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SWFT - Q2 2012 Swift Transportation Earnings Conference Call

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CORPORATE PARTICIPANTS

Jason Bates *Swift Transportation Co - VP Finance, and IR Officer*

Richard Stocking *Swift Transportation Co - President and COO*

Ginnie Henkels *Swift Transportation Co - EVP and CFO*

PRESENTATION

Operator

At this time I would like to welcome everyone to the Swift Transportation second quarter 2012 Q&A call. All lines will remain open throughout the conference call.

(Operator Instructions)

I would now like to turn the call over to Mr. Jason Bates. Sir, you may begin your conference.

Jason Bates - *Swift Transportation Co - VP Finance, and IR Officer*

Thank you, Rashonda. We would like to welcome everyone out to the Swift Transportation second quarter 2012 Q&A session. My name is Jason Bates, and I oversee our Investor Relations activities. As a reminder, we've posted a comprehensive letter to stockholders summarizing the results of our second quarter, and that's found on the front page of our IR website, which is ir.swifttrans.com. We will start the call today with our forward-looking statement disclosure. Today's 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 that 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 10-K for the year ended December 31, 2011. 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 in our filings with the SEC 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 presentation also includes certain non-GAAP financial measures as defined by the SEC. The calculation of each measure, including a reconciliation to the most closely related GAAP measure and the reasons management believes each non-GAAP measure is useful are included in the schedules attached to our letter to stockholders. 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 Jerry Moyes, our Founder and Chief Executive Officer, who is joining us remotely from one of our terminals; Richard Stocking, our President and Chief Operating Officer; and Ginnie Henkels, our Executive Vice President and Chief Financial Officer.

QUESTIONS AND ANSWERS

Jason Bates - *Swift Transportation Co - VP Finance, and IR Officer*

Again, my name is Jason Bates, and I will be moderating today's Q&A session. So we appreciate all the questions that were sent in last night. We have grouped them into categories, and we'll try to get through as many of them as possible today. With that, let's go ahead and start off with a

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few questions on our rates. Richard, rate improvement of 2.5% was slightly below previous guidance of 3% to 4%. Is this due to a softening economic environment? Why did you lower your guidance to 3% to 3.5%? What drove the decline in dedicated pricing per loaded mile?

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

All right, thanks, Jason, and good morning, everyone. To answer the first question, the lower consolidated rate improvements were actually a result of business mix and an economic environment that was less robust than we had originally anticipated. As we mentioned in the letter, we achieved rate improvements of 3.3% in the over-the-road line haul service, and we also lowered our guidance to 3% to 3.5% now that we've had two quarters of actual results under our belt, and have better perspective on the trends, as well as the mix impact of growing our dedicated service offering for the remainder of the year. And the decline in dedicated rates was also a result in a change of business mix within the dedicated service offering.

Jason Bates - *Swift Transportation Co - VP Finance, and IR Officer*

Can you provide some color on how rates trended throughout the second quarter on a monthly basis?

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

Well again, we don't disclose the monthly details behind our rate per mile. I can say that the trend was positive, and that it built throughout the quarter, and that we will continue to work on that momentum for the remainder of the year.

Jason Bates - *Swift Transportation Co - VP Finance, and IR Officer*

What is your view on spot pricing? Are there any regions that pricing has been weaker or stronger?

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

As we've stated in the past, we really don't participate very much in the spot market. However, we do provide a service to our customers that is more in line with repositioning, which we actually charge extra to reposition those trucks, and we have seen that market remain relatively consistent on a year over year basis. And we strongly believe that the repositioning need that our customers have will continue in the third and fourth quarter, as it did last year.

Jason Bates - *Swift Transportation Co - VP Finance, and IR Officer*

Okay. So there were quite a few questions that came in as it relates to volumes and utilization and trends. First one, here -- 2012 freight has demonstrated more typical seasonality thus far. Do you think that that continues?

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

We do. We believe that we are experiencing a more typical seasonal pattern relative to years past, and the continuation of this trend will obviously depend on several factors; consumer confidence, as well as what's going to happen in the economic environment and the political environment. But we believe that this trend will be typical of years past going into Q3 and Q4.

Jason Bates - *Swift Transportation Co - VP Finance, and IR Officer*

How much of a drag on total utilization was the shift from line haul to dedicated? Should we expect this trend to continue?

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

It's a good question. We don't disclose specific amounts at this time. However, as we have discussed in the letter that we sent, our loaded utilization in the over-the-road line haul service offering was up 110 miles per truck per week, which we're very proud of. Historically our dedicated service offering has yielded a lower utilization figure, but comparable on the revenue per truck per week, and we expect this trend to continue. But it will ultimately depend on the type of dedicated customers that we add, as well as we retain, on a go-forward basis.

Jason Bates - *Swift Transportation Co - VP Finance, and IR Officer*

So what percent of your truck revenue today is dedicated versus a year ago? How does this impact yields, utilization, margins, et cetera?

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

Again we don't break that out at this time at that level of detail. However, we have shifted trucks from our over-the-road line haul service offering to our dedicated service offering, as we have gained new dedicated contracts and awards throughout the year and throughout the quarter. Doing so gives us the opportunity to shed some less efficient lanes in our over-the-road network, and bolster and build our dedicated service offering.

Jason Bates - *Swift Transportation Co - VP Finance, and IR Officer*

What was the year over year percent change in total loaded miles during the second quarter?

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

Loaded miles were down 2.5% year over year, due to a 3.7% reduction in our average operational fleet, and that was offset by a 1.2% improvement in our loaded utilization. And a point of clarification; keep in mind that we define utilization as loaded miles per truck per week, and I believe others may define utilization as revenue per truck per week.

Jason Bates - *Swift Transportation Co - VP Finance, and IR Officer*

Okay, thanks. Can you discuss volume trends throughout the quarter? Throughout the quarter, you guys had commented that volumes were "good but not great". Can you provide a little color on that comment, and then has July started out softer than normal, or are you concerned with the current economic environment?

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

Jason, volumes in the second quarter were softer than we would have hoped, but they weren't concerning. We remain cautiously optimistic about the overall economic environment. If you look at the month-to-month trends, we were consistent throughout the quarter of Q2, and July is following normal seasonal trends. So again, softer in Q2, but not concerning.

Jason Bates - *Swift Transportation Co - VP Finance, and IR Officer*

With the transition to a larger dedicated mix, what level of mileage increase per tractor is the management team targeting for the next few quarters?

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

Again, we don't disclose certain targets. However, as we've said in the past, our long-term goal is to improve return on our net assets. And one of the best ways our organization knows to do this is to increase our utilization per tractor, and that remains a major key focus, or a wildly important goal for us, and we have several initiatives that are helping us make progress to that goal.

Jason Bates - *Swift Transportation Co - VP Finance, and IR Officer*

With the recent decline in broad measures of consumer, business, and market sentiment, what impact has the environment had on your shipper base? Have customers become reluctant to commit to peak shipping capacity? Can management provide us with an update on where broad levels of demand and supply are in the truckload market?

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

Sure. We believe that the market is close to equilibrium, and I believe that manifests itself as markets improve and capacity tightens very quickly. Customers are still concerned about the peak season as it relates to obtaining sufficient capacity for their business needs, so much so that they are currently willing to negotiate surge pricing and capacity commitments going forward. So it's also a situation where there is a flight to quality, as well, and we feel, just as you look at Swift, as they use more of our suite of services, we have more opportunity to gain that share.

Jason Bates - *Swift Transportation Co - VP Finance, and IR Officer*

Okay, and as far as improving utilization in deadhead, can you discuss the role of the network engineers that you now have in place? What tools do they have at their disposal? How far along in the process are we, and do you have any specific internal targets around utilization and deadhead?

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

We are very excited about our network engineers, the progress we're making, and we still have more to obtain within those goals and initiatives relative to engineering our entire network. But they monitor and analyze our balance, our head-haul and backhaul markets throughout the network. They also develop solutions to match load volumes with our truck availability. They look at seasonal demands. We've equipped our network engineers with several tools, including freight maps, load optimization software, inbound-outbound balancing reporting, and lane prioritization tools, among others, to help us achieve those numbers that we've achieved so far, and the goals we have set for ourselves going forward.

Jason Bates - *Swift Transportation Co - VP Finance, and IR Officer*

Can management provide us an update on the Plus One initiative, as well as give some examples of benefits the company has achieved to date?

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

The Plus One initiative was a contributing factor in our ability to grow that 110 miles per truck per week in our line haul service offering. In addition, it has helped increase our drivers' W2, as it results in them running more miles, which then helps our retention, and then our cost control, so it all hooks together.

Jason Bates - *Swift Transportation Co - VP Finance, and IR Officer*

What percent of your volumes relate to consumer goods that are purchased during new home construction? Can you reposition your trucks to take advantage of the improvement in housing starts?

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

Great question. Our trucks are positioned across the country because of our infrastructure and terminal network, and we're ready to take advantage of any improvements relative to this type of business. If you think about the tile and the carpet that comes out of the Southeast, or the insulation and windows out of the Midwest, or whatever, our fleet is positioned to take advantage of that opportunity. However, we don't break out specific revenue related to housing starts.

Jason Bates - *Swift Transportation Co - VP Finance, and IR Officer*

Okay, thanks Richard. There were also a lot of questions with regard to CapEx and our fleet overall. It looks like you made the decision to lease the new tractors instead of purchase. Is this the reason why your net cash CapEx guidance was reduced to the $190 million to $220 million range? Will this continue to be your decision moving forward for the rest of 2012 as you look at tractor acquisitions? Are operating leases included in the leverage ratio?

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

All right, at the beginning of the year, we gave net cash CapEx guidance of $250 million. As we discussed in the past, we're trading or selling our trucks today based primarily on mileage rather than age. So when we put our CapEx plans together for 2012 at the end of 2011, we used an algorithm to project the miles by truck, and determine how many trucks we expected to trade. Now that we're halfway through the year, we have been successful in managing our trucks and their applications, meaning putting higher mile trucks in lower mileage applications, and we have been able to keep these trucks longer than originally anticipated. Therefore, we've been able to push out some of the orders to next year, which has reduced our total CapEx needs for 2012, which is why the guidance was reduced. We will continue to lease trucks in the second half of the year, as well, and the current split is estimated to be roughly 40% to 45% purchased, with the rest leased, either through capital or operating leases, which depends on the economics at the time of financing. And then with regard to the leverage ratio, our leverage ratio as defined in our credit agreement does not include operating leases as debt, but the rent does decrease our EBITDA used in that calculation.

Jason Bates - *Swift Transportation Co - VP Finance, and IR Officer*

So how should we be thinking about 2013 net cash CapEx levels?

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

We have not finalized our CapEx plans for 2013 yet, but I would expect that net cash CapEx would be similar to 2012.

Jason Bates - *Swift Transportation Co - VP Finance, and IR Officer*

So kind of following up on the comment about the fleet, how do you feel about the current age in composition of the fleet, and what targets do you have for fleet count moving forward?

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

We're happy with the current age of our fleet. Our average company sleeper fleet is about 2.8 years. But as I just discussed, we're trading our trucks based on mileage, not age. So the age will vary as a result of what those mileage factors are. And with regard to the fleet count, as we mentioned in the letter, we are expecting to increase between 50 and 100 units on average in both Q3 and Q4.

Jason Bates - *Swift Transportation Co - VP Finance, and IR Officer*

And finally, how robust is the used equipment market at this point in time?

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

The used truck market is softening just a little bit, but as you can see from our gains, it's still pretty strong.

Jason Bates - *Swift Transportation Co - VP Finance, and IR Officer*

Okay, and then with regard to the owner-operator fleet, what are your goals with regard to expansion in that arena this year?

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

Originally we were targeting, as you well know, owner-operator growth of 200 to 300 units for the year. Unfortunately, we haven't seen that growth. This is a contributing factor into our recently announced owner-operator banded pay program, which we believe will help our retention and the growth of the fleet.

Jason Bates - *Swift Transportation Co - VP Finance, and IR Officer*

There were also a few questions around debt, and leverage, and interest. It says -- You show on page 1 of the letter that you paid $48 million of debt, yet you show only a $36 million reduction in net debt. Why the difference? Was it the growth in the revolver or LTs?

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

The difference between the debt and the net debt is unrestricted cash, meaning that unrestricted cash is netted against debt to derive net debt. So the $12 million difference represents a $12 million reduction in our unrestricted cash balance.

Jason Bates - *Swift Transportation Co - VP Finance, and IR Officer*

What should we expect for interest expense for the remainder of 2012? Do you have plans to pay down additional debt in the third and fourth quarters?

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

With regard to interest expense, a portion of our debt is based on LIBOR. So obviously our interest expense will depend on those trends. But we are currently expecting interest expense, excluding the amortization associated with the terminated interest rate swaps, to be between $28 million and $29 million per quarter. And then as for additional debt repayments, yes, we are expecting to make additional payments this year. We have reduced our gross debt by $119 million so far this year, and over $72 million on a net-debt basis. And as we have stated since our IPO, our goal is to reduce our net debt by a minimum of $50 million to $100 million a year. And we expect to be at the top end or above this range for 2012.

Jason Bates - *Swift Transportation Co - VP Finance, and IR Officer*

When is the next scheduled pre-payment on the term loan?

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

As we make the voluntary pre-payments on the term loan, they are applied against the scheduled payments. Currently, we have made all of the scheduled payments on the term loan B1 through June of 2013. So the next payment scheduled on the term loan B1 is for $5.25 million in September of 2013. On the B2, we have made all of the scheduled payments through September of 2016, and we will likely continue to make these payments well in advance.

Jason Bates - *Swift Transportation Co - VP Finance, and IR Officer*

What about the ratings agencies? Have you revisited with Moody's, and when do you expect them to potentially take a look at revising credit ratings?

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

This is a good question. As you know, in mid-February they did change our outlook to positive, and they must do a review at least annually. Our performance has continued to improve, but I do not know if and when they will make a change.

Jason Bates - *Swift Transportation Co - VP Finance, and IR Officer*

There were a lot of questions about driver availability, driver pay increases, owner-operator pay increases. Can you provide more clarity around the driver and owner-operator pay increase? What do you think the impact will be on EPS, and what improvements in operations do you expect as a result of the increase?

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

As we have previously disclosed, we implemented the driver bonus program beginning July 2, 2012 that pays drivers based on the achievement of certain performance metrics. We expect the impact of this change to be approximately $0.01 per mile on total miles driven by our company drivers. For our owner-operators, we've implemented a new banded pay structure to encourage them to participate in all of our freight, regardless of length of haul. This banded pay program provides a higher rate per mile for a shorter length of haul, which covers the extra time required for pick-up and delivery. It's a better program for the owner-operators. The program is designed to incent them to be indifferent with regards to the length of haul for any load that is given through our load optimization matching software. We expect this change will increase our purchase transportation expense by roughly $0.01 to $0.02 per loaded mile driven by the owner-operators, and this $0.01 increase for company drivers, and the $0.01 to $0.02 for the owner-operators, is the impact before the consideration of the potential positive impacts, which include improvements in our retention, our deadhead, our utilization, our unmanned truck percentage, safety and service to our customers.

Jason Bates - *Swift Transportation Co - VP Finance, and IR Officer*

Please elaborate on the potential benefit to deadhead from the initiative to get owner-operators to participate in all freight regardless of the length of haul.

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

The primary purpose of this program is to aid in owner-operator retention, as I mentioned before, so that we can continue to grow the number of owner-operators that we have at Swift. Any operational improvements, such as the deadhead percentage, would simply be an added benefit. While the impact will be relatively small to our consolidated deadhead percentage, we do believe this program can enable us to better manage our network and reduce deadhead miles driven by the company drivers. The program is designed to incent the closest truck, whether company or owner-operator, to haul the nearest available freight regardless of the length of haul for that load. Historically, our owner-operators have preferred the longer length of haul, thus requiring a company driver to deadhead further in certain situations to pick up the shorter load.

Jason Bates - *Swift Transportation Co - VP Finance, and IR Officer*

Okay, thank you. Approximately what portion of your company driver population will receive the pay increase you described in the letter? Is the increase you mentioned $0.01 per loaded mile or $0.01 per total mile?

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

The majority of our drivers will receive an increase, but the amount will vary between the drivers. The overall impact is expected to be approximately $0.01 per total company mile, and this is the reason why it varies, it is the difference between each driver and the results that they produce on those metrics that we discussed.

Jason Bates - *Swift Transportation Co - VP Finance, and IR Officer*

Last quarter, you mentioned that, though you still struggled with driver recruitment and student driver recruitment, you suffered less than your peers. This quarter you've identified drivers as an issue more prominently than you have in the past. Can you describe Swift's current situation in regard to the driver market, and what is being done to attract more drivers.

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

Right. This morning, we have 1,266 students in our pipeline. That's up from 1,150 just a week ago. And this pipeline consists of students in our academies, as well as those on our mentor trucks. This is 200 below where we would like it to be, and we believe our structure and our processes will continue to bring, not only experienced drivers, but also attract students into our academies. And we're having better success as we move forward with our initiatives and our pay incentives. We are further encouraged by the recent trends in our retention levels, as we continue to create a driver-friendly environment at every touch point within our organization for our drivers.

Jason Bates - *Swift Transportation Co - VP Finance, and IR Officer*

So following up on the driver market, did you notice whether or not the shortage became significantly more acute in the second quarter?

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

As many of our peers have discussed, the driver market has been an increasing area of focus for our entire industry, and our company is no different. This is one of the contributing factors for the implementation of the incentive bonus program for the company drivers, and the banded pay for the owner-operators. This is an area we will continue to monitor closely as we move forward.

Jason Bates - *Swift Transportation Co - VP Finance, and IR Officer*

You noted that your turnover of drivers is below the industry average. Can you detail to what level?

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

Unfortunately, we don't disclose our specific turnover levels. But we feel comfortable and happy where we're at, and we believe we can further improve those levels.

Jason Bates - *Swift Transportation Co - VP Finance, and IR Officer*

Has the driver wage increase alleviated the driver situation?

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

It was just implemented July 2. And while we're very encouraged by the trends over the past couple of weeks, it's really too early to quantify the impact.

Jason Bates - *Swift Transportation Co - VP Finance, and IR Officer*

Do you anticipate the driver market continuing to tighten? Will additional pay increases be needed at some point later in the year?

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

As we've mentioned before, we believe there will be a seasonal improvement in trends and volumes that will help drive utilization improvements which, when coupled with our recently announced incentive bonus program, should translate into larger W2s for our drivers, which we are excited about. And as a result, we do not believe we will need to provide any wage increases for this year.

Jason Bates - *Swift Transportation Co - VP Finance, and IR Officer*

You talked a little bit about deadhead. There was an additional question -- What should we expect with deadhead on a go forward basis?

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

We've made a lot of improvements over the past several quarters, and this continues to be a major focus for us. However, on a consolidated basis, the future year over year improvements may be masked as a result of growth in our dedicated Mexico and intermodal dray businesses, which typically have more deadhead miles.

Jason Bates - *Swift Transportation Co - VP Finance, and IR Officer*

There were a lot of questions about expenses, and expense management, and how to project expenses. One of which was -- In the release, lower workers compensation is listed in the driver of the lower labor expense within the quarter. Was any of the reduction related to accrual adjustments?

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

There were no significant prior-year adjustments in the quarter for workers compensation expense. The reduction was primarily due to higher expense last year.

Jason Bates - *Swift Transportation Co - VP Finance, and IR Officer*

So insurance costs declined materially in the second half of 2011 versus the first half. What are you expecting for the second half this year within your guidance?

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

As we discussed last quarter, without any positive or negative impacts from prior-year claims, we expect our insurance and claims expense to be between 3.8% and 4% of net revenue.

Jason Bates - *Swift Transportation Co - VP Finance, and IR Officer*

Will operating supplies and expenses continue to see upside pressure from the expansion of intermodal? What is a good run rate for this expense line moving forward?

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

We do have some chassis expense -- and other expenses related to intermodal -- that are recorded in the operating supplies and expense line. And these expenses will increase as our container fleet grows, although in total, they are a relatively small portion of that operating supplies and expense line, well below 10% of that number.

Jason Bates - *Swift Transportation Co - VP Finance, and IR Officer*

There were some questions about some of the other service offerings, one related to Mexico. How are the cross-border revenues with Mexico improving?

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

Jason, while we do not disclose specific details around our Mexico service offering, I will say that we are very happy with our teams in Mexico, as they continue to build relationships with our customers and suppliers. If you look on a year over year basis, we grew close to 100 trucks in that service offering. Additionally, we are focusing on growing our intermodal presence in Mexico, as we've talked in quarters past, and that is progressing very well. And we're pleased with the growth in profitability and revenue we've seen with the intermodal as well.

Jason Bates - *Swift Transportation Co - VP Finance, and IR Officer*

So on intermodal, there were some questions about that service offering, and the direction we're going there. The first one -- Other revenue, mainly intermodal, experienced a material increase year over year. Is your growth goal still 20% to 25% for the full year 2012, or has that target increased? And how should we think about growth in 2013?

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

Yes, as you mentioned, Jason, our stated goal here is 20% to 25%. We are very pleased with our ability to grow the top line of this business more than 35% in the second quarter, which was a function of several wins with new and existing customers. While we hope to continue to realize stronger than anticipated year over year revenue growth, we will be pleased if our full year growth rates falls within the previously stated range for 2012. For 2013 revenue growth, we have not provided specific details as of yet. However, we expect to finish 2012 with 2,500 more containers than we had at the beginning of the year, which should lead to further revenue expansion into 2013. And again, we're very pleased with the awards that we've received from our customers and the growth that we've experienced thus far.

Jason Bates - *Swift Transportation Co - VP Finance, and IR Officer*

So how much of the 35% COFC revenue growth in the second quarter was from volume growth versus pricing? What is your container turns during the second quarter, and what is your expectation for the remainder of the year?

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

COFC volumes were up approximately 33% year over year. The remaining increase was due to pricing, as well as an increase in our fuel surcharge revenue. Relative to the container turns. We don't disclose those or break that out at this time.

Jason Bates - *Swift Transportation Co - VP Finance, and IR Officer*

Can you quantify, roughly, what portion of total intermodal revenues were COFC versus TOFC?

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

Again, we don't disclose a specific percentage splits between the COFC and TOFC; however, we have stated in the past that the TOFC is a much smaller percentage of the total intermodal revenue.

Jason Bates - *Swift Transportation Co - VP Finance, and IR Officer*

How did the growth of your intermodal business affect its profitability in the quarter? Do you expect it to be profitable for the year?

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

Again, we don't disclose specific profitability for any of the service offerings at this time.

Jason Bates - *Swift Transportation Co - VP Finance, and IR Officer*

Will you talk about growth of your logistics and intermodal service offerings, and-or the returns profile versus your more asset intensive truckload business?

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

As we've previously discussed, our logistics and intermodal business is a key focus for us this year as we strive to improve our return on our net assets. Both of these services have lower margins than our traditional truckload businesses, but can have a higher return on our net assets, because they require less capital investment. As we grow both of these services, you should expect to see a higher consolidated operating ratio, but better return on our net assets.

Jason Bates - *Swift Transportation Co - VP Finance, and IR Officer*

So what happened to the truck brokerage service offerings during the quarter? Can you discuss the specific trends, is the balanced freight market still a challenge for that segment?

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

This business is still relatively small for us, and we have invested in tools and processes to help us grow this service offering going forward. Regarding balance, freight, and software market, it becomes more a challenge for brokerage or logistics opportunities. However, we are still excited about the long-term growth potential.

Jason Bates - *Swift Transportation Co - VP Finance, and IR Officer*

How confident are you that you'll be able to fit 2,000 new containers into your network in the second half of the year? Do you run the risk of getting your network out of balance?

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

We're very confident in our timing of in-servicing these new containers, obviously coming in the third quarter. These new containers will be used to support new awards and volume growth that we have recently received.

Jason Bates - *Swift Transportation Co - VP Finance, and IR Officer*

Okay, there were some questions about adjusted EPS. Specifically, why did your share count fall in the second quarter, and what should we model for the second half of 2012?

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

Our basic share count was consistent year over year, but our diluted share count did go down. The diluted share count is impacted by stock options, and whether or not they are in the money and by how much. Since our stock price was down at the end of the period, the effective dilution from the options decreased, thus decreasing the diluted share count.

Jason Bates - *Swift Transportation Co - VP Finance, and IR Officer*

Can you quantify how much lower on a sequential basis you expect the third quarter of 2012 EPS to be versus the second quarter of 2012 EPS?

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

Assuming we have a stable fuel environment, meaning no significant increases or decreases in fuel, we expect our adjusted EPS in the third quarter to be below the second quarter of 2012, and it will possibly be down year over year, as well, as we absorbed the much-deserved increases we've given to our hard working drivers and owner-operators. But as we highlighted in the letter, we are still expecting 20% growth in our full year adjusted EPS.

Jason Bates - *Swift Transportation Co - VP Finance, and IR Officer*

So to obtain a 20% adjusted EPS growth for the full year, there will be quite a step up from third quarter to fourth quarter. What are you expecting for improvement in the fourth quarter?

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

First, we're expecting to have continued sequential improvements in our revenue per loaded mile that Richard talked about earlier, and this will help cover the cost of the driver and owner-operator increases. Also, we are expecting to have seasonal services in the fourth quarter, like we experienced last year and years prior. This includes staging, repositioning, and other special services for our customers that provides additional income for us in the fourth quarter.

Jason Bates - *Swift Transportation Co - VP Finance, and IR Officer*

Okay, thank you. And our final question here was with regard to the growth target of 20% for the 2012 EPS, and the question is -- What could help drive upside to that 20% year over year EPS growth target?

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

What can affect that is a more robust economy and increased consumer sentiment, which can lead to improvements in volumes and rates. A further reduction in fuel prices would affect that improvement; continued improvement on our safety and claims management.

I guess I would say that we feel like we've got great momentum with our internal initiatives. We're working towards the vision that we set for this organization. We continue to drive discipline in every avenue and stage of our goals and objectives. We are focused and hyper-focused on what really matters most. We're focused on those lead measures to help us get there. We've got great scorecards to help keep us on track. We're building our leadership and helping them lead our people and manage our initiatives and our processes. The morale within the organization is very strong. So we're very excited about the momentum that we feel like we have within Swift. And we feel like we're walking our talk, and doing the things that we said that we would do, and producing results going forward. So we're very excited about the opportunities of our business transformation, and our continued progress towards our goals.

Jason Bates - *Swift Transportation Co - VP Finance, and IR Officer*

Great. Well, that concludes the questions that we've received. I want to thank all of you for dialing in, and Rashonda, thank you for hosting the call today. Thank you.

Operator

This does conclude today's conference call. You may now disconnect.
