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SWFT - Q4 2012 Swift Transportation Earnings Conference Call

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CORPORATE PARTICIPANTS

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Jason Bates *Swift Transportation Co - VP Finance & IR Officer*

Ginnie Henkels *Swift Transportation Co - EVP and CFO*

PRESENTATION

Operator

Good morning. My name is Angela, and I will be your conference operator today. At this time, I would like to welcome everyone to the Swift Transportation Company Q4 and year-end 2012 Q&A session. All lines have been placed on mute to prevent any background noise.

(Operator Instructions)

Thank you. I will now turn the call over to Mr. Richard Stocking, President and Chief Operating Officer. Sir, you may begin.

Richard Stocking - *Swift Transportation Co - President and COO*

Thank you, Angela. Good morning, everyone, and welcome to our call. I just wanted to take a couple of minutes and let you know that I have been severely under the weather the past few days, and unfortunately will not be able to participate in today's call. Thanks to my wonderful kids, I have the flu that has been spreading across the country. And I will have to tell you that it's as bad or worse than the news has portrayed it.

I did want to get on and say that I'm very proud and pleased of the entire Swift team and the transformation and the results that we have delivered in 2012. And we are looking forward to continuing our progress in 2013. And with that, I will excuse myself and leave it in the good and capable hands of Ginnie and Jason. Thank you.

Jason Bates - *Swift Transportation Co - VP Finance & IR Officer*

Great. Thanks, Richard. Everyone, we appreciate the time and energy Richard spent over the last 12 to 18 hours with Jerry, Ginnie, Josh and I as we've reviewed and discussed all the questions we received from each of you. In spite of his illness, he wanted to make sure we provided you, our stockholders, with as much detail as possible in response to your questions. So we appreciate that.

With that, I'll officially welcome everyone out to Swift Transportation's fourth quarter and year ended 2012 Q&A session. And as a reminder, we have posted a comprehensive letter to stockholders, which summarizes our results on the front page of our Investor Relations website.

We're going to start the call today with the forward-looking statement disclosure. This call contains statements that may constitute forward looking statements which are based on information currently available, usually identified by words such as anticipates, believes, estimates, plans, projects, expects, hopes, intends, will, could, may, or similar expressions which speak only as of the date the statement was made. Such forward looking statements are made pursuant to the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995.

Such forward looking statements are inherently uncertain, are based upon the current beliefs, assumptions, and expectations of Company management and current market conditions which are subject to significant risks and uncertainties as set forth in the Risk Factors section of our annual report Form 10K. As to the Company's business and financial performance, there are many factors that could cause actual results to differ materially from those in any forward looking statements. You should understand that there are many important factors in addition to those discussed and in our filings with the SEC that could that could impact us financially.

As a result of these and other factors, actual results may differ from those set forth in the forward looking statements, and the prices of the Company's securities may fluctuate dramatically. The Company makes no commitment and disclaims any duty to update or revise any forward looking statements to reflect future events, new information, or changes in these expectations. In addition to our GAAP results, this call also includes certain non-GAAP financial measures as defined as the SEC. The calculation of each measure including a reconciliation of the most closely-related GAAP measure and the reasons management believes in each non-GAAP measure is useful are included in the schedules attached to our letter to stockholders.

Okay. So with that out of the way, I'd like to recognize the members of Swift's management team that we have on the line today. We have Jerry Moyes, our founder and Chief Executive Officer. You heard from Richard Stocking, our President and Chief Operating Officer; and Ginnie Henkels, our Executive Vice President and Chief Financial Officer is here as well. Again, my name is Jason Bates, Swift's Vice President of Finance and IR Officer. And Ginnie and I will be going through the various questions you submitted last night. Again, we appreciate all the questions that were sent in. And similar to quarters past, we've grouped them into categories and we'll strive to get through them as efficiently as possible here this morning.

So with that, let's go ahead and start the day off with a few questions about the new segment information that was provided. Ginnie, you want to start?

QUESTIONS AND ANSWERS

Ginnie Henkels - *Swift Transportation Co - EVP and CFO*

Sure. The first one was a thank you for the new segment information, and asked if it would be possible to get an Excel version of the historical data.

We did provide a three-year historical quarterly breakout of our new segments on the front of our IR website. This file contains the probability metrics, key operational statistics, and the appropriate reconciliation. We've provided them in both a PDF as well as an Excel format to assist all of you who would like to incorporate the information into your models. So, you should be able find that on our website.

Jason Bates - *Swift Transportation Co - VP Finance & IR Officer*

Which segment contains the brokerage in Mexico lines of business?

Just to clarify, Mexico is actually found in our truckload segment, and the brokerage line of business is grouped in with Other revenue.

Ginnie Henkels - *Swift Transportation Co - EVP and CFO*

How long can the operating ratio, or how low, excuse me, can the operating ratio go in each segment? Can you provide long-term guidance for each segment?

We do have specific short- and long-term goals for each of our reportable segments, as well as the underlying lines of business that they comprise. However, we do not disclose that level of information. I will say that we believe we have additional room for improvement in each of our operating segments, and that is what we are striving to achieve.

Jason Bates - *Swift Transportation Co - VP Finance & IR Officer*

There were a lot of questions about rates. The first one -- what were the pricing trends throughout the first quarter? We saw year-over-year rate growth accelerate again in the truckload segment. Was this primarily due to disruption and Sandy? Was the rate taken across all regions, or primarily in the Northeast?

In each month of the fourth quarter, pricing increased on a year-over-year basis, with the largest improvement coming in November. Sandy didn't have a material impact on our overall rate number. To be honest, most of the acceleration was due to stronger year-over-year volumes in the quarter -- in the fourth quarter when compared to the third quarter, and was not necessarily driven by one geographic area.

Ginnie Henkels - *Swift Transportation Co - EVP and CFO*

What is your expectation for rates in each of your segments for the first-quarter and full-year 2013? What are you seeing so far in the first quarter?

It's still too early to tell in the quarter what the pricing trends are going to be. But for the full year of 2013, we're expecting a similar macroeconomic environment, and therefore, similar rate increases to 2012. For intermodal, we had revenue per load growth of 2.8% excluding fuel. In our truckload segment, we had revenue per loaded growth excluding fuel at 3%. And in our dedicated segment, the rate can be harder to determine because it's driven in large part by the business mix. We may grow the business with customers that provide their own trailers. They may have a very long or very short length of haul, or have other unique situations, all of which impact the rate.

Jason Bates - *Swift Transportation Co - VP Finance & IR Officer*

How is the spot market activity compared to normal seasonal trends so far in 2013?

As we've talked about in the past, we actually don't participate heavily in the spot market. So, the first-quarter trends we have talked about would be a reflection of the contractual market rather than the spot market.

Ginnie Henkels - *Swift Transportation Co - EVP and CFO*

Is there a danger that rates erode in 2013?

This is always a possibility. However, we do not believe that scenario is very likely.

Jason Bates - *Swift Transportation Co - VP Finance & IR Officer*

Now, getting into some of the segments, there were a lot of questions about intermodal and dedicated. We'll start off with intermodal.

Your press release mentions potential areas of intermodal profitability improvement. Can you discuss those initiatives and their time frame?

Yes. We have several internal goals, initiatives, and objectives that have been developed by our intermodal management team. I'll take a second to summarize a few of those. First, as mentioned previously, we believe we can increase the total number of loads without adding additional intermodal capacity to our network -- just by utilizing our current assets at a more efficient level.

Second, we are targeting growth in specific markets and lanes where we have experienced operational and financial success up to this point. Third, the team is also focused on general cost control initiatives, specifically as it relates to improving the cost of our drayage operations. These are just a few examples of the behavioral changes our intermodal division is targeting for improvement. But to be clear, we expect these initiatives to result in a gradual improvement over time rather than a substantial one-time change.

Ginnie Henkels - *Swift Transportation Co - EVP and CFO*

Within intermodal, do you participate mainly in the spot market or contractual market? Internally, how do you direct your customers to your service offerings between truckload and intermodal?

We primarily participate in the contractual market in intermodal, just as we do in our truckload segment. Regarding the latter part of the question, we use a shared services sales approach. This means that our salespeople are tasked with knowing their customers, and then tailoring a solution for them that meets their needs. Each member of our sales team is familiar with our entire suite of services, and they will work with the customer to develop a win-win solution regardless of the mode of transportation, whether it's intermodal, dedicated, over-the-road team, et cetera.

Jason Bates - *Swift Transportation Co - VP Finance & IR Officer*

With regard to intermodal, are you seeing any geographies, for example East Coast versus West Coast, that are stronger than others? Are you filling the back haul with profitable loads?

Obviously, we operate a nationwide network, which consumes all of the major rail providers. And while we've seen larger growth in many of the Western rails, specifically the traditional core BNSF Network, that is primarily as a result of the relative size of our presence in that particular market. However, our Eastern volumes have grown at a respectable pace as well.

Regarding the second part of your question, network balance is a key part to intermodal profitability. And therefore, to the extent we can avoid empty movements of containers by filling them with freight and backhaul markets, that is the desired outcome. And at times, it does make sense to look at the round-trip move in its entirety, rather than each leg individually.

Ginnie Henkels - *Swift Transportation Co - EVP and CFO*

Intermodal growth was impressive. How much of this growth is concentrated in the cross-border Mexico business versus other intermodal lanes?

Currently, we do not break out the regions in our intermodal growth. However, most of our growth in the fourth quarter was on domestic intermodal lanes. Our cross-border Mexico business is a key focal area, but it's in its early stages.

Jason Bates - *Swift Transportation Co - VP Finance & IR Officer*

What is the historical first-quarter operating ratio? And where do you think that this can -- you can get this business on a long-term basis, and over what time frame?

Again, the rolling 12-quarter profitability data is found on the quarterly segment information file that is located on the front of our IR page. We posted that last night, along with the letter to stockholders.

Regarding the latter half of the question, as mentioned previously, we don't provide forward-looking segment-specific profitability targets.

Ginnie Henkels - *Swift Transportation Co - EVP and CFO*

During Q3, you mentioned you didn't have any plans to expand the intermodal fleet in 2013. Is this still the current expectation? Also, intermodal volume growth was very strong in 2012; what are your expectations for 2013 and 2014?

Our goal for 2013 is to increase our intermodal revenue by 20% to 25%. With the addition of nearly 2,000 containers in the second half of 2012, we believe we have sufficient capacity to handle that revenue growth target without adding any additional containers for 2013. Our long-term goal is to significantly grow our intermodal business, but our 2014 target will be based on several factors, including economic conditions, the intermodal freight environment, and our ability to utilize our equipment, as well as the profitability of the intermodal segment.

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Jason Bates - *Swift Transportation Co - VP Finance & IR Officer*

When Swift references loads in its intermodal segment, are these all moved with Swift container equipment? If not, what is the rough breakdown and percentages of loads moved with Swift containers?

Yes, intermodal includes loads moved on Swift containers, Swift trailers, and a very small amount using third-party equipment. As we've stated in the past, the container-on-flat-car business is the majority of our intermodal business.

Ginnie Henkels - *Swift Transportation Co - EVP and CFO*

Okay. With that, we're going to move into several questions on our dedicated segment. The first one is -- with respect to the increase in dedicated revenue, were most of the accounts on-boarded earlier in the year, or was some of the business on-boarded in the fourth quarter of 2012? Do you have visibility into new contracts for 2013? And if so, what sort of revenue growth is reasonable on a full-year basis?

We did win a few smaller dedicated contracts in the fourth quarter. However, the dedicated growth in the quarter was largely a function of business won throughout the year. There are always dedicated opportunities in the pipeline, and this year is no exception. We don't provide specific growth targets by segment, but we will continue to look for profitable growth opportunities in our dedicated segment in 2013.

Jason Bates - *Swift Transportation Co - VP Finance & IR Officer*

What changed last year to increase weekly revenue protractor by 3.4% Sorry -- what changed last quarter to increase weekly revenue protractor by 3.4%? Is this the type of increase we should be expecting in the future?

Forecasting this metric can oftentimes prove difficult, as I believe Ginnie mentioned previously, due to the impact associated with mix. There are times we will take on a piece of dedicated business, they may actually have a lower utilization or a lower rate per mile, or both if the other characteristics of the business yield a higher level of profitability. So, as a result, if you look at the rolling 12-quarter metric that we provided, you will see that it's possible that this particular metric can move around both up and down from one quarter to the next.

Ginnie Henkels - *Swift Transportation Co - EVP and CFO*

Are you seeing unusually high bidding activity in the dedicated sector so far this year?

The trends we're currently seeing are consistent with 2012. And 2012, as we discussed, was higher than normal due to our customers' capacity concerns.

Jason Bates - *Swift Transportation Co - VP Finance & IR Officer*

So, there were a couple of questions as well just in the general truckload segment. The first one was -- what drove the significantly better operating ratio and utilization in the truckload segment in the fourth quarter? Was it entirely volume related, or were there also significant customer wins? Did you see rate accelerate in the quarter?

There wasn't a single significant customer or even a small group of customer wins during the quarter that materially drove the OR improvement. Most of the improvement came, as we mentioned in the letter, through utilization and rate increases, improved fuel efficiency, a slight benefit in fuel surcharge recovery, and lower insurance costs. Partially offset by the driver incentive bonus initiated in the third quarter of 2012, as well as higher equipment costs.

Our truckload segment is our largest segment. And most of the initiatives we have discussed in the past that centered around asset utilization, network management, deadhead, driver retention, et cetera, were designed primarily to improve this segment. This is where we have seen the greatest impact of these initiatives.

Ginnie Henkels - *Swift Transportation Co - EVP and CFO*

Deadhead improved to 11.3% in the fourth quarter. How much additional improvement do you believe can be realistically achieved without any help from the economy?

The 11.3% you mentioned is our truckload segment deadhead, which actually increased 20 basis points year over year due to the increased seasonal project business during the quarter. However, our deadhead was still 70 basis points better than the fourth quarter of 2010. We believe we still have room for improvement in this metric, but future improvements will be increasingly harder to achieve without improvements in the economy.

Jason Bates - *Swift Transportation Co - VP Finance & IR Officer*

So, there was a question -- a regulatory question. What do you expect from CSA and hours of service going forward? What risks and opportunities are on the regulatory horizon? And how are you prepared for potential challenges versus your competition? Will shippers accept rate increases as a way to compensate for higher costs or fewer driver hours associated with these potential regulatory changes?

To be honest, this could go several different ways. It's just too early to tell at this point. The risks are the hours of service changes obviously, including mandatory rest periods and reduced hours, as well as more public reporting on CSA scoring, et cetera. Our regional network, combined with our generally short length of haul, benefit us in this regard. Additionally, today we're not bumping up against the proposed 11-hour time limit. So, we feel the impact would not be substantial.

Finally, regarding your question about customers, we believe they would understand and accept rate increases to the extent that they're impactful changes to either CSA or hours of service.

Ginnie Henkels - *Swift Transportation Co - EVP and CFO*

Okay. We had several questions on volumes and our utilization. So, we will move into that category next. How did volume trend throughout the year, and how are volumes so far in January? Third-quarter volumes were lighter than normal. Did you see fourth-quarter volumes higher as a result? How is this demand trending by geography, and specifically the West Coast?

Volumes in October and November were stronger than December, but not substantially. It's difficult to say whether this volume was pent-up demand from the third quarter.

As far as volumes for the first quarter of 2013, it's still too early to tell. Three weeks of January is not a great gauge for the entire first quarter. But so far, the volumes have been stronger than last year. Freight out of the West Coast is soft, but that is typical at this time of year. Overall, I would say the geographical demand is consistent with what we normally see this time of year.

Jason Bates - *Swift Transportation Co - VP Finance & IR Officer*

As one of the few companies to see strong project business, can you elaborate on what drove that strength? What was the impact of this business? And was this concentrated to the truckload segment results and Other revenue?

We don't disclose specific amounts or the nature of our project business, but this business was predominantly centered in our truckload segment and the Other revenue, as you stated. While we typically have these projects each year in the fourth quarter, we were able to bring in more of this business in 2012.

Ginnie Henkels - *Swift Transportation Co - EVP and CFO*

The mix of trucks business has shifted from truckload to dedicated over the past several years. Will that continue in 2013?

I wouldn't say that the business or the industry has shifted from truckload to dedicated overall. Over the past couple years, we've won new dedicated business, and we've decided to shift our resources internally from truckload to dedicated rather than purchase additional assets. But as we discussed in our press release, we are planning for truck growth in both our truckload and dedicated segments in 2013.

Jason Bates - *Swift Transportation Co - VP Finance & IR Officer*

To what extent, if any, did fourth-quarter results benefit from one-time items in the quarter, such as Sandy and the West Coast Port Strike?

While both the West Coast Port Strike as well as Superstorm Sandy caused temporary, short-term disruptions, they were generally followed by small surges thereafter. And the aggregate impact on the operating results for the quarter was relatively minimal.

Ginnie Henkels - *Swift Transportation Co - EVP and CFO*

What is the capacity situation across the industry? Are dynamics still tight? Given what we have heard about lackluster freight volumes generally in Q4, although not reflected in your results, is there significant pressure from shippers?

For us, capacity in the fourth quarter felt very tight. Obviously, now that we've entered into the first quarter, this dynamic has shifted a little bit, consistent with historical seasonal patterns.

Jason Bates - *Swift Transportation Co - VP Finance & IR Officer*

Can you give any guidance on how utilization on a revenue-per-truck or mile-per-truck basis could trend in the first quarter and into 2013?

Utilization is impacted by an assortment of different scenarios, including the freight market, the availability of drivers, business mix, to name a few. Our utilization also generally follows a seasonal pattern and is weaker in the first quarter of the year. Therefore, a sequential decline from Q4 to Q1 is typical, but we would expect year-over-year improvements as we continue to focus our efforts in these areas.

Ginnie Henkels - *Swift Transportation Co - EVP and CFO*

What are customers saying about 2013 inventory levels and expected consumer behavior, given budget negotiations on one hand and a recovering housing market on the other?

While we don't have perfect visibility into our customers' inventory levels, it feels like they are very lean right now. Our customers are hyper-focused on carriers' on-time delivery metrics right now. The larger retailers are essentially operating a just-in-time supply chain, and want to ensure that they are using carriers that can deliver on time every time to avoid disruptions to that supply chain.

Regarding customers' expectations for consumer behavior, Jerry and Richard have spent the last couple weeks with customers in both the US and Mexico. And a large majority of them have a positive outlook on 2013. From a consumer's perspective, there is more certainty today than existed three or six months ago.

Jason Bates - *Swift Transportation Co - VP Finance & IR Officer*

So, there were a few miscellaneous questions about different expense line items. The first one was -- how much of the sequential and year-over-year change in net fuel expense can be attributed to the fuel surcharge lag? And how much can be attributed to fuel efficiencies? What is the benefit by segment on an operating-ratio basis?

So, we don't disclose exact amounts associated with each or by each of the initiatives asked about above, or by segment. But the sequential change was predominately due to the fuel surcharge lag associated with rising prices in the third quarter. While the year-over-year change was predominately due to improved fuel efficiencies related to improved idle, higher miles per gallon, and better purchasing.

Ginnie Henkels - *Swift Transportation Co - EVP and CFO*

What fuel initiatives are Swift currently undertaking, and how much of an MPG improvement do you think you can achieve in 2013?

We really have a great group of people here that are focused on improving our fuel efficiency. This group monitors our fleet, runs fuel tests on various products, including tires and trailer skirts and many other items. They work very closely with our equipment manufacturers to ensure our trucks are spec'ed and programmed for optimal performance.

Our suppliers are also designing new equipment that should improve our miles per gallon as we add these trucks to our fleet. And in addition, we're working with our drivers to minimize idle time and otherwise reduce their fuel consumption. We expect the combination of these efforts to improve our fuel efficiency during '13, but the exact benefit is difficult to quantify.

Jason Bates - *Swift Transportation Co - VP Finance & IR Officer*

Was the claim in intermodal a one-time item or a true up? Will there be any residual impact from this claim in 2013?

Yes. The claim in the intermodal segment was related to a crash that occurred early in 2012, and developed throughout the year. There should not be any residual impact on this claim in 2013, as it is fully reserved.

Ginnie Henkels - *Swift Transportation Co - EVP and CFO*

What was the amount, if any, of favorable reserve adjustments in the fourth quarter for any of the following -- bad debt expense, workers' compensation expense and/or bodily injury or physical damage reserves?

We did not have any significant adjustments to any of those reserves mentioned. We did have a modest benefit related to the actuarial true ups in our captive insurance companies, which netted out to roughly a $1 million benefit.

Jason Bates - *Swift Transportation Co - VP Finance & IR Officer*

Can you quantify the impact of additional incentive or bonus compensation in the fourth quarter of 2012? Please clarify if this is a year-over-year amount or additional amount reserved for in the quarter based on the strong performance?

Yes. As a result of the strong operational performance in 2012, we did record an incremental incentive compensation for all employees, which amounted to approximately $0.02 on a full-year adjusted EPS basis.

Ginnie Henkels - *Swift Transportation Co - EVP and CFO*

Okay, the next group we will address are some questions related to drivers and owner operators.

You mentioned that the driver market remains challenging, and it appears driver pay increased on a year-over-year basis and sequential basis in the fourth quarter. Do you anticipate giving a driver pay increase in 2013? And if so, how much?

The seasonal increase in salaries and wages as a line item was more of a result of the non-driver compensation that Jason just talked about, rather than an increase in driver pay. On a year-over-year basis, driver pay has increased due to the bonus incentive we instituted in the third quarter. As for the driver market, it remains tough right now. However, we have, as we've discussed in the past, Swift has a unique internal academy structure which differentiates us from most of our peers. Our schools are full, based on our current academy staffing levels, and our driver pipeline looks very good.

To the extent the economy freight market expand, we do have the ability to further leverage our existing academy infrastructure. As a result, we are not planning a driver increase in 2013 at this time. However, it may become necessary as the driver market worsens, or we have a greater difficulty in retaining or recruiting drivers.

Jason Bates - *Swift Transportation Co - VP Finance & IR Officer*

Given the tight driver market, is it reasonable to expect any utilization improvement in 2013?

We've placed a significant emphasis on utilization improvement, and have developed several initiatives to improve us in this regard. We believe that these initiatives will more than offset the negative effect of the tight driver market in 2013.

Ginnie Henkels - *Swift Transportation Co - EVP and CFO*

On a cost-per-mile basis, how much has the driver incentive pay increase been in Q4? Is it similar to Q3, or has it gone up with better driver performance? What is the longer-term net benefit you expect from the driver wage program? What kind of efficiency gains do you expect, and what sort of costs do you expect from the driver side?

The pay increase for our drivers was not materially different in the fourth quarter than it was in the third quarter. And we do not anticipate a material increase in this incentive in the short term. The program was designed to improve driver retention, and reward our most productive drivers. We feel that this incentive has helped in both of these areas.

Over the long term, we hope this program will lead to improved driver productivity, and the retention of our best drivers. Unfortunately, given the various moving pieces associated with all of these items, it's difficult to quantify the exact benefit associated directly with the incentive. And it's especially hard this early in the life of the program. But it has been received well. And we're happy to incent our drivers that are being productive for us.

Jason Bates - *Swift Transportation Co - VP Finance & IR Officer*

So, we're going to move into a lot of equipment and CapEx related questions. The first one was -- what is the longer-term view on truck count? You have said you expect to add 200 to 300 trucks in truckload, and 100 to 200 trucks in dedicated for a total of 300 to 500 growth for the year. What is driving this increase? What freight levels do you need to see to add trucks? Is this growth for contracts already signed? Is this an average growth? Will you downsize in the first quarter?

So, there's a lot of questions there. First, as we've said in the past, we will add trucks if we have drivers to drive them, freight volume to run them, and we are getting the utilization we believe we can get. Our utilization is improving. We believe we have further room for improvement, especially in certain applications.

In 2012, we downsized in the first quarter, expecting to add trucks back in Q2. But as we discussed last year, we had driver retention and recruitment issues, followed by softer than expected volumes in the third quarter of 2012. Therefore, we didn't add trucks as we expected.

On a consolidated basis, our average fleet size grew roughly 150 trucks between Q3 and Q4 of 2012, as we experienced stronger volumes in the fourth quarter. For Q1 of 2013, since we are already starting the year at a lower level, we're not planning on a large reduction from the fourth quarter of '12 into this current first quarter like last year. And we are planning to add trucks we took out in 2012 back into the fleet in 2013. So, as long as we have the freight and are continuing to improve our utilization, that will be the plan.

In some cases, we've already taken on contracts that are rolling over into 2013. But generally, the growth is expected for new customers, as well as growth with our existing customers. So, the 300 to 500 addition is the expected growth in the average for the year.

Ginnie Henkels - *Swift Transportation Co - EVP and CFO*

What is the expected split in truck growth between Company and owner operators?

We are targeting roughly 50/50, but will adjust this as necessary depending on the market.

Jason Bates - *Swift Transportation Co - VP Finance & IR Officer*

How should we be thinking about gains on sales of equipment in the first quarter and 2013?

We expect that the used truck market will be decent in 2013. But it's possible it will not be as robust as 2012. Therefore, for the full year, we expect that our gains will be lower. In Q1, we're not trading as much equipment as we did last year, so it should be down year over year in the first quarter.

Ginnie Henkels - *Swift Transportation Co - EVP and CFO*

What is driving the step up in CapEx to $250 million in 2013? How much equipment do you expect to refresh? How much flexibility do you have with this?

The increase in the estimated net cash CapEx in 2013 is driven by the fleet growth we discussed of roughly 300 to 500 trucks, and the expectation that we will not lease as much equipment. We have tremendous flexibility with this figure, as we've demonstrated in 2012. If we see a downturn in the economy and/or we're not experiencing the growth we expect, we can push or cancel purchases.

On the other hand, if the freight environment heats up and we want to grow more, we can hold onto our trades longer for a quick growth, and place orders for additional equipment for growth in subsequent quarters. Including [IL], we are expected to trade roughly 3,000 trucks, give or take a few, in 2013. We also have tremendous flexibility with regard to our trailer orders as well.

Jason Bates - *Swift Transportation Co - VP Finance & IR Officer*

What is your target mix for lease versus buy for tractors?

As we discussed throughout last year, we increased the use of our leases based on an economic decision given the very favorable interest rates we were receiving. As Ginnie mentioned previously, our target mix is roughly 50/50 on the Company fleet. And for owners that we finance, we will continue to lease most of those, and then turn around and sublease them to the owner operators.

Ginnie Henkels - *Swift Transportation Co - EVP and CFO*

Do you expect to expand the trailer fleet along with the tractors?

At this point, we do not expect to grow the trailer fleet significantly. We will continue to bring in new trailers every year, roughly 3,000 to 4,000 each year. But we will sell some of the older ones as well. So, if necessary, we can hang onto the older ones to meet demand needs.

Jason Bates - *Swift Transportation Co - VP Finance & IR Officer*

So, there were some questions about -- some miscellaneous questions here as we get to the end of the Q&A session today. The first one -- you gave a total leverage ratio of 2.78 times; what was the interest coverage ratio?

Our interest coverage ratio for the fourth quarter was approximately 4.98 times, versus a minimum required of 3.075 times. So, plenty of cushion there.

Ginnie Henkels - *Swift Transportation Co - EVP and CFO*

Do you have a current debt level target in mind as you continue to pay off $50 million to $100 million per year?

At our investor day last May, we shared that our leverage ratio target was 1.5 times net debt to EBITDA by the end of 2017. The reductions of $50 million to $100 million per year, coupled with EBITDA growth, will enable us to achieve this goal. For 2013, we are targeting to be at the high end of the $50 million to $100 million range as we continue to focus on improving our debt position.

Jason Bates - *Swift Transportation Co - VP Finance & IR Officer*

Swift made a large debt repayment early in 2012. Are we likely to see a similar prepayment early in 2013?

We do expect to make prepayments in the first quarter, as we've done throughout the year. However, we don't expect that they will be at the same levels as 2012 since we just made several large prepayments at the end of last year.

Ginnie Henkels - *Swift Transportation Co - EVP and CFO*

I believe there are financial covenants on dividends and share repurchases in your credit agreement, but at some point do you think about buying stock?

We think about buying stock all the time, especially given the prices that it traded at in the past year. Unfortunately, you are correct, and we are precluded from buying back stock in our credit agreement. So, we can -- until we can pay down debt to a certain level that will enable us to refinance the remaining debt without a stock buyback prohibition, we cannot initiate a share buyback program.

Jason Bates - *Swift Transportation Co - VP Finance & IR Officer*

How should we think about any future impairments for SPS in regard to their debt payoff, or the deposit for equipment and related assets?

With regard to this deposit, this has been fully impaired. So, there will be no future impairment associated with that item. With regard to SPS, or Swift Power Services, we have written down their loan to the value of the collateral, which is $1 million. Therefore, we do not expect a future impairment on this line item either.

Ginnie Henkels - *Swift Transportation Co - EVP and CFO*

The effective tax rate in the fourth quarter of 2012 was 37.3%, but you're guiding to 38.5% for 2013. Is there a reason for the difference? Will there be seasonality between quarters in 2013?

The 38.5% guidance is based on our best estimate for how 2013 will play out, given our expectations for earnings, as well as book to tax differences and timing. At this point, we're not expecting any discrete items that would cause fluctuations in the rate on a quarter-to-quarter basis like we saw in 2012. So, the rate should be relatively consistent throughout the year.

And then we have one final question on our long-term objectives. Is there any update to the long-term financial targets provided at your May 2012 analyst day? Is 15% earnings growth realistic in 2013 given 27% growth in 2012?

So, we have said that we are targeting 20% growth in EPS in 2012, with 15% compounded annual growth rate from 2013 to 2017. This was the guidance we gave at the analyst meeting in May, and it remains our long-term objective today. In any one particular year, we may be above or below this stated goal, but we have aligned the Organization and have the initiatives in place to make continued improvements in our operations. We have exceeded our EPS target for 2012, and at this point we expect to see 2013 growth in the range of 10% to 15%, and we're certainly targeting to meet that 15% objective for 2013.

This will depend obviously on the economy, fuel prices, and other things outside of our control. But we will remain focused on improving the operational items that are in our control to make progress toward these longer-term stated objectives.

So with that, we thank you for your time today. And for your interest in Swift. And as Richard said at the beginning, we're very proud of our Swift team. And we thank you for your support for 2012 and into 2013. Thanks.

Jason Bates - *Swift Transportation Co - VP Finance & IR Officer*

Thanks, everyone.

Operator

Ladies and gentlemen, this concludes today's conference call. You may now disconnect.
