THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

SWFT - Q2 2013 Swift Transportation Earnings Conference Call

EVENT DATE/TIME: JULY 25, 2013 / 3:00PM GMT

THOMSON REUTERS

CORPORATE PARTICIPANTS

Jason Bates *Swift Transportation - VP Finance, IRO*

Richard Stocking *Swift Transportation - President & COO*

Jerry Moyes *Swift Transportation - Founder & CEO*

Ginnie Henkels *Swift Transportation - EVP & CFO*

PRESENTATION

Operator

Good morning. My name is Erica and I will be your conference operator today. At this time I would like to welcome everyone to the Swift Transportation's second quarter 2013 earnings call. (Operator Instructions).

Thank you. I would now like to turn the call over to Mr. Jason Bates. Please go ahead.

Jason Bates - *Swift Transportation - VP Finance, IRO*

Thank you, Erica. We would like to welcome everyone out to our second quarter 2013 earnings call. As a reminder we have posted a comprehensive letter to stockholders which summarizes our results, on the front page of our Investor Relations website. We're going to start the call today with our forward-looking statement disclosure.

This call may contain statements that may be constituted as forward-looking, which are based on information currently available usually identified by words such as anticipates, believes, estimates, plans, projects, expects, hopes, intends, will, could, may, or similar expressions which speak only as of the date the statement was made. Such forward-looking statements are made pursuant to the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are inherently uncertain, are based upon the current beliefs assumptions and expectations of Company Management and current market conditions which are subject to significant risks and uncertainties as set forth in the Risk Factors section of our Annual Report Form 10-K for the year-ended December 31st, 2012. As to the Company's business and financial performance, there are many factors that could cause actual results to differ materially from those in any forward-looking statements.

You should understand that there are many important factors in addition to those discussed and in our filings with the SEC that could 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 discussion also includes certain non-GAAP financial metrics as defined by the SEC. The calculation of each measure including a reconciliation to the mostly closely related GAAP measure and the reasons management believes each non- GAAP measures is useful, are included in the schedules attached to our letter to stockholders.

Okay. 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. Again, my name is Jason Bates, Swift's Vice President of Finance and Investor Relations Officer and I will be moderating today's Q&A session.

So with that we're going to go ahead and start off with a few of the questions we received last night as it relates to rates. What was the average revenue per loaded mile for the entire fleet, not just the truckload segment?

Richard Stocking - *Swift Transportation - President & COO*

Thanks, Jason and good morning everybody. To answer that question, revenue per loaded mile is generally not a great measure of performance for our dedicated segment due to the wide variety of contracts that we have in place, which is why we only disclose this metric for our truckload segment. On the dedicated side some of our contracts have lower utilization and higher rates while others have the inverse, low rate and high utilization. As a result of this business mix rates could drop substantially but our margins could improve.

As a result we focus on revenue per truck per week which we stated was up 1% during the quarter.

Jason Bates - *Swift Transportation - VP Finance, IRO*

Rates -defined as revenue per loaded mile net of fuel decelerated somewhat up 1.6% year-over-year in the second quarter. What are your rate expectations for the second half of 2013? Do you still think you will be able to achieve rate improvements in the 2% to 3% year-over-year range for the full year?

Richard Stocking - *Swift Transportation - President & COO*

So far this year we have not seen a strong freight environment that we were expecting at the beginning of the year. Based on discussions with our customers and our outlook for the second half of the year we expect our year-over-year rate increases to be stronger than what we experienced in the second quarter, but on the low end of the 2% to 3% range that we've previously given.

Jason Bates - *Swift Transportation - VP Finance, IRO*

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

Richard Stocking - *Swift Transportation - President & COO*

On the pricing side each month of the quarter was relatively consistent with regard to the year-over-year rate increase realized. The trends of the increase was neither accelerating nor decelerating, rather staying flat. On the volume side of things miles and demand grew throughout the quarter with June being the strongest. However, we lost one business day in June when compared to the prior year so the growth rate for loaded miles for the month did not look as strong as April and May.

Jason Bates - *Swift Transportation - VP Finance, IRO*

So there were several questions with regard to the overall freight market. The first one here, with the exception of Swift, other second quarter truckload reports have been relatively weak thus far. What are you seeing that's different in the market that allows you to not only add tractors but also continue to achieve utilization improvement?

Richard Stocking - *Swift Transportation - President & COO*

You know, we don't believe we are seeing anything different than our peers. However, I believe we are well-positioned to lever the opportunities in the marketplace when they become available to us. A lot of it comes down to the breadth and maturity of our multiple service offerings, our focus on our customer service and the long-term partnerships we've had -- we've developed with our customers. We have spent a significant amount of time and lots of energy over the past several years leaning out our organization and really focusing and hyper focusing on improving our processess so that we would be well-positioned to grow when the opportunity presented itself. We believe we're simply leveraging that investment now and growing, as long as we can do so without impairing the return on our net assets.

Jason Bates - *Swift Transportation - VP Finance, IRO*

What are your customers telling you with regard to the second half of the year's peak outlook?

Jerry Moyes - *Swift Transportation - Founder & CEO*

Our customers are cautiously optimistic about the second half of this year and at times have expressed concerns about capacity availability, especially if the economy picks up a little bit. As a rule of thumb our customers are optimistic about second half.

Jason Bates - *Swift Transportation - VP Finance, IRO*

What run-rate should we look for on loaded miles per truck? If you're adding so many trucks will this decline? Is 1% a good run-rate?

Ginnie Henkels - *Swift Transportation - EVP & CFO*

As we have stated since we rolled out our goals at our Investor Day in 2012 our primary focus is on improving our return on net assets. We have delivered on our commitment to improve our utilization, having grown our loaded utilization and our truckload segment for six consecutive quarters and 14 out of the last 15 quarters. We now believe that we can begin to grow our fleet but will strive to do so while continuing to improve our utilization.

Jason Bates - *Swift Transportation - VP Finance, IRO*

And what were the total loaded miles for the entire fleet?

Ginnie Henkels - *Swift Transportation - EVP & CFO*

We actually don't disclose that metric since moving to our segments. We disclose it for our truckload segment but not the others.

Jason Bates - *Swift Transportation - VP Finance, IRO*

Can you elaborate on how the freight environment is trending in different parts of your geographic footprint? While you have grown your truck fleet in the Southeastern US and Mexico to account for stronger freight demand can you talk to any areas where trends have been soft?

Richard Stocking - *Swift Transportation - President & COO*

Yes. This past quarter we experienced unusual softness in that upper Midwest and the Pacific Northwest regions. Conversely the south regions particularly in the Southeast were very strong in our network. This slight imbalance led to us needing to reposition some of our power units which did have an effect on our deadhead in the quarter.

Jason Bates - *Swift Transportation - VP Finance, IRO*

How is demand trending so far in July and what are your expectations for the rest of the third quarter?

Richard Stocking - *Swift Transportation - President & COO*

July has followed the typical seasonal pattern. It is generally the slowest month of the third quarter, and this year it appears to be starting off in a similar fashion. It really isn't until mid-August that you really have enough data points to get a good feel on how the third quarter will end up.

Jason Bates - *Swift Transportation - VP Finance, IRO*

In the past you have talked about testing different strategies and different regions to help drive better tractor utilization. Could you discuss some of these initiatives? How should we be thinking about utilization in the second half of the year given Swift's performance in Q2, up 1.5% year-over-year despite adding tractors in a sluggish freight environment?

Richard Stocking - *Swift Transportation - President & COO*

We're excited about this. We do not disclose specific details behind our various initiatives. However, we have several internal strategic focus teams, as well as an array of process improvement initiatives, that should help us to continue to drive utilization improvements - even with the addition of tractors.

Jason Bates - *Swift Transportation - VP Finance, IRO*

Can you provide more color on the business wins you mentioned across your segments as well as the termination of the underperforming accounts? Do you see additional opportunity here in the second half of the year?

Richard Stocking - *Swift Transportation - President & COO*

We really don't want to get into specific customers or the size of the wins. However, during the second quarter we were able to close several new accounts in each of our segments including some accounts that span multiple segments.

Regarding the termination of underperforming accounts, you should know that we are continually analyzing the profitability of each of our over-the-road and dedicated fleets. We look for the opportunities to improve the bottom 10% to 20% - whether via operational improvements, filling the backhaul lanes or working with our customers to develop a win-win solution. Sometimes, unfortunately, if we cannot achieve those win-win solutions we are forced to walk away from some of that business.

Jason Bates - *Swift Transportation - VP Finance, IRO*

Great. There were quite a few questions about equipment. The first one have you begun testing the 2014 model year tractor equipment? If so, to what degree have you experienced an improvement in fuel mileage relative to the 2013 models?

Jerry Moyes - *Swift Transportation - Founder & CEO*

You know, we have done extensive testing on the fuel efficiency of the new equipment and the results vary depending on the manufacturer, but we are very excited about the improvements in certain truck engine combinations going forward.

Jason Bates - *Swift Transportation - VP Finance, IRO*

How has the used truck market been for Swift tractors? Gains on sale were up roughly $1.2 million year-over-year in the quarter. How do you expect gains on sale to trend for the remainder of the year?

Ginnie Henkels - *Swift Transportation - EVP & CFO*

The used truck market has remained relatively strong as evidenced by the healthy gains on sales the industry experienced this quarter. Our gains in Q2 were up mostly due to the volume of equipment that was sold which we expect to be even higher in Q3. Therefore, the gain on sale in Q3 could be equal to or greater than Q2 but should taper off in the fourth quarter.

Jason Bates - *Swift Transportation - VP Finance, IRO*

How much of the Company's forecasted CapEx is allocated to trailers for the full year?

Ginnie Henkels - *Swift Transportation - EVP & CFO*

We don't break out the specific number, but our goal is to bring in 3,000 to 4,000 new trailers each year.

Jason Bates - *Swift Transportation - VP Finance, IRO*

And what is the average age of your trailer fleet, and how about your tractor fleet's average age?

Ginnie Henkels - *Swift Transportation - EVP & CFO*

As we've talked about in the past, we don't disclose the average age of the trailer fleet because we do have a fleet of older trailers that we use in specific operations and for specific contracts and this skews the overall average. The average age of our core sleeper fleet is down to 2.1 years at the end of the second quarter and the average age of the total Company fleet is at 2.4 years.

Jason Bates - *Swift Transportation - VP Finance, IRO*

What is the current state of the driver market? Have you had any trouble finding qualified drivers as you continue to add to your fleet count in 2013? Do you expect to make any changes to your driver pay program in the second half as a response to market conditions?

Richard Stocking - *Swift Transportation - President & COO*

Yes. As and industry it's getting a lot tougher to attract and retain drivers. An improving economy, including an improving housing market only compounds the difficult driver environment. This will in turn drive increased retention and recruiting costs to make it difficult for the industry to increase capacity. At this point we are not expecting to give a rate increase for the drivers. Rather we are focusing on increasing their pay by getting them more miles each week as we continue to drive our incentive program that we implemented last year and we feel confident in the pipeline of drivers we have today.

Jason Bates - *Swift Transportation - VP Finance, IRO*

Are your driver schools full?

Richard Stocking - *Swift Transportation - President & COO*

We've worked long and hard to have a successful program here and we would say our schools are currently healthy and continue to be a differentiator for us in the marketplace.

Jason Bates - *Swift Transportation - VP Finance, IRO*

Can you discuss any impact you have seen from the hours of service regulations taking effect? Has capacity significantly tightened in the industry? Have you had any operational issues as a result?

Richard Stocking - *Swift Transportation - President & COO*

It's really too early to tell what impact will be to Swift, but the overall belief in the industry is that this will have a negative impact on productivity somewhere in the 2% to 5% range with some of our peers citing figures in excess of 5%. However, we believe we're very well-positioned with our terminal network, the training that we give to our drivers and office staff, and our internal processes - which will help us to mitigate some of this impact. However, we do expect to be faced with some utilization headwinds going forward so we're working to mitigate those.

Jason Bates - *Swift Transportation - VP Finance, IRO*

It is impressive that you have improved utilization especially when compared to your peers. However, do you think the hours of service regulations will limit these improvements in the second half the year?

Richard Stocking - *Swift Transportation - President & COO*

As I mentioned previously, we do expect these new hours of service regulations to have some effect on utilization, in certain applications. However, it is our goal to overcome these challenges such that we can either maintain or improve our utilization with other initiatives, in spite of the headwinds.

Jason Bates - *Swift Transportation - VP Finance, IRO*

Is there an early read on how your drivers are responding to the requirements of hours of service?

Richard Stocking - *Swift Transportation - President & COO*

Change is always difficult and it does take time. Having said that, our team has spent a lot of time and tons of energy preparing for these changes in order to minimize the driver frustration once it officially rolled out. We provided our drivers with a series of training courses over the past few months so most of them are very well prepared. It's too early to say definitely how the drivers feel about it, but we are doing our best to make the transition as seamless as possible and the conversations we've had with our drivers have been positive.

Jason Bates - *Swift Transportation - VP Finance, IRO*

And then last one on hours of service what impact do you expect the hours of service to have on pricing, specifically in the second half of 2013? How long did it take for that pricing to catch-up and will the pricing be enough to offset costs or efficiency losses?

Richard Stocking - *Swift Transportation - President & COO*

As we've stated previously, we have very good relationships with our customers and both sides have been willing to work to develop win-win solutions in the past to jointly share in the financial impacts. We believe they will work with us to minimize the financial impact associated with the headwinds that will come via the new hours and service regulations.

Jason Bates - *Swift Transportation - VP Finance, IRO*

Great. Thank you. There were several questions related to operating expenses.

The first one was, is it correct to think about the sequential impact on salaries and benefits from workers' compensation as related to higher than normal reserves in Q1 2013? Or was there a favorable reserve adjustment in the second quarter of 2013? Similarly, is the change related to health insurance related to a reserve adjustment or does it reflect a sustainable run-rate going forward?

Ginnie Henkels - *Swift Transportation - EVP & CFO*

With regard to workers' compensation as discussed in the first quarter we did have a negative impact from an increase in the prior year loss layers which was the primary change for quarter-over-quarter decrease, although there was a much smaller but favorable true-up in Q2 as well.

On the health insurance side we just had a lower than unusual quarter. I would love to say that this trends would continue, but it's the first time in a long time we actually saw a decrease in health insurance so I can't guarantee that that's going to be the trend going forward.

Jason Bates - *Swift Transportation - VP Finance, IRO*

How large were the customers that went bankrupt? When will these be lapped assuming - I'm assuming 3Q of 2014 - and how much bad debt expense was written off as a result? Are you seeing this impact with increasing frequency, should we roll this going forward?

Ginnie Henkels - *Swift Transportation - EVP & CFO*

Our bad debt expense increased roughly $1.1 million year-over-year in the second quarter. We are hoping to recover some of this in future periods as the bankruptcy proceedings progress.

From a revenue standpoint there should not be a significant impact from lost revenue. We're still hauling for some of the shippers post-bankruptcy. And as for frequency it is very unusual to have two bankruptcies of this size in one quarter much less one year. So we monitor our customers and their credit profiles very closely to try to avoid this situation. So I would hope that this is not a trend that continues in the future.

Jason Bates - *Swift Transportation - VP Finance, IRO*

Anything unusual in insurance and claims for the quarter? It seems like they are climbing.

Ginnie Henkels - *Swift Transportation - EVP & CFO*

We did experience some negative development in our prior year layers in the second quarter of 2013 which is why we increased the guidance range for this line item for the full year.

Jason Bates - *Swift Transportation - VP Finance, IRO*

Based on your new insurance and claims expense rates of 3.7% to 4%, up from 3.6% to 3.8%, we are estimating insurance will now be approximately $0.02 per share higher than originally anticipated. Is this a reasonable assumption and reflected in your updated full-year outlook?

Ginnie Henkels - *Swift Transportation - EVP & CFO*

If you're calculating the increase in the high end of the range from 3.8% to 4% then your math is correct. Our full-year-results will depend on the development of claims in the second half, as well as our accident severity and frequency for the rest of the year. In recent years we have seen favorable insurance adjustments in the second half of the year, but this is very difficult to predict which is why we have given a range of potential outcomes.

Jason Bates - *Swift Transportation - VP Finance, IRO*

You previously indicated that fuel surcharge lag was a favorable $0.03 to $0.035 on the second quarter of 2012 results. Can you similarly quantify the impact on the third quarter of 2012 results? I'm assuming it was a headwind.

Ginnie Henkels - *Swift Transportation - EVP & CFO*

Yes. It was definitely a headwind. As we disclosed last year in the third quarter we did have a negative impact from fuel from $0.035 to $0.04.

Jason Bates - *Swift Transportation - VP Finance, IRO*

So we will move on now to the different segments. There were a lot questions submitted as it related to intermodal, truckload and dedicated, so we will start with intermodal.

Intermodal was a pleasant surprise with its return to profitability in Q2. What were the drivers of the improved profitability during the quarter and should we expect further margin expansion in the second half of 2013 as Swift builds the business and improves asset terms?

Richard Stocking - *Swift Transportation - President & COO*

Yes. We were very happy with the improvement we were able to achieve in our intermodal profitability for the second quarter, but we believe that we have a ton more opportunity in this area for improvement. Our margin improvement was based on several factors but primarily due to improved rate efficiencies, and the reduction of some underperforming lanes, primarily in the T side of our business, but we did have some of those lanes that we looked at on the COFC side as well.

This improvement is further magnified when you consider the amount of excess costs we incurred over the prior year due to the increased container fleet. As we increase the utilization we should see additional improvements in our margins. Another item we do not provide specific guidance around our expectations for margins, but I would say that our goal is to improve the profitability in each one of our segments.

Jason Bates - *Swift Transportation - VP Finance, IRO*

How much of the operating ratio improvement is a result of dray efficiencies, reduction of unprofitable lanes, and increasing utilization to help cover overhead costs?

Richard Stocking - *Swift Transportation - President & COO*

Yes we don't provide specific details around each, but I can say that each of these areas contributed to the improved margins for the quarter and we expect these to continue to help our margins going forward.

Jason Bates - *Swift Transportation - VP Finance, IRO*

Intermodal continues to see gains in the operating ratio, but pricing appears to have slowed. What is the driving the deceleration in intermodal pricing ? Are there particular lanes that are seeing significant competition? Has demand shift from truck to rail intermodal begun to slow in the markets you serve?

Richard Stocking - *Swift Transportation - President & COO*

Pricing is not as robust as we would like, but it hasn't slowed. Revenue excluding fuel per load increased 1.2% in the first quarter year-over-year, and increased 1.3% during the second quarter.

Competition in lanes is constantly rising and falling depending on the freight environment, the time of year, and market balance so I wouldn't say there's anything that is outside of the normal course of business. As far as the market shift from truck to intermodal I wouldn't say it has changed significantly over the past few months.

Jason Bates - *Swift Transportation - VP Finance, IRO*

How much more opportunity is there on revenue per load improvement with intermodal?

Richard Stocking - *Swift Transportation - President & COO*

We believe there's still plenty of opportunity for improvement and we expect pricing growth to between that 1% to 2% for the remainder of the year.

Jason Bates - *Swift Transportation - VP Finance, IRO*

Can you please clarify your intermodal revenue expectations for 2013? COFC volumes were up 12% but TOFC volumes were down 48%. Can you please give us a breakdown of what is left for COFC and TOFC?

Richard Stocking - *Swift Transportation - President & COO*

Yes we're still very excited about the prospects for revenue growth in our intermodal segment. Our pipeline is full and we have new strategies, systems and processes that should help drive our profitability. For the third quarter we are expecting to see revenue growth in our COFC business between that 12% to 15%. Revenue growth has slowed from the first quarter as we have begun to shift our focus to margin improvements.

This shift in focus has led us to reduce some underperforming lanes and redeploy resources to other lanes. On the TOFC side we began to reduce our volumes in the latter half of the third quarter of 2012. In addition we are expecting a sequential increase in volumes from the second quarter to the third quarter of 2013 as we began to start some newly awarded business. As a result, as you know TOFC is a very small portion of our business, but may contract slightly in Q3.

Jason Bates - *Swift Transportation - VP Finance, IRO*

It seems a few years ago you ran TOFC down drastically then it zoomed up again and now it's falling off a cliff again. Was this a big customer win and loss issue and why is it so volatile? Why stay in the segment given the lack of returns ? Would Swift consider leaving this business entirely or will the offering always be on the table for shippers? Maybe thinking of this another way, has the increase in COFC been from shippers converting over from TOFC?

Richard Stocking - *Swift Transportation - President & COO*

This volatility was not driven by a specific customer rather based on the type of business we had at the time. It was not providing the margins that we expected. Additionally, we use this business as a pressure valve to support our truckload operations and the repositioning of our new trailer equipment.

As I stated previously, we have some additional TOFC business starting up in the third quarter so we are not leaving the TOFC business entirely. We evaluate new opportunities as they arise and will add new business as it makes sense to our Company. Our primary focus, however, is on our COFC business where we believe we have a greater opportunity for revenue growth, and at the margins as well, as available equipment capacity for our customers.

Jason Bates - *Swift Transportation - VP Finance, IRO*

Is intermodal typically the most profitable in the third quarter? Given the flat container counts going forward could you talk about how improving loads per container sequentially should impact margins?

Richard Stocking - *Swift Transportation - President & COO*

We do not disclose that level of detail for the intermodal segment, but I will say getting more utilization out of our equipment will have a material impact on our margins, which is one of the utilization has been a hyper focus of ours in 2013.

Jason Bates - *Swift Transportation - VP Finance, IRO*

It seems the asset turnover increased sequentially to 1.4x per month, but is still down dramatically year-over-year. How is the progression or focus on utilization coming along and how much can Swift grow intermodal revenue before it needs to add containers to its fleet? What percentage of your container fleet is currently sitting idle?

Richard Stocking - *Swift Transportation - President & COO*

Well, keep in mind that the container turn figures mentioned in the question included both COFC and TOFC loads and are, therefore, not an accurate portrayal of just the container turns. However, our container turns are down year-over-year in the second quarter due to the large amount of containers added during the second half of 2012. But the answer to your question is yes, we are making progress on improving our utilization as evidenced by the sequential improvements and we believe turns will continue to improve.

As we have stated previously, we believe we have sufficient capacity to grow intermodal revenues in 2013 without increasing the number of containers. We do not disclose specifics around the number of containers in stack, but we did have a large number of containers sitting idle in the first quarter. We have placed containers in stack as part of our seasonal freight strategy. During the second quarter we began to release these containers back into our fleets and we expect to have all of our cans out of stack and in operation at some point here in the third quarter.

Jason Bates - *Swift Transportation - VP Finance, IRO*

So moving on to the truckload segment the first question, your truck movements to service over booked markets in the quarter have increased deadhead, and were cited as a reason for the slight year-over-year operating ratio increase during the quarter. In the past you have discussed repositioning charges to offset these costs. Is there a reason why you couldn't charge higher rates to offset this movement?

Richard Stocking - *Swift Transportation - President & COO*

There are many instances where a customer's demand will exceed their forecast- and our capacity availability for the market and such instances we strive to be a good partner and oftentimes will flow trucks from a nearby market into their area to cover their excess demand. In these cases you are correct that we will bill repositioning, or paid deadhead, to the customer. As we discussed previously, the geographic freight demand patterns in the second quarter were somewhat erratic leading to periods of large imbalance in our network. As a result we opted to reposition equipment to the over booked markets to balance out the network. In these instances it is not necessarily a specific customer that causes the imbalance so some of those repositioning charges are not applicable.

Jason Bates - *Swift Transportation - VP Finance, IRO*

At what level should we expect revenue per truck to peak out?

Richard Stocking - *Swift Transportation - President & COO*

Revenue per truck per week is comprised of our loaded utilization times our rate per loaded mile so the reality is that we hope it never peaks out- given that we hope to at least maintain, if not improve our loaded utilization and we expect to realize rate per mile increases in perpetuity to keep up with the cost of inflation.

Jason Bates - *Swift Transportation - VP Finance, IRO*

Do you expect to see truckload operating ratio improvement in 2013?

Richard Stocking - *Swift Transportation - President & COO*

There are obviously a lot of moving pieces that could impact our ability to generate year-over-year OR improvements including the hours of service impact, insurance, fuel and other things. However, our goal is to improve our operating ratio in each of our segments on a year-over-year basis.

Jason Bates - *Swift Transportation - VP Finance, IRO*

Can we assume that the truckload tractor count will stay flat from this level for the remainder of the year?

Richard Stocking - *Swift Transportation - President & COO*

As we have stated, our goal is to improve our return on our net assets and any fleet additions will not be at the expense of this metric. Having said that, currently our expectation would be to increase the truckload fleet between now and the end of the year. However, the magnitude of that growth will depend on a variety of factors including but not limited to the freight environment, hours of service, regulatory headwinds and driver availability. We want to be sure that we don't expend capital on adding trucks simply for sake of growing but that we do so in a profitable, disciplined, efficient manner.

Jason Bates - *Swift Transportation - VP Finance, IRO*

Moving on to the dedicated segment, impressive operating ratio performance in improvement in the segment. Congratulations. How many bum accounts did you clean out, how many are left that you want to get rid of?

Richard Stocking - *Swift Transportation - President & COO*

Well, we are very pleased with the strides our dedicated team is making in this area. We touched on underperforming accounts before and I want to re-emphasize that we have a great customer base in our dedicated segment. We believe we have wonderful win-win relationships with our customers in this business. We work very closely with our customers to create these relationships, but occasionally we need to walk away when a mutually beneficial solution can't be found. In general we do not make a habit of terminating business, and at this time we do not plan on reducing any additional dedicated business.

Jason Bates - *Swift Transportation - VP Finance, IRO*

At what point does the tremendous growth in dedicated margins on a year-over-year basis normalize? Is 15% to 16% an appropriate run-rate margin?

Richard Stocking - *Swift Transportation - President & COO*

We don't provide specific margin guidance for our segments. However, most of the underperforming lanes were reduced during the third quarter of 2012. So we would expect the margin improvements from the elimination of underperforming lanes to end after the third quarter of 2013.

Jason Bates - *Swift Transportation - VP Finance, IRO*

You referred to a 100 to 200 truck growth in dedicated and you've realized 54 in the first half of 2013, so does that mean growth should accelerate from here?

Richard Stocking - *Swift Transportation - President & COO*

The freight market has been more challenging than we would have liked, but we have seen some recent wins in our dedicated segment and have several more in the works that we're very excited about. As a result we expect to grow our truck count in the range of 100 to 200 trucks by the end of the year, assuming we are successful in the bid process. However, because we are adding these trucks in the latter half the year, our full year operational average may not reflect that full amount.

Jason Bates - *Swift Transportation - VP Finance, IRO*

How is the structure of dedicated? Is it all take-or-pay like? And how are the structures of the relationships?

Richard Stocking - *Swift Transportation - President & COO*

Our dedicated contracts are primarily multi-year contracts that are based on fixed and variable pricing, as a result we are paid for the assets that are signed to these customers.

Jason Bates - *Swift Transportation - VP Finance, IRO*

Has the demand for dedicated moderated, picked up our stayed the same?

Richard Stocking - *Swift Transportation - President & COO*

Well, we believe the market for dedicated remains strong. As I mentioned earlier, we have some new wins and some additional opportunities in the pipeline that we're very excited about - and that pipeline remains robust.

Jason Bates - *Swift Transportation - VP Finance, IRO*

The Company saw great improvement in its dedicated operating ratio both year-over-year and sequentially. What were the main drivers of improvement? The letter to stockholders notes an addition of new contracts as well as termination of underperforming contracts in the second half of 2012, although this explains the year-over-year change the sequential change is still meaningful and impressive. What specifically changed sequentially to show such a large improvement?

Richard Stocking - *Swift Transportation - President & COO*

Yes. The sequential improvements were driven by a combination of several factors including lower workers' compensation expense, as Ginnie mentioned, lower health insurance costs, and then our improved revenue per truck per week.

Jason Bates - *Swift Transportation - VP Finance, IRO*

Great. Thank you. So we're going to move into debt and capital expenditures question. The first one is why did the pace of debt reduction slow to $19 million in the second quarter? What are your debt reduction targets for the year given the reduction of $75.9 million thus far?

Ginnie Henkels - *Swift Transportation - EVP & CFO*

The pace slowed in the second quarter primarily relating to the timing of certain items. We had a $25 million interest payment on the note that was due in May and our capital expenditures were a bit heavier in Q2 as well. For the full year based on where we are today we would expect to exceed the $50 million to $100 million target range for net debt reduction and can pay an additional $50 million to $100 million in the second half alone.

Jason Bates - *Swift Transportation - VP Finance, IRO*

Is there any update on the potential equity claw option?

Ginnie Henkels - *Swift Transportation - EVP & CFO*

We continue to monitor this option, but as we have said in the past we believe the stock price is still a bit too low to exercise this option at this time.

Jason Bates - *Swift Transportation - VP Finance, IRO*

Regarding debt pre-payments, in previous quarters Swift has paid down portions of B1 as well as B2. Is the Company restricted from paying down B2 any further? Why not focus on prepaying that traunch down given its higher interest rate relative to B1?

Ginnie Henkels - *Swift Transportation - EVP & CFO*

The scheduled principal payments on the B1 by definition are greater than on the B2 therefore we generally pre-pay the required principal payments a year in advance on the B1 and then apply other pre-payments to the B2 for the larger interest savings.

Jason Bates - *Swift Transportation - VP Finance, IRO*

Interest expense was just shy of $24 million. Given your refinancing and pay downs is this a good run-rate for the rest of the year or will it continue to fall as you've met your annual debt pay down target?

Ginnie Henkels - *Swift Transportation - EVP & CFO*

This will depend on LIBOR since a portion of our debt is floating with LIBOR, but holding that equal you would expect it to decrease somewhat as debt is repaid.

Jason Bates - *Swift Transportation - VP Finance, IRO*

What was the consolidated interest coverage ratio?

Ginnie Henkels - *Swift Transportation - EVP & CFO*

As of June 30th the interest coverage ratio was 5.72 with a minimum required of 3.125.

Jason Bates - *Swift Transportation - VP Finance, IRO*

Of $225 million to $250 million net CapEx, what is going to be cash and leased.

Ginnie Henkels - *Swift Transportation - EVP & CFO*

The $225 million to $250 million of net CapEx is all cash. That's our net cash CapEx number and so that's our cash purchases net of the proceeds received from sales, so there is no leasing in that number.

Jason Bates - *Swift Transportation - VP Finance, IRO*

Given the soft truck load backdrop does Management believe they will be scaling back CapEx to further de-leverage the balance sheet?

Ginnie Henkels - *Swift Transportation - EVP & CFO*

Although truckload backdrop is soft, we're still progressing on our goals and growth as Richard discussed so therefore we do not have any plans to scale back CapEx much this year.

Jason Bates - *Swift Transportation - VP Finance, IRO*

There were a few miscellaneous questions. The first one here how much revenue did the logistics and brokerage segments generate in the quarter? What was the year-over-year growth, and can management share any growth target for 2014 and 2015? And are acquisitions built into the $1 billion logistics goal?

Richard Stocking - *Swift Transportation - President & COO*

Our revenue for logistics and brokerage is included with our non-reportable segments and we do not currently break that out. As we have discussed, we are currently building out the platforms and personnel for these services, which is taking a little bit longer than we anticipated, but we have a very robust pipeline of opportunities and we're extremely excited about our capabilities, and the value we can bring to our customers in this area.

We are not going to give specific targets for this area at this time, but the $1 billion long-term goal remains. As for acquisitions we will evaluate opportunities that arise and if they help us achieve our goals and enhance the value we can bring to our customers, we will consider them, but the $1 billion goal is not necessarily dependent on those. Our customers are very excited and really are proud that we're in this business and want to help us grow.

Jason Bates - *Swift Transportation - VP Finance, IRO*

We see cost efficiency moving in the right direction, but are there additional steps that management can take to lower the per mile costs?

Richard Stocking - *Swift Transportation - President & COO*

Yes. We still have a lot of opportunity around our network and the efficiencies. Engaging our drivers to help us with deadhead, fuel efficiency and other items as we continue to improve our utilization. We can lower our overall costs per mile as well. We have many areas that we're working on to further this improvement.

Jason Bates - *Swift Transportation - VP Finance, IRO*

What was the average length of haul within the truckload segment during the second quarter of 2013 as well as the second quarter of 2012?

Ginnie Henkels - *Swift Transportation - EVP & CFO*

In our trucking operations, which I think this is referring to, it's both our truckload and dedicated. Our average length of hall was 414 miles this year and was 424 in the second quarter of last year.

Jason Bates - *Swift Transportation - VP Finance, IRO*

Swift has a large cross border fleet that moves into both Canada and Mexico. How does the profitability on these moves compare to Swift's consolidated truckload segment, and how quickly does Swift expect to expand these fleets?

Richard Stocking - *Swift Transportation - President & COO*

Mexico and Canada are very exciting to us. We don't break out the specifics on Canada or Mexico, but these are good, profitable businesses that are comparable to our core truckload. We're very excited about our prospects in both countries and expect to add another 50 to 100 trucks in Mexico to service them.

Jason Bates - *Swift Transportation - VP Finance, IRO*

And then there were some questions around guidance. Can you provide an update on your 10% revenue growth target for the year?

Ginnie Henkels - *Swift Transportation - EVP & CFO*

As we discussed in our Analyst Day in May, the 10% revenue growth is our internal goal for 2013. This is something that the organization is actively working on everyday but the freight environment has not been as robust as we had hoped when we established this goal at the end of 2012, and we're off to a slower start in some of the areas such at logistics as Richard talked about. We do expect our growth rate to accelerate in the second half of the year based on the new business wins previously discussed and seasonal trends and we will continue to evaluate additional opportunities to grow profitably for 2013 and beyond.

Jason Bates - *Swift Transportation - VP Finance, IRO*

Are Q2 2013 levels of operating ratio in dedicated and other, i.e. none reportable segments, appropriate run rates for the second half the year?

Ginnie Henkels - *Swift Transportation - EVP & CFO*

As Richard stated before, we don't provide specific guidance on our operating ratios by segment, but we were striving to continue to achieve improvements in the OR of each of our segments.

Jason Bates - *Swift Transportation - VP Finance, IRO*

Swift continues to guide to a 10% to 15% year-over-year adjusted EPS growth for the 2013, despite 22% year-over-year EPS growth in the first half of 2013. Is there conservatism based into your outlook or are you incrementally more cautious about the back half of the year?

Ginnie Henkels - *Swift Transportation - EVP & CFO*

As we have consistently discussed our target for 2013 was 10% to 15% adjusted EPS growth for the full year. As you noted, we did outperform in the first half. We are still targeting 10% to 15% EPS growth in the second half of the year and, hopefully, we will exceed that, but when you combine that with the outperformance in the first half, we do expect to exceed our target for the full year.

In 2012 the second quarter was challenging and we had a $0.035 to $0.04 negative impact from fuel. The fourth quarter, on the other hand, was quite robust. Therefore, on a quarter-to-quarter basis we would expect the year-over-year growth rate to be higher in Q3 and then moderate in Q4, similar to the trend of the current consensus estimates.

Jason Bates - *Swift Transportation - VP Finance, IRO*

Great. Well, we want to thank everyone for all the questions that were submitted and for your support of Swift, so I'm going to turn it over to Jerry for some final remarks.

Jerry Moyes - *Swift Transportation - Founder & CEO*

You know, in summary I want to touch on couple of items. First we have been testing compressed natural gas trucks for the last two years and we're very excited to announce that we have just placed an order for 200 compressed natural gas trucks scheduled to arrive at the end of this year and beginning of next year. They will be in freightliner chassis and will be the 12-liter Cummings engine.

We'll be using these trucks in select fleets and lanes where we believe that they will enable us to take advantage of two of our facilities where we will have compressed natural gas on-site. That will be Houston, Texas and Mira Loma, California - which is Los Angeles. The exact maintenance and fuel costs or savings are still uncertain at this time but we will keep you posted as we progress on this project. We believe this will help us stabilize our costs but more importantly it's a step forwards into natural gas for our company as well as our industry.

Secondly, we're very excited about several key customer contracts that we have been awarded this past quarter. One is a $50 million per year, for the next three years. This was a major manufacturing award out of Mexico into points in the United States. This will contribute to our revenue growth in multiple service offerings including our logistics, our flatbed, our van division, as well as our Mexican operation.

And finally, the macroeconomic environment is much tougher than most of us anticipated. And as a result many of our peers have reported that truckload freight market continues to be very challenging. This has caused us to be slightly behind in some of our internal goals, but we're pleased with the strong operating results, and continued year-over-year improvement our team has been able to deliver - in spite of the industry headwinds.

We remain very close to our customers and are excited about the opportunities we have for the second half and beyond.

So thank you this finalizes our session for today. I want to thank each of you for the questions that were submitted and appreciate your continued support of Swift Transportation.

Richard Stocking - *Swift Transportation - President & COO*

Thank you.

Jason Bates - *Swift Transportation - VP Finance, IRO*

Thanks, Erica.

Operator

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