

SWIFT TRANSPORTATION COMPANY

**Moderator: Jason Bates
January 26, 2016
10:00 a.m. ET**

Operator: This is conference # 20483968.

Operator: Good morning. My name is Mike, and I'll be your conference operator today.

At this time, I'd like to welcome everyone to the Q4 2015 Q&A session. All lines have been placed on mute to prevent any background noise.

If you require operator assistance during the call, please press star zero on your telephone keypad and an operator will come online to assist you.

I will now turn the call over to Jason Bates, Vice President of Finance and Investor Relations Officer.

You may begin your conference.

Jason Bates: Great. Thank you, Mike.

We would like to welcome everyone out to Swift Transportation's Fourth-Quarter Q&A session. As a reminder, we have posted a comprehensive letter to stockholders, which summarizes our results, on the front page of our Investor Relations Web site. We're going to 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 factor 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.

So with that out of the way, I would like to recognize the members of Swift's management team on the line today. We have Jerry Moyes, our Founder and Chief Executive Officer; Richard Stocking, our President and Chief Operating Officer; and Ginnie Henkels, our Executive Vice President and Chief Financial Officer. And again, my name is Jason Bates, Swift's Vice President of Finance and IR Officer. And I will be moderating today's Q&A session.

We appreciate all the questions that were submitted prior to the deadline last night. Similar to quarters past, we have categorized them. And we will do our best to provide detailed responses to each this morning. To the extent you have additional follow-up questions, feel free to reach out to me after the call.

And, yes, before we get started with the Q&A, we're actually going to start the call today with an intro from Jerry, who is going to talk a little bit about 2015, the current state, and some expectations for 2016.

So with that, I will turn the call over to you, Jerry.

Jerry Moyes: All right. Thank you, Jason.

I want to start out today by saying that I have to admit that we, as a management team, have been very disappointed at the valuation multiples that Wall Street has placed on our Company over the last several months.

To be honest with you, we think they are ridiculous levels at time. However, on the flip side, it has allowed us to buy ourselves back at a significant discount to where we feel the fair market value is so we are really not complaining.

I want to ask everyone maybe to indulge for a second while I step back and put a few things in perspective relative to this past year and the upcoming year.

To start with, in 2015, I will admit that there were several areas where we felt we fell short. Some were self-inflicted; others were a function of more broader macro forces. However, I also want to emphasize that there were a lot of things about 2015 that we are very proud of as well.

To start, I want to reiterate to everyone that in 2015, we achieved a 7 percent year-over-year increase in consolidated revenue, ex-fuel surcharge. And even more importantly, an 8 percent year-over-year increase in our adjusted earnings per share. Keep in mind, both of these increases were achieved in a relatively challenging operating environment.

We also did a great job in 2015 servicing our key customers, partnering with them to drive value-added solutions, while focusing on getting the appropriate rate increase to offset increased equipment costs and our driver pay increase.

Lately, it seems like there has been an excess amount of discussions regarding rate increases or lack thereof. I want to remind everyone that in 2015, in our truckload segment, which is over 50 percent of our revenue, we were able to realize 4 percent increase in our loaded rate per mile, ex-fuel. In our dedicated segment, which is about 25 percent of our total revenue, we were able to realize 5.1 percent increase in our rates.

I want to set the backdrop, as I prepare to talk about 2016. Because even if you assumed an extreme case of 0 percent increase on all renewals in 2016, keep in mind that we carry forward roughly one-half of this increase from 2015 into 2016 based on when the business is up for renewal.

So if you take a 4.5 percent rate increase and average it with a 0 percent, we're still going to end up with over 2.5 percent increase next year. And if we get a 2.5 percent or 3 percent increase, you can play the math. We're going to end up with a 3 percent or better increase, going forward.

And to be clear, the continuing rising costs of equipment, labor, potential significant capacity restraints with our EOBR's coming online, and our strong customer relations, we assume 0 percent increase on our new business in 2016 is an extreme assumption.

Let's move to a discussion from rates on to volume. Over the past several months, there have been a lot of negative comments from the experts about the overall macro environment, and the truckload industry specifically.

To be honest, I feel this negativity has been way overblown. As you can imagine, Richard and I talk regularly to our customers. And based on the recent conversations with three of our top customers, they have shared with us, they expect their year-over-year truckload traffic in 2016 to be up 5 percent, on average. We have another top account that was in here recently. It is actually our number 11th account, a retailer that is adding 15 percent store growth last year. And they're going to add 15 percent store growth next year.

We have another account that their truckload spend is going to go from \$900 million last year to \$1.6 billion next year. You can imagine which customer that is. So these numbers are not signaling, to us, a consumer recession.

On that note, now is a good time to remind everybody that while the economy may be experiencing a small industrial recession, that does not mean that we are experiencing a consumer recession. Keep in mind that here at Swift, our revenue base is strongly aligned with consumers. Roughly 80 percent of our revenue is supplied from consumer-oriented end markets.

I had a conversation yesterday with Bob Costello, the Chief Economist at the American Trucking Association. He said that roughly two-thirds of the economy is consumer-based, and that all data points are signaling that in 2016, the consumer should be doing pretty well.

Fuel prices are down significantly. I use the expression, my wife goes to Costco, and used to spend \$120 filling up her Suburban. And now it only costs her \$60. So that's \$60 more dollars she can go into Costco and spend.

Secondly, the employment numbers are getting better. Wages are improving; housing data points are improving. And all four of these positive data points are affecting consumer spending, which leads to increased sales for our customers, which leads to increased business for Swift.

I want to touch on two other points briefly before we get into Q&A: cost-cutting initiatives and our share repurchase. I'll start with the potential opportunity on our cost cutting. We believe we have a variety of these initiatives identified through our annual planning process, which may yield benefits in 2016.

First of all, the new equipment and the technology that we are bringing in. We believe there are opportunities for reduction, on a per mileage basis in our repair and maintenance expense. Secondly, we're going to be very aggressive in managing our fuel expense, looking very closely at where we purchase, both over the road and our bulk; analyzing our fuel optimization route; and really taking advantage of this improved fuel economy on this new equipment.

Thirdly is our insurance and claims. We have had some frustrating, and frankly embarrassing, trends over the past couple of years in our insurance and claim line. This is one of the primary reasons that we have accelerated our trade cycles last year and invested in the enhanced safety equipment of our fleet.

The anti-collision and anti-rollover lane departure devices, in conjunction with the installation of our cameras, are really beginning to pay off. We have seen very positive trends in accident frequency and severity, the first signs of which we will see in our improved Q4 insurance and claims.

I just want to go over a couple of numbers. Comparing fourth quarter of last year, we were at 4.8 percent. Fourth quarter of this year, we were at 4

percent. So we have made considerable improvement in our insurance and claims, and we believe that that will continue.

Finally, as we have discussed in our letter to our stockholders, we have completed the initial \$100 million share repurchase authorized in late 2015 by the Board of Directors. That initial repurchase will be approximately \$0.04 accretive to our adjusted earnings per share on an annual basis.

As I mentioned previously, we believe the current price of our stock is significantly undervalued. I will be asking the Board of Directors in February to consider authorizing an additional 200 million share repurchase, with a few caveats that we will discuss in a minute. However, at today's significantly undervalued price, a \$200 million share repurchase would actually be even more accretive, dealing \$0.08 to \$0.10 accretive to our adjusted earnings per share.

So assuming what we repurchased was approved and completed in 2016, the combination of these repurchases would affect \$0.12 to \$0.14 of earnings accretion with basically zero risk. To put that in perspective, we are regularly presented with acquisition opportunities.

This past year, we were presented with a company that was probably going to cost us \$500 million to \$600 million. And assuming all the stars aligned and everything went perfect with this acquisition, we would achieve maybe a \$0.07 to \$0.09 accretive to earnings on this.

So while we as a management team did not necessarily agree with the share repurchase or the most optimal use of our capital in a normal environment, hopefully, these analysts help put into perspective why I believe that the share repurchase at these ridiculous low prices can make a lot of sense.

Also, to finalize my point on the \$200 million share repurchase request, the caveats would be as follows. It would include the need for the repurchase to be funded solely by a free cash flow. And only after reinvesting in our equipment and paying down at least \$30 million to \$50 million of additional debt, to show continued progress on our leverage ratios.

With that, we will turn it back over to Jason.

Jason Bates: Great. Thanks, Jerry. So with that, we will go ahead and get into the Q&A portion of the call today, with a few questions, starting out, on EPS guidance and expectation, before we move into some of the operating segments.

In your EPS guidance of \$1.50 to \$1.60, what are your approximate range assumptions for changes in rate per loaded mile and miles per truck?

Richard Stocking: Yes, based on our customer feedback, and several of our internal initiatives, we're targeting truckload rate and utilization increases of 2 percent to 3 percent, and utilization of 1 percent plus, respectfully.

Jason Bates: While understanding that you may not want to provide granular quarterly guidance, can you help us think about the cadence of earnings in 2016? What are some of the items that could impact year-over-year comparisons in the first quarter or first half?

Is there any reason why quarterly earnings, as a percent of total, would vary significantly from historical averages?

Ginnie Henkels: Good question. I know that Jason and his team had worked with many of the sell-side analysts on their models over the past couple of years, to help them appropriately grasp the unusual quarterly earnings cadence for Swift.

I would say that the three- to four-year historical data points he and his team have previously provided is the appropriate starting point, after which you would want to factor in any unique items anticipated for the coming year or quarter.

Historically, roughly 15 percent to 17 percent of our expected annual earnings will be achieved in the first quarter, with 23 percent to 25 percent in both the second and third quarters. And the remainder, which could be as much as 35 percent to 37 percent of annual earnings, in the fourth quarter.

Obviously, there are a variety of things that could cause these percentages to vary from historical averages. Such as the timing of significant wage or

owner-operator pay increases, lawsuits, insurance settlements, fuel price assumptions, macroeconomic events on freight volumes, the ELD implementation impact to capacity, et cetera.

Jason Bates: How did the tractor backlog issues end up, relative to your initial expectations for a \$0.05 to \$0.06 hit in the back half of 2015? And how much carryover impact is expected, as you resolve any lingering issues in the first quarter of 2016?

Jerry Moyes: This cost come in as expected, in the range of \$0.05 to \$0.06. We will have some slight carryover going into first quarter, but it should be resolved within the quarter.

Jason Bates: What range are you projecting diesel fuel prices to be during 2016?

Ginnie Henkels: We are expecting fuel prices to remain low, but to increase modestly throughout the year, consistent with the forward curve.

Jason Bates: Does guidance assume any incremental savings from insurance and claims in 2016?

Ginnie Henkels: Yes, we are anticipating the recent safety trends that Jerry discussed to continue, as we move throughout 2016. And so we do expect to see a reduction in our insurance and claims expense, as a percentage of net revenue, from the 4.7 percent we had in 2015 to somewhere between 4.2 percent to 4.5 percent in 2016.

Jason Bates: Can you provide an earnings walk to your guidance for 2016, please? Given the significant uncertainty and headwinds truckload and intermodal faced this year, clarity on growth would be extremely helpful. Also, how much are you baking in for a downturn in economic conditions?

Ginnie Henkels: It may be best to answer this question by grouping items into positives and negatives. On the negative side, we expect the gains on sale of equipment to be down year over year, due to the decline in the used truck market and fewer trade trucks in 2016.

Fuel, although remaining low, could be a negative year over year, since we do not anticipate the benefit that we received in 2015 associated with the lag effect of a \$1 drop in diesel prices to recur in 2016.

We also have the continuing impact of the driver wage increases we gave in 2015. And depending on the environment, we may need to do a little more here in 2016.

On the positive side, we expect to see improvements in our insurance and claims expense, maintenance expense and fuel efficiency, as Jerry discussed. In addition, we have several one-time items that we do not – in 2015 that we do not expect to recur. And then we also have the \$0.04 of EPS impact associated with the share repurchase that has been already completed.

As far as economic conditions, we are expecting GDP growth of roughly 2.5 percent, and consumer spending to be similar to 2015. We have factored in a deceleration in pricing, given the broader concerns, but still expect to see some level of improvement in 2016, for an overall increase of 2 percent to 3 percent, including the carryover from 2015.

We also believe we have opportunity to further improve the utilization of our equipment, by driving more miles with our existing fleets and improving the turn on our containers and intermodal. We have flexibility to adjust the size of our fleet, if necessary, if the environment is different than what we currently expect.

Jason Bates: Do you anticipate any margin improvement in 2016? If we view the legal expense settlements in the third quarter of 2015 as one-time items that shouldn't occur in 2016, the guidance suggests a year-over-year decline in earnings.

We understand the current freight environment, and potential weakness in pricing. However, does the earnings guidance suggest a decline in the operating margin, as well?

Richard Stocking: We have the opportunity to improve margins, given the focus – or hyper-focus on utilization and cost control, as we described. Significant weakness in

pricing may affect our ability to achieve these objectives, but we will monitor and make adjustments if the environment is different than what we expect.

Jason Bates: What are you expecting driver wage increases to be during 2016? If you're not willing to provide a specific growth rate, can you provide context, i.e. slower than 2015's growth, flat, year over- year, down year over year?

Jerry Moyes: We expect driver wages increase in 2016 to be at a slower pace than the prior two years. We will have a year-over-year impact in Q1 and Q2, as the last large increase was in May of 2015. But any additional increases in 2016 will depend on the rate increases we are receiving from our customers, and the overall driver market.

Jason Bates: Can you provide expectations for fleet growth by operating segment in 2016? Also, what would you expect from a quarterly standpoint?

Jerry Moyes: We expect that, on a consolidated basis, the fleet will remain relatively flat from where we are in 2015. This may fluctuate a little bit on a quarterly basis, as the replacement cycle occurs throughout the year. But generally, it will be flat.

This is also true on a segment basis. There may be some migrating from one segment to another, depending on our contracts, our wins and timing. But overall, we do not anticipate significant swings.

Jason Bates: Is future fleet expansion still contingent upon internal utilization results? Will you consider expected demand growth in the broader market fundamentals, as well?

In other words, if demand for capacity is expected to remain sluggish, and pricing improvement is muted, is fleet expansion still primarily contingent upon utilization improvement?

Richard Stocking: Yes, fleet expansion in our over the road fleets is dependent upon our overall volume, i.e. demand, as well as utilization. These two items are closely tied, as it is difficult to improve the utilization of your fleet if your freight basket isn't full.

Therefore, demand levels are a definite factor in the decision to increase or decrease the over the road fleets. Dedicated works a bit differently, as that is annualized based on profitability, on an account by account basis.

Jason Bates: Tractor count declined sequentially in truckload, and grew in dedicated. Do you see demand sufficient to support continued growth in tractors, in the dedicated business?

Jerry Moyes: Some of the growth in the dedicated is at the expense of the truckload that occurred in the fourth quarter, is related to seasonal surge needs of some of our dedicated accounts. Aside from that, we do have some specific opportunities within the dedicated for continued growth.

We also will be reviewing certain underperforming accounts. And if they cannot be fixed to meet our profitability goals, we may choose to exit certain businesses to take on new businesses.

Jason Bates: Given the completion of ELD rule making, do you believe shippers will be receptive to rate increases, even in a softer freight environment? Are shippers expressing any concern about capacity availability, despite all indicators pointing to there currently being excess capacity?

Richard Stocking: Yes, as we discussed in the opening statement, we do believe EOBRs coming online will have an impact on capacity, availability and pricing. We have had a variety of customers discuss this very issue with us. And I expect, with each passing month, as we draw near to the deadline, that concern will more fully manifest itself.

Jason Bates: You list the impact of ELDs as an opportunity for 2016. To what extent will that play a role in pricing discussions in 2016 versus 2017? In which year do you expect it to be a bigger opportunity for you to take pricing higher?

Richard Stocking: Yes, this is yet to be determined, and it will depend on a variety of different factors. But based on the current trends, we think it builds in 2016 through 2017.

Jason Bates: If you were to look at your business segment separately, how would you rank their resilience to an economic recession? And what differentiates Swift from its peers in such an environment?

Jerry Moyes: True dedicated, as opposed to capacity dedicated and refrigerated, are less prone to economic recessions on a segment basis. With that said, we are also aligned with customers in verticals in our truckload and our intermodal segments, such as consumer products, food, beverage, discount retailers, et cetera, that are less prone to recessions, particularly in an industrial-led recession.

Jason Bates: What does your 2016 guidance include for interest expense, depreciation and equipment gains?

Ginnie Henkels: We do not give guidance on every line item on the P&L, but I will give some color on a couple of these items. Interest expense, combined with derivative interest expense in 2015, was roughly \$42 million.

For 2016, we're currently expecting this to be approximately \$38 million to \$40 million, as debt reductions and the benefits from the re-financings will be partially offset by rising interest rates.

As for gain on sale of equipment, we do not anticipate selling as many tractors in 2016 as we did in 2015, and the used truck market is continuing to soften. Therefore, we do not anticipate the same level of gains for 2016. We are anticipating selling more trailing equipment to offset some of the declines on the truck side. So overall, we expect the gains to be in the range of \$15 million to \$20 million.

Jason Bates: So we're going to go ahead and move into the segments now, starting with the truckload segment. What are the assumptions for truckload revenue per loaded mile, excluding fuel surcharge revenue, in 2016? And what are the biggest factors that will influence whether you end at the low end or the high end of your expectations?

Richard Stocking: Yes, Jerry touched a little on this in the opening. However, to be clear, we are targeting full-year rate increases of 2 percent to 3 percent in 2016. We remain comfortable with this target, and feel it is realistic and achievable.

Regarding the latter part of your question, positive or negative changes to the macroeconomic environment, EOBR implementation, and its effect on capacity, as well as consumer spending, could affect whether we are on the high or lower end of that range.

Jason Bates: How are freight trends looking so far in January?

Richard Stocking: Prior to the storms this past weekend, our overall volumes per business day were relatively consistent with last year at this time. The storms did have an impact, as the East Coast was essentially shut down for three days, and we're now in the process of recovering.

Jason Bates: What type of price increases or decreases are you getting right now on contracted business in dry van, reefer, dedicated and intermodal?

Jerry Moyes: Even though we are in the truckload segment, I will go ahead and answer this question for all of the segments, as they all have been relatively similar. I would say that January has been a little softer, as it relates to pricing, than in years past. But this being said, we haven't taken any rate decreases.

A few of our bids so far this year have been flat, but there have been others that have come within the range of our targeted range. We do not expect January activity to be accurate, representative of the entire year. We believe that our full-year pricing to be in the 2 percent to 3 percent increase range.

Jason Bates: Is the sequential deceleration in the rate increases of revenue per loaded mile in the core truckload sector a function of contract shippers becoming less receptive to rate increases now that the supply demand dynamic has loosened up in the truckload sector?

Richard Stocking: These deceleration in year-over-year rate increases in Q4 was expected, and discussed in our previous commentary. First, dating back to the beginning of

2015, we discussed that the quarterly rate comps would become more difficult as the year progressed, given the strong rate build throughout 2014.

Second, in the third quarter, we discussed anticipated reductions in seasonal project business haul during Q4. Combined with lower than anticipated repositioning charges, due to the softening in the spot market.

The project business typically has a much higher rate per loaded mile than our standard non-seasonal freight, and the repositioning charges are very accretive to our rate metrics, as well.

We knew that the anticipated declines in these revenue streams would negatively affect our rate per loaded mile. In spite of these headwinds, though, we were still able to achieve an approximate 2 percent year-over-year increase in our truckload segment in Q4.

Jason Bates: What will truckload and dedicated fleet growth look like in 2016?

Richard Stocking: Although we do not expect to grow our consolidated truck count above our 2015 fourth-quarter levels, truck count within our reportable segments may ebb and flow throughout the year, based on several factors. Such as consumer opportunities, freight volumes and driver availability.

Jason Bates: You decreased your truckload fleet 1.8 percent in the fourth quarter of 2015, to 10,465 average tractors in service. Should we expect that pace of decline to continue into 2016? Or do you look to hold these absolute levels firm?

Jerry Moyes: We expect our truckload fleet to hold relatively firm throughout 2016, with the only real reduction being realized by potential shifting from the truckload units into other segments, such as our dedicated, to achieve these new awarded businesses.

Jason Bates: Would you say that the lower repositioning fees Swift is generating is more related to faster turn times or lower volumes?

Richard Stocking: It is more affected by overall freight volumes, and indirectly by the spot market. When capacity is constrained, shippers are willing to pay a premium to relocate trucks, to ensure their freight gets covered.

Jason Bates: Can you quantify the headwind the equipment disposals had on the 1.9 percent year-over-year recorded increase in truckload rates, revenue per loaded mile, net of fuel last quarter? i.e., if the unmanned fleet had been flat year over year, what would the rate increase in Q4 have looked like?

Richard Stocking: Yes, the backlog had little to no effect on our reported fourth-quarter rates, but did have a negative impact on our overall fourth-quarter utilization and profitability to the additional caring and processing cost of the back-logged equipment.

Our fourth quarter rates received pressure primarily from the reduction of our seasonal project business hauled during the quarter, combined with lower than historical repositioning revenue.

Jason Bates: How do you see deadhead into 2016? Would you expect it to remain at elevated levels, given the loose capacity, at least during the first half?

Jerry Moyes: Deadhead may be pressured in the first quarter, especially in spite of the recent weather. However, we expect to see deadhead improvement overall in 2016, especially in our truckload segment. Keep in mind we have a network of engineered teams that starts every day proactively engineering our network, tailoring solutions designed to minimize the number of empty miles we incur.

Jason Bates: Loaded miles per tractor per week was down 2 percent for two quarters in a row now. Would you expect that to continue, as long as the environment is loose? What makes it get better, and what drives it worse?

Richard Stocking: As we have discussed and addressed in Q2 and Q3, we anticipated pressure on our year-over-year utilization metrics associated with the tractor backlog, stemming back to an OEM delays earlier in the year. We are almost complete with the cleanup of that backlog, and would expect to drive utilization improvements, especially in our truckload division, going forward in Q2 through Q4 of 2016.

Jason Bates: You appeared to cut costs better than expected in your truckload segment. Are the impacts from high insurance claims over? Were there any one-time benefits our true-ups in the quarter?

Richard Stocking: Yes, I don't want to jinx ourselves by saying that the impact of prior-period insurance claims is over. Because as we have seen, these claims can have a very long tail, which have manifested themselves at different points in 2014 and 2015.

However, I echo Jerry's earlier comments that we are seeing very positive trends in accident frequency and severity. And our commitment to continue safety improvements, which hopefully will continue to be represented in the insurance and claims line on our P&L's.

Jason Bates: Do you expect year-over-year operating ratio deterioration, in the early part of 2016, in your truckload segment?

Richard Stocking: Based on what we know today, we expect fuel and gain on sale to be headwinds in 2016, hopefully offset by improvements in our utilization, especially in the second half of the year. We also know that the year-over-year driver wage comp, from January to May, will be pressured as a result of last year's significant driver wage increases.

So all in, at this point, depending on how fuel and gains play out, we expect our truckload segment to be relatively flat to slightly up, in the adjusted operating ratio for 2016.

Jason Bates: What is the impact Amazon's purchases of trailers is having on the truckload segment? Can Amazon be a disruptor in the trucking market, if they keep increasing asset ownership?

Jerry Moyes: As of right now, Amazon's trailer purchases are having little to no impact on our truckload segment and I think it may be premature for us to speculate on what kind of destruction their asset ownership may cause on the industry.

Remember, this is an \$800 billion industry, and it is incredibly fragmented. Having said that, we currently operate several different facilities for Amazon, across a variety of our suite of services, and excited about our potential growth with this partnership.

Jason Bates: Great. So we will move into some questions on the dedicated segment here. Similar to truck, dedicated improved operating ratio to the best level in eight quarters. What drove the improved margins? And is that likely to continue, going forward?

Richard Stocking: We're very pleased with our dedicated revenue and EBIT for Q4 results, and recognize that these results are an accumulation on many individuals' efforts and focus. Keep in mind, this segment operated consistently in the 86 to 88 range adjusted OR for several years, so it is not as if we are surprised to be there again.

These results were primarily driven by improved pricing, operational improvements in sub-performing accounts, and an improvement in insurance and claims expense as a percentage of our revenue, excluding fuel.

We look forward to building upon this momentum throughout 2016, as we feel there are several ongoing opportunities that will further improve this segment, adjusted operating ratio in coming quarters. As it relates to 2016, we are targeting moderate year-over-year improvements in the dedicated segment's adjusted operating ratio.

Jason Bates: Are there additional contracts to shutter in this environment, given returns?

Richard Stocking: We are continually evaluating the profitability of each and every one of our dedicated accounts. If we identify an account that is not generating sufficient returns, we will first work to ensure we are doing our part to meet bid, pricing and model expectations. i.e., are we running the business how we priced it?

Second, we will work with customers to explore alternative operational solutions that will improve profitability. If that is not possible, we will engage with them in pricing discussions.

Finally, if no other viable alternative exists, we will exit the business and redeploy those assets to more profitable alternatives.

Jason Bates: Dedicated added tractors, and you noted some project wins. Are those all in, at the end of Q4 or will the fleet continue to grow, just based on the contract wins?

Richard Stocking: OK, with the exception of a few smaller accounts, the majority of the tractors associated with the mentioned project wins were fully implemented within the fourth quarter, with the few remaining additions being added throughout the first quarter of 2016. So keep in mind, we also have a small number of tractors that temporarily transferred in from the truckload segment in the fourth quarter, to help us seasonal surge needs of some of our dedicated accounts.

As we previously mentioned, although we do not plan on growing our consolidated truck count above the 2015 fourth-quarter levels, we feel confident that we can continue to expand dedicated EBIT, by focusing on driving improvement to the operational fundamentals of the sub-performing accounts.

Jason Bates: Revenue per truck increased significantly. Is that solely mix-related on contracts? Can you break out pure price of like-for-like contracts and mix shifts?

Jerry Moyes: Because of the nature of our dedicated business, oftentimes being largely affected by mix, lane flow from the customer, it makes the most sense to analyze this business on a revenue per truck, per week basis, rather than separately pricing and utilization.

Jason Bates: So there was a handful of questions on the intermodal segment, and we will move to that now. Under what circumstances would you evaluate your long-term commitment to intermodal? And would you go so far as to divest the unit, if margins do not make demonstrable improvement during 2016?

Richard Stocking: Intermodal, like every other business at Swift, must cover its cost of capital. If we feel the intermodal division is not likely to attain this objective, we

evaluate all options available to Swift. We have not made recent investments into additional containers for intermodal, because our focus is upon working to improve the earnings and return on our previous investments.

Jason Bates: How much margin expansion is contemplated at intermodal? What are the biggest risks to expanding margins? And what factors could drive upside to plan at this segment in 2016?

Richard Stocking: We have a short-term objective of increasing intermodal margins to a mid-90s operating ratio, with a longer-term objective of reaching the lower 90s.

The biggest risk to expanding margins is not driving further efficiencies in our dray network, or increasing the volumes and turns to the capabilities of the current fleet size. Upside to intermodal plans results could be driven by increasing volumes, and turn results above our near-term turn objectives of two turns per month.

Jason Bates: Why did the intermodal OR not have its usual fourth-quarter performance improvement, versus the first nine months of 2015?

Richard Stocking: This year's Q4 marketplace was not as robust as 2014, in terms of both the quantity of higher-margin project freight and the ability to charge repositioning and tier volume charges to primarily retail shippers. Overall, West Coast volumes did not surge as significantly as previous years.

With a smaller fleet size, Swift has historically positioned itself to support strong West Coast retail demand and support our retail customer base. The muted demand impacted Q4 profitability.

Jason Bates: What do the, quote, weakening intermodal volumes awarded late in the quarter, end quote, mean for 2016 volume and revenue?

Richard Stocking: A better explanation of Q4 volumes results is that realized volumes were not as strong as anticipated, moving into the month of December. We feel positive about our position in current bid activities and results.

Clearly, the drop in fuel prices, and the current availability of truckload capacity, could impact 2016 volumes. However, we feel improving rail service results will allow us to grow intermodal volumes and revenue in 2016.

Jason Bates: How much will a conversion to 100 percent containers in the intermodal operation help the unit's operating ratio?

Jerry Moyes: We feel that focusing on our [COFC] volumes will help us improve dray costs, refocus – or reduce our chassis cost, and improve container turns. This focus will ultimately help improve our overall intermodal cost, and improve our operating ratio.

Jason Bates: What type of price increases or decreases are you getting right now, on contracted business and intermodal?

Jerry Moyes: We feel the current market still supports the attainment of modest intermodal price increases. We feel our rail provider will continue to progressively increase rates, and the rates to our customers must stay in line with our rail cost.

Jason Bates: Fleet count is flat in intermodal, at 91.50, but the load count dropped about a 0.5 percent year over year. Is this solely consumer-related, or losing share?

Richard Stocking: Our TOFC business has been strategically reduced in recent quarters, and will largely end in Q1 of 2016. Our COFC business grew 3.2 percent in Q4. This did not meet our internal growth goals, but also grew faster than the overall domestic intermodal marketplace. As a result, we did not lose share. However, we did not gain share at our desired rate of growth.

Jason Bates: Why, with much smaller fleet, are you posting negative load growth, while J.B. Hunt is growing its load 6 percent year over year?

Richard Stocking: As answered in the previous question, we did not shrink our COFC business, but rather grew at 3.2 percent. We are committed to growing our COFC business.

However, we are also committed to pricing our business at levels which will generate profitable business. We believe it is possible to both grow our COFC business while participating or practicing disciplined pricing practices in the marketplace.

Jason Bates: Revenue per load was up sequentially. Is that normal in fourth quarter? Or was there tightness you were able to benefit from?

Jerry Moyes: Our revenue per load was impacted by a disciplined pricing approach, along with freight mix. Although we were successful in winning some project freight and repositioning charges, these were not at the levels of previous years, which muted our ability to improve rate per load, resulted to our desired levels.

Jason Bates: What are you seeing economically? Is the consumer starting to roll over, as intermodal volumes suggested throughout the fourth quarter of 2015? Or is it holding firm?

Richard Stocking: We do not believe the consumer is rolling over. The challenges of higher inventory levels have been widely reported. As inventories are worked off, we believe consumers do have purchasing power through reduced consumer fuel prices, which they will likely spend on improved consumption. This demand, along with potential impacts on driver capacity through electronic logging devices, will create adequate intermodal demand.

Jason Bates: Moving on to Swift refrigerated. What would your revenue, excluding fuel surcharge growth, have been in Swift refrigerated, if not for the large specialty dedicated account that was terminated?

Richard Stocking: We have't publicly disclosed the exact size and impact of this discontinued specialty account, other than disclosing that it was significant in size, and it did not meet our profitability targets. The account was fully discontinued on January 31 of 2015. So the impact on year-over-year comparison should be very minimal now, going forward.

- Jason Bates: How much margin expansion is contemplated at Swift refrigerated? And what are the biggest risks to expanding margins? And what factors could drive upside to plan in 2016?
- Jerry Moyes: We feel the Swift refrigerated segment has the potential to drive year-over-year improvements in its adjusted operating ratio in 2016. Driven by increased pricing and asset utilization, while also improving current safety and driver retention, and other initiatives. We believe this is possible, and our refrigerated team is committed to this vision. Potential risk factors would include pricing pressure, loss of key dedicated accounts or driver availability, and our safety trends, and et cetera.
- Jason Bates: Given the drought in California and the shift in the focus of production of fresh produce to the East, will the turnaround at Swift refrigerated take longer than anticipated?
- Richard Stocking: The California drought has had a negative effect on our refrigerated network, but our operations and sales teams have worked hard to make the necessary adjustments to minimize its impact. We continue to explore market alternatives, and continue to re-engineer our network where appropriate. These efforts have greatly reduced the drought's impact, and we do not expect the drought alone to be a major hindrance to Swift refrigerated's long-term profitability.
- Jason Bates: Swift refrigerated missed targets on revenue growth and OR. Is that a shift in demand? Mix? Contract loss you highlighted? If so, was this move prompted by Swift? What led the change?
- Jerry Moyes: Pricing and freight mix both contributed to the revenue and profitability results within refrigerated. Some of this was due to a softer freight environment, which caused a sub-optimization of our network, resulting in increased deadhead, reduced weekly loaded miles per truck, and the selection of lower-paying freight.
- Jason Bates: Loaded miles utilization per tractor declined sequentially. Why?

Richard Stocking: The decrease in utilization was mainly due to lower than expected volumes throughout the quarter. Freight was softer, especially after the Thanksgiving holiday. This, combined with the challenge of honoring driver home time, while also encouraging drivers to come back to work in appropriate time, proved to be more difficult than we expected.

Jason Bates: Tractors still scaled 3 percent year over year. Why grow fleet, if utilization is soft?

Richard Stocking: Yes, good question. The aforementioned freight and driver home time issues contributed to the underutilization. We do not anticipate adding any incremental truck count to this segment, until our internal productivity targets are met. We feel we can meet these targets by continuing to build our customer base, engineering the network and streamlining operational processes.

Jason Bates: Moving on to debt, CapEx and capital allocation. You continue to beat your five-year plan set out in 2012, regarding leverage reductions. Are you still confident in further reductions to a 1.75 level in 2016 and a 1.5 level in 2017?

Or is it dependant on what the Board announces for a share repurchase program? Are any share repurchases, beyond the \$30 million you did in January reflected in your current guidance of \$1.50 to \$1.60 of earnings per share?

Ginnie Henkels: As we have stated in the past, our target leverage is to be between 1 and 2 times debt to EBITDA. Since we are now in the range, but at the top of the range, we do expect to continue to reduce our leverage with some debt reduction and EBITDA growth.

Any further share repurchases would have an impact on how quickly the leverage would be reduced, but we do not anticipate a share repurchase would be done at the expense of increasing our leverage ratio, longer term. Also, we have not anticipated any further share repurchases in the guidance range.

Jason Bates: There has been concern in the market about your financial leverage, and there is a widely held perception that your Company remains over-levered. But this

concern strikes me is misguided. First, even with, at times, uneven earnings performance, your free cash flow has remained consistently robust, and your leverage has declined consistently for seven straight years. Second, given how much you have de-levered, and the low cost of your debt, your EBITDA coverage of interest is now nearly 20 times.

Even in a sustained dire recession scenario, where EBITDA was slashed, it is very tough to see how you would have any realistic balance sheet risk at this point. Nonetheless, your stock trades at less than 9 times a cyclically challenged earnings number. And clearly, the market is still valuing it as though you do have balance sheet risk. So why not get considerably more aggressive on share buyback? You started to buy back stock in Q4, Q1, but only \$100 million worth.

If the market won't give you proper credit at these multiples, why not use your free cash flow, along with another turn of leverage, and buy back 35 percent to 40 percent of your market cap? Or at an absolute bare minimum, spend 100 percent of your annual free cash flow to buy back 15 percent of your market cap? \$100 million of stock buy-back is nice, but it's nowhere near enough.

Jerry Moyes: I want to thank whoever it was that sent in this question, as I could not agree more with them. Seriously though, I will say that for every investor who may share yours and my opinion on leverage, there is also one who is very concerned about increasing debt, going into an uncertain economic environment.

We are trying to find the balance, and continue to stay true to our commitment of de-levering, while also taking advantage of a significant undervalued price share, to boost earnings for our shareholders.

I talked at the outset of this call about what I will be proposing next month to the Board of Directors. So we will weigh the options with our other capital allocation alternatives, and do what is in the best for the long-term interest of our stockholders.

Jason Bates: What was the ending basic share count, as of December 31, 2015?

Ginnie Henkels: Our basic share count at the end of the year was 138.8 million shares.

Jason Bates: Can you provide more specifics around planned CapEx in 2016. Specifically, how many trucks and trailers you intend to purchase and what is the planned net fleet growth? Further, can you discuss the timing of the deliveries, and the plans for the sale of used equipment?

Ginnie Henkels: We expect both our trailer and tractor fleet to be relatively flat year over year, i.e. no growth from where we ended 2015. For trucks, the timings will be smooth throughout the year, and spread consistently.

Jason Bates: How do you expect to end the year, in terms of fleet age?

Ginnie Henkels: We expect to be relatively consistent, year over year.

Jason Bates: How much in proceeds from disposal of equipment does your 2015 net CapEx guidance include?

Ginnie Henkels: For total proceeds, we are expecting to be in the range of \$120 million to \$150 million.

Jason Bates: As we may be moving into a rising interest rate environment, what percentage of the Company's debt is fixed? And what percentage is floating?

Ginnie Henkels: With the re-financings that were completed in 2015, and the maturity of the previous swaps, currently, other than leases, our debt is primarily floating.

Given that our business is cyclical, we believe it is appropriate to leave a larger portion of our debt floating, as rates generally tend to follow a cyclical trend. But we have been, and will continue to, monitor the forward curve, to determine whether or not to swap a portion of our floating debt to fixed in the future.

Jason Bates: What happened to deferred income taxes on the balance sheet current assets? It dropped from \$31 million to zero.

Ginnie Henkels: I can tell you that our controller will be very happy (laughter) that somebody asked this question. So – and we do have a footnote on this, as well, on the balance sheet.

But in November of 2015, the Financial Accounting Standards Board issued accounting standards update 2015-17, which requires that deferred income taxes be classified as non-current for annual periods beginning after December 15, 2016.

We decided to early-adopt this guidance in 2015, and retrospectively adjusted the December 31, 2014 presentation, by reclassifying a \$43.3 million net current deferred tax asset. Which is actually a combination of a \$44.9 million current deferred asset, net of a \$1.6 million current deferred tax liability, into the net non-current liability of deferred income taxes.

Jason Bates: So we have a handful of miscellaneous questions covering a variety of topics, which we will jump into before we wrap up here. Are you planning to make any changes to your insurance deductible during 2016?

Ginnie Henkels: We have just gone through an extensive market study on our self-insured retention levels, and the results are definitive that is economically favorable to remain with our current program. We are still evaluating additional alternatives, to see if they produce a more favorable option for us to reduce the volatility associated with the current 10 million self-insured retention level.

Jason Bates: Is the lower cost of diesel helping or hurting the Company's margins? I was under the impression that those with better than average fuel efficiency actually slightly benefited from higher fuel prices.

Ginnie Henkels: Generally, when fuel prices are decreasing, we have a benefit related to the leg associated with billing fuel surcharges. This happens because we bill based on the retail diesel fuel index that is set on Mondays, and we pay current day fuel prices, which end up being lower than the index when fuel is dropping.

When fuel prices increase, the opposite is true, and we actually have a negative impact associated with this structural leg. When fuel prices remain constant at a low level, we have a benefit of paying less fuel for our un-compensated miles, such as deadhead or out of route, or for fuel burned while equipment is idling.

Jason Bates: Your non-reportable segments, essentially your logistics and brokerage businesses, are growing quickly, and now generate more in revenues than either your refrigerated or intermodal businesses. Referring to these businesses as non-reportable segments makes them sound as if they are somehow not real and nonrecurring. Can't you come up with a better name?

Ginnie Henkels: There are many different revenue streams grouped together in this line item, of which none is significant enough to meet the criteria of a reportable segment, hence the name non-reportable segments. This is not to imply that they are not recurring, as the vast majority of these revenue streams are stable, recurring and growing.

Included are logistics and brokerage, as well as support services we provide to our customers and owner-operators, related to repair and maintenance services, equipment leasing and insurance.

Jason Bates: What percentage of your customers are utilizing more than one of your services? More than two? Can you quantify the cross selling opportunities you have?

Richard Stocking: Yes, 100 percent of our top 20 customers use more than one of our services, and approximately 75 percent of our top 50 customers use more than one. With that being said, we still have tremendous opportunities to cross sell the suite of services to our existing customers and new customers. Which will be a strong focus for our sales team and ops team at our annual leadership meeting.

Jason Bates: You cited safety trends as both a risk and an opportunity in 2016. Can you discuss the steps you're taking to improve safety trends? How confident are you that insurance and claims expense won't be a year-over-year headwind, once again, in 2016?

Richard Stocking: We have implemented many, many safety initiatives in 2015, with the objective of lowering our accident and work comp incident rates. First, as Jerry discussed, we made significant investments in technology by adding collision avoidance and lane departure warning systems to all of our new trucks. We are seeing improved incident rates with this equipment, compared to the equipment that it has replaced.

In addition, we are retrofitting all of our trucks with cameras, and have implemented a coaching program to correct at-risk behaviors, based on the events captured with this technology. We are extremely excited with the results. We've also expanded and upgraded the talent in our claims department, to better assess and manage our risk when accidents do occur. This is just a few of many steps we've taken to improve our safety trends, and we will continue these items and more in 2016.

Jason Bates: How did workers' comp expense come in, versus your original plan, in the fourth quarter of 2015? What sort of an increase are you modeling for 2016?

Ginnie Henkels: For the full year, similar to insurance and claims, workers' compensation was worse than we originally anticipated for 2015. Also similar to insurance and claims, these trends started to improve in the latter part of the year. And therefore, we anticipate 2016 to be slightly improved from the 2015 levels.

Jason Bates: Can you provide us with some additional granularity on the sequential increases in EBIT for Swift's other non-reportable segments? Were there any other factors that constrained EBIT on a year-over-year basis, besides the weaker seasonal business? Directionally, does 2016 guidance assume seasonal business comparable to 2015 or 2014 levels?

Ginnie Henkels: Included in the non-reportable segment in the third quarter was a \$5.1 million charge associated with a class-action lawsuit, as we disclosed. This would have contributed to the sequential increase from Q3 to Q4, in addition to the seasonal project business. For 2016, we are assuming the project business included in the non-reportable segments to be similar to 2015.

Jason Bates: What are your thoughts on new Uber for trucking apps in the market? Will these push out brokers? And can they dis-intermediate large trucking firms' roles?

Richard Stocking: Freight, unlike people, can be extremely complex to transport. Specialized equipment, trailers, permits, bill of ladings, et cetera. We do not want to imply that it can't be accomplished, but it is going to be more involved than simply shuttling people from one place to another. So to be honest, it is too early to know the impact of this initiative on the overall market.

Jason Bates: Great. That concludes the Q&A that we received. I'm going to go ahead and turn the call now over to Jerry for a conclusion.

Jerry Moyes: Thank you, Jason. To summarize, first, although we believe we could have, and should have, done a better job in 2015, we were able to achieve near double-digit percentages increase in both the top line and bottom line, on the year-over-year basis. Also in the fourth quarter, the truckload and dedicated segments, which is roughly 75 percent of our total revenue, operated in the mid to upper 80s from an OR perspective.

Secondly, we believe the recessionary comments, conversations with all of the experts have been significantly overblown, especially as it relates to the customers, to our customers, which is what drive our business model. Based on conversations with our customers, we believe that rates and volumes will be there in 2016.

Third, we believe that we have ample opportunities to focus on cost-cutting initiatives, regardless of the economic environment, which will assist us in achieving our earnings target for 2016.

Fourth, we will be very focused on our capital allocation strategies, with the goal of maximizing shareholder accretion and values. We will exercise CapEx restrained, and not add any extra capacity in 2016.

Our capital allocation priorities will be number one, standard investment in our fleet, number two, debt repayment, and three, accretive capital allocations

such as our share repurchase program. At the current cheap stock price, additional share repurchase may be the most viable option on that front.

Finally, I want to reiterate to all of our investors or potential investors on this call that if you are an investor who is genuinely interested in the long-term value of the Swift, I can promise you that you and I are aligned in our goals.

As someone who owns over 50 million shares of this Swift stock, my objective is to do what is best in the long-term interest and overall enterprise value of this Company.

I never have, nor ever will, do anything short-term oriented. I can tell you the Board of Directors, our management team and our employees have a tremendous amount of Swift stock, and have a lot of options, and are very oriented exactly the same way. Hopefully, you feel the same.

Thank you very much.

Jason Bates: That concludes the call for today. Thank you for joining us.

Operator: This concludes today's conference call. You may now disconnect.

END