

**Swift Transportation Company**

**Moderator: Jason Bates**

**April 25, 2017**

**11:00 a.m. EST**

Operator: This is Conference # 7771720.

Operator: Good morning. My name is Kayla, and I will be your conference operator today. At this time, I would like to welcome everyone to the Swift Transportation first quarter 2017 Q&A session. All lines have been placed on mute to prevent any background noise.

If you should need any assistance during the call, please press star-zero and an operator will come back online to assist you. Thank you. Mr. Jason Bates, Vice President of Finance and Investor Relations Officer, you may begin your conference.

Jason Bates: Great. Thank you, (Kayla). We'd like to welcome everyone out to our first quarter of 2017 Q&A session. As a reminder, we have posted a comprehensive letter to stockholders summarizing our results on the front page of our IR website. We'll go ahead and start the call today with our forward-looking statement disclosure:

This call contains statements that may constitute forward-looking statements which are based on information currently available. 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 most recently filed Annual Report Form 10-K.

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. Reconciliation of our GAAP to non-GAAP measures can be found in the letter to stockholders posted on our IR website.

So with that out of the way, I'd like to recognize the members of Swift's management team on the line today. We have Richard Stocking, our President and Chief Executive Officer; and Ginnie Henkels, our Executive Vice President and Chief Financial Officer. We appreciate all the questions that were submitted prior to the deadline last night. As in quarters past, we have strived to streamline the Q&A process by addressing key themes and categories rather than answering every single question submitted. We have attempted to address each of the more prevalent topics. However, if you have any follow-up questions, feel free to reach out to me after the call.

As you can imagine, we received a fair number of questions pertaining to the merger between Swift and Knight Transportation. And although we are excited about this opportunity and our teams are working feverishly to close this transaction, at this time, we cannot provide further detail and answer any related questions. The purpose of today's call will remain to answer questions and provide insight into our first quarter's results.

So with that, we'll go ahead and start the call today with some questions on each of the segments, wrapping up with a variety of CapEx, fleet, debt and guidance-related questions.

Jason Bates: We'll start with our Truckload segment today. How are April Truckload volumes progressing, particularly off the West Coast, which was notable point of weakness during the first quarter of 2017?

Richard Stocking: Thanks, Jason. That's correct. Volumes off the West Coast were weaker this year than last year and in the beginning of April, we've experienced West Coast volumes slightly behind last year's volume. However, as the month has

progressed, we have seen momentum building, as we have focused on working with our customer base to drive additional quality freight into our network in this particular region.

Jason Bates: What do you estimate 2017's Truckload bid awards to be yielding from a pricing growth perspective? Flat year-over-year, better or worse than that? And what is the likelihood that the back half of 2017's bid season is more competitive than the first half?

Richard Stocking: Yes. We continue to anticipate 2017's full year bid awards to be better on a year-over-year basis. This expectation is based upon our current bid experience, as well as an assumption that the pricing environment in the second half of 2017 will be stronger. Based on recent customer feedback, we feel very comfortable with this assumption. On a full year basis, we expect our Truckload revenue, excluding fuel surcharge revenue, loaded mile metric to be positive year-over-year.

Jason Bates: What are you expecting in terms of a volume progression in May and June? Any strong indications of trends above or below typical seasonality?

Richard Stocking: We expect volumes to build throughout the quarter, similar to that of last year, and expect similar seasonality to take place in May and June, June obviously being the strongest month of the quarter.

Jason Bates: What was the cadence of freight demand through Q1 by month? Did Swift see a pickup in end March and follow through to April like peers?

Richard Stocking: As we expected, the first quarter freight volume strengthened throughout the first quarter, with March being much stronger. We did see a slight drop-off in early April, which has been fairly typical in years past, but have been pleased that April has strengthened as the month has progressed.

Jason Bates: Please comment on the strong productivity performance achieved in the first quarter and the sustainability of that performance throughout 2017.

Richard Stocking: Yes. We are proud of our team's accomplishments as it relates to our first quarter year-over-year improvement in our asset utilization. This

improvement was made possible by the collective efforts of our entire sales team as well as our operations teams. A few of the key initiatives that drove this improvement were increasing our order and dispatch velocity as well as improving the balance of our network, which ensures we load our trucks where they land and adjusting our fleet count to match current demand. We're pleased with the positive impact these initiatives have produced and remain confident this performance can be sustained throughout this year and beyond.

Jason Bates: Moving to the Dedicated segment. What kind of Dedicated opportunities have presented themselves over the last few weeks? What do you think has been the reason for increased interest from prospects recently?

Richard Stocking: We are currently working with two groups of Dedicated customers seeking fleet opportunities. The first is with our existing customer base, looking to either expand their current operations, or looking to potentially start an incremental operation. Whereas the second group is new customers who either do not currently participate within the Dedicated space or who are looking to change or expand their current mix of Dedicated fleet providers. We believe this increase in interest from these groups is related to both our sales and operations teams' efforts to cultivate and deliver a quality dedication -- a Dedicated solution to our customers.

Jason Bates: What is the Dedicated segment's revenue growth opportunity and potential timing on larger contracts?

Richard Stocking: We generally don't comment on the magnitude of the growth opportunity, however, I can say that we expect to see Dedicated fleet growth begin to materialize in late Q2 with implementation in the second half of 2017.

Jason Bates: Can you quantify the impact of higher insurance and claims and weather-related expenses in the Dedicated segment?

Virginia Henkels: We don't disclose that level of detail for our individual segments; however, I will say that the higher insurance and weather-related expenses caused between a 100 to 200 basis point increase on our Dedicated segment's operating ratio on a combined basis.

Jason Bates: Moving on to the Intermodal segment. Do you think we need to wait until Truckload pricing turns around for Intermodal pricing to move higher? Or is there any other scenario you could foresee whereby Intermodal rates could move higher first?

Richard Stocking: Truckload pricing typically creates a ceiling which Intermodal pricing will not exceed since truckload service is perceived to be faster and more reliable than Intermodal. Swift Intermodal has been delivering strong service results to our customers over the past year, made possible by both strong rail service and an increasing strong dray results by our operations group. We believe sustaining these strong service results, will help Swift narrow the typical Intermodal discount to service-sensitive customers. Additionally, we continue to leverage our Truckload capabilities to help gain Intermodal business. We believe Truckload capacity will tighten as 2017 progresses, which helps volume and pricing improve throughout the year.

Richard Stocking: Can you please provide clarity on what Swift was able to do in the first quarter to improve revenue ex FSR in Intermodal, which bucked the market trends?

Richard Stocking: The first quarter's revenue improvements were driven by pricing discipline. We remain committed to only moving freight, which mutually adds value to Swift and our customers. That being said, the competitive pressure in current bids is readily apparent as large intermodal providers continue to take an aggressive pricing approach. We do anticipate some of this pricing pressure to be reflected in our current bid results, which will begin to be implemented in Q2. We do believe, however, we can offset a portion of this pricing pressure through our disciplined cost-control measures and continue to anticipate year-over-year profitability improvements in each and every quarter this year.

Jason Bates: Moving on to the Refrigerated segment. With respect to the tentative settlement for the Refrigerated independent contractor class action suit, can you confirm that total accrued at this point is approximately \$34 million: \$22 million in October of 2017; additional \$12 million in April? Also, how does this suit differ from the class action suit in the Ninth Circuit Court of Appeals?

Virginia Henkels: The total amount reserved for the litigation related to the Refrigerated segment is roughly \$37 million. There was also an additional \$3 million reserved prior to the \$22 million increase in October. The suit was related to Central Refrigerated Services, which we acquired a few years ago. While the suit in the Ninth Circuit Court of Appeals is also related to owner-operators, that suit is associated with Swift. And given the differences on how Swift handles its owner-operator program, we believe the facts in that case are in our favor.

Jason Bates: What does “tentative settlement agreement” mean? Why is it tentative? If the other party hasn't accepted the settlement, should we read that there is greater risk of liability in the future?

Virginia Henkels: The \$37 million currently reserved is not expected to change, however, at this point, there are certain terms and other mechanics with regard to the settlement that are being negotiated.

Jason Bates: How is Refrigerated pricing trending in April?

Richard Stocking: Our sales team has continued to work diligently to ensure the freight we haul is priced appropriately. As a result of these efforts, we have been able to procure rate increases with several of our customers in the second quarter and have seen that manifest itself thus far in April. Additionally, we remain cautiously optimistic that the market will continue to tighten, making capacity more scarce, helping improve the pricing environment further.

Jason Bates: What is your outlook for the Refrigerated segment in the second quarter of '17? And how will California's produce season impact this segment and can you talk to the timing of when you expect this to occur?

Richard Stocking: Our Refrigerated team continues to work to improve asset utilization as well as other operational metrics while remaining focused on controlling cost. We are confident that our focus in these areas will produce favorable results in the second quarter. Additionally, we have a couple of recently awarded Dedicated accounts, which are scheduled to begin towards the end of the second quarter, which will assist in the growth of the Refrigerated segment.

We believe the produce season will be more robust this year than last year, and we are already seeing some increases and expect it to grow over the coming weeks.

Jason Bates: We have a few guidance-related questions. Can you please provide some additional context for the difference between your initial 2Q '17 guidance of 25 to 30 cents and your revised guidance of 18 to 23 cents provided earlier this month? Is this predominantly contract rate increases not materializing as expected or some other factors?

Virginia Henkels: Yes, it is primarily related to contract rate increases and volumes not materializing as quickly as we originally anticipated.

Jason Bates: Historically, the company has commented second quarter and third quarter earnings as a percentage of full year earnings are similar at 23 percent to 25 percent. Absent any considerations around the proposed merger, will this relationship hold in 2017? If not, what are some of the factors resulting for variations between second and third quarter?

Virginia Henkels: As we've discussed, we expect the overall environment to begin to improve as we move into the latter half of 2017, as freight volumes are expected to rebound somewhat and capacity begins to correct itself as the ELD mandate draws closer. As such, it is possible that the historical relationships prove to be different this year as these dynamics unfold.

Jason Bates: Can you please provide an update on the other non-reportable segment operations. The loss of \$5.5 million during the quarter was lower than the previously anticipated guidance of \$8 million to \$10 million. What contributed to the difference?

Virginia Henkels: The primary difference between expected and actual results was in our leasing subsidiary, where the leasing revenue was roughly \$1 million more than expectations, and our expenses were \$1 million to \$2 million better than expectations driven by reducing excess equipment and lower maintenance cost.

Jason Bates: Can you give us an update on your non-reportable segment guidance for the remainder of the year?

Virginia Henkels: We expect the total loss of the non-reportable segments to be in the range of \$5 million to \$8 million in Q2 and Q3, and then move to profitability in Q4, depending on the volume of the seasonal project business.

Jason Bates: Truck count took another step down sequentially. How do you see this progressing over the remainder of 2017 based on demands view?

Virginia Henkels: We view the moderate sequential Q1 step-down to be seasonal in nature and that these trucks could be added back as volumes pick up throughout the year.

Jason Bates: And then we'll wrap up the call with a variety of miscellaneous questions here. Can you please provide an update on expected net CapEx for 2017? Is the \$35 million in the first quarter of '17 of gross CapEx an expected run rate, or should this increase throughout the year to come more in line with your normalized range of \$250 million to \$300 million net?

Virginia Henkels: Yes. We would expect our net CapEx to increase in future quarters to be more in line with the full year maintenance range of \$250 million to \$300 million.

Jason Bates: What is Swift's driver / to non-driver employee ratio, excluding those employees directly responsible for Intermodal brokerage or other revenue?

Virginia Henkels: We don't provide this level of detail with regard to employees, but you can reference our 10-K for our consolidated headcount statistics.

Jason Bates: On January 27, you guided for Q1 '17 gains on sale of equipment to be \$1 million to \$2 million, and reiterated your expectation for gains on sale of equipment to be in the \$3 million to \$5 million for the year on the first quarter '17 earnings call, yet you achieved roughly \$4 million this quarter. What drove the change from prior expectations, have used tractor and trailer prices improved or did you sell more equipment?

Virginia Henkels: The answer to this is yes and yes. We actually sold more tractors and trailers than originally anticipated and the pricing was also a bit better than originally anticipated.

Jason Bates: And our final question. You previously guided to a 36 percent to 37 percent tax rate for the year, but the first quarter '17 was well below that. What drove the difference?

Virginia Henkels: As we mentioned in our letter to stockholders, our first quarter tax rate was lower than we anticipated due to certain benefits related to stock compensation deduction.

Richard Stocking: So in summary, the industry headwinds and market environments in the first quarter have been tough on all carriers. However, our entire organization remains committed to controlling cost, increasing our asset utilization and seeking opportunities to improve pricing and grow revenue. Our strategy remains to position ourselves with our customers and suppliers to benefit from the anticipated capacity contraction, which we believe is inevitable over the next 12 months. In addition, we will work diligently to bring the merger with Knight Transportation to a close, which we expect to occur during the third quarter of 2017.

Once again, we would like to thank all of our hardworking employees and professional owner-operators who have contracted with us as well as our loyal customers and stockholders for their continued support of Swift as we strive to deliver a better life to our drivers, customers and stockholders. Thank you very much.

Jason Bates: Thank you, (Kayla). That concludes the call.

Operator: Thank you for your participation. This does conclude today's conference call. You may now disconnect.

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