

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

	12/15	12/16	12/17	12/18	12/19	12/20
Saia, Inc.	100.00	198.43	317.98	250.88	418.52	812.58
Russell 2000	100.00	121.31	139.08	123.76	155.35	186.36
NASDAQ Transportation	100.00	122.20	150.56	135.68	163.91	167.87
Peer Group	100.00	134.46	180.15	143.11	198.08	265.69

*\$100 invested on 12/31/15 in stock or index, including reinvestment of dividends. Fiscal year ending December 31. Copyright© 2021 Russell Investment Group. All rights reserved.



NASDAQ Symbol

SAIA

Independent Registered Public Accounting Firm

KPMG LLP

303 Peachtree Street, N.E.
Suite 2000 Atlanta, GA 30308

Transfer Agent and Registrar

Computershare Trust
Company, N.A.
250 Royall Street
Canton, MA 02021

Tel: 800.884.4225
www.computershare.com

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