SWIFT TRANSPORTATION COMPANY

Moderator: Jason Bates
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12:00 p.m. ET

Operator: This is conference # 91219916.

Operator: Good morning. My name is Holly, and I'll be your conference operator today. At this time, we would like to welcome everyone to the Swift quarter three 2016 earnings conference call. All lines have been muted to prevent any background noise. I'd now like to turn today's conference over to Jason Bates, Vice President of Finance and Investor Relations Officer. Please go ahead.

Jason Bates: Thank you, Holly. We would like to welcome everyone to our third-quarter 2016 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 website. We will start the call today with our forward-looking statement disclosure.

This call contains statements that may constitute forward-looking statements, which are based on information currently available. Such forward-looking statements are made pursuant to the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are inherently uncertain, are based upon the current beliefs, assumptions and expectations of Company management and current market conditions, which are subject to significant risks and uncertainties, as set forth in the Risk Factors section of our most recently filed Annual Report Form 10-K. As a result of these and other factors, actual results may differ from those set fourth 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. Reconciliations of our GAAP to non-GAAP measures can be found in the letter to stockholders posted on our IR website.

With that out of the way, I'd like to recognize the members of Swift's management team on the line today. We have Richard Stocking, our President and Co-Chief Executive Officer, and Ginnie Henkels, our Executive Vice President and Chief Financial Officer. Again, my name is Jason Bates and I'll be moderating today's Q&A session.

Jason Bates: We appreciate all the questions that were submitted prior to the deadline last night. As in quarters past, we have strived to streamline the Q&A process by addressing key themes and categories rather than answering every single question submitted. We have attempted to address each of the more prevalent topics. However, if you have any follow-up questions feel free to reach out to me after the call.

There were a handful of questions related to specific line item projections for 2017. We are currently in the middle of our internal 2017 Annual Operating Plan process, which includes meetings with each line of business leadership team to discuss strategies, goals, targets and metrics for their respective areas. Over the coming weeks we will work to roll up and finalize this process in conjunction with closely monitoring the fourth-quarter peak season, and feel we would be better equipped to provide more detailed guidance on 2017 when we host our mid fourth-quarter call scheduled in the first part of December.

With that, we'll start today's call with some questions on the leadership transition, followed by questions about our fourth-quarter EPS guidance and expectations. And then we'll move to a discussion of each of the segments.

Starting with the leadership transition, now that Richard Stocking will take over as CEO, what strategies, philosophies will carry forward and what will change?

Richard Stocking: Thank you, Jason. And good morning, everyone. We're in the process of completing a strategic review and developing our detailed plans, as we speak,

which we will share in more detail in the coming months. These plans will be focused on our purpose, which is to deliver a better life to our stakeholders. For our stakeholders, that means generating value and improving our return on invested capital by improving our utilization and delivering upon other internal initiatives to streamline and improve processes. For our customers this means being a total transportation solutions provider that brings effective answers to our customers' logistical problems. For our employees this means giving them the tools and resources necessary to allow them to succeed. And for our drivers, this means clearing the path to allow them to run as many miles as they safely and legally can run to increase their W2's and improve our utilization.

This is a high-level overview of our strategies and philosophies and I look forward to sharing more with you in the coming months.

Jason Bates: Can you elaborate on the transition between Jerry and Richard? It appears the responsibilities of the Co-CEO will be reduced as the CEO transition is expected to occur promptly.

Ginnie Henkels: As discussed in the announcements regarding Jerry's retirement, all day-to-day responsibilities immediately transition to Richard, and Jerry is working on certain designated projects, as defined by Richard and the Board.

Jason Bates: With Richard shortly assuming sole occupancy of the office of CEO, do you plan to expose your next layer of management to Wall Street? It would be helpful as we try to assess the breadth and depth of management in the post-Jerry Moyes era.

Richard Stocking: Yes, we will. As we have done in certain Investor Days in the past, we will give exposure to other layers of management. And this will likely be some time in 2017.

Jason Bates: What led to the Jerry $200,000 monthly consulting contract until 2019?

Ginnie Henkels: The Board of Directors, together with their compensation consultants and other consultants, developed the details of Jerry's retirement and consulting arrangement based on research of other companies and other information. The

level of Jerry's consulting package was viewed by these experts as fair and reasonable for a founder and leader who built a $4 billion business over 50 years. The monthly amount of the consulting contract was based on Jerry's base salary plus target short-term incentive and long term incentive plan amounts, then factored back somewhat. This target level of compensation was ranked at 54% of the 50th percentile for our peer group, which is somewhat low relative to the competitive peer group. Although this will be paid on a monthly basis, per accounting rules we expensed the value of this agreement in the period in which the agreement was entered; hence, the $7.1 million one-time charge in Q3.

Jason Bates: What is the status of Jerry's loans with respect to shares committed to loans? Will any sales have repercussions for Swift?

Ginnie Henkels: The status of Jerry's loans remains unchanged at this time. Any future sales could have a positive or negative repercussion for Swift depending on the size and structure of the sales and investors sentiment.

Jason Bates: We'll move into the guidance questions. Do you have an early projection for 2017 contractual bid pricing based on trends witnessed during the second half of 2016? What is the likelihood of positive overall truckload industry pricing growth during 2017 bid season?

Richard Stocking: Based on what we've experienced thus far in 2016, similar to others, we believe the first part of 2017 may be a bit challenging with regards to bids. But as the regulations begin to take hold in 2017, we expect trends to turn positive. We are seeing some signs of that today but it is still mixed with certain transactional customers trying to take advantage of the current market dynamics; while other customers are focused on the longer term and ensuring their capacity needs will be met in the future.

Jason Bates: Do you have a sense of which market will bottom first, driving and truckload or refrigerated?

Richard Stocking: It seems as if they both have bottomed, based on what we're seeing. Rates have been pressured in both but do not appear to be dropping further from this point.

Jason Bates: Do you have a sense of customers' inventory levels? Was there a material destocking of inventory in 2016? Do they believe inventories should be worked lower into early 2017?

Richard Stocking: Based on the customers we have talked to recently, I believe there has been a destocking of inventory in 2016, but some excess inventory remains in certain areas. This should continue to be worked lower in this quarter, the fourth quarter, and early 2017.

Jason Bates: What is your expectation for the used equipment market during the fourth quarter of 2016 and into 2017? Do you have a view on when class 8 used equipment prices will bottom?

Ginnie Henkels: The used truck market continues to be soft and we expect that will be the case throughout 2017, as well. The used trailer market has been relatively healthy and consistent.

Jason Bates: We noted that depreciation expense is changing given altered residual values. What is the go-forward impact of this? Is it all-in as of third quarter? What percent change did you adjust the fleet values? Mark-to-market or more to go? And why now?

Ginnie Henkels: Given the softness we are experiencing in the used truck market and our expectations that this will continue for a period of time, we assessed our depreciation policies and determined that we needed to lower our residual values for a certain group of trucks. This change was made in August and was an increase of approximately $1.8 million per month depreciation in August and September. We expect to remain at this higher level of depreciation going forward for the rest of this year as well as throughout 2017.

Jason Bates: Can you provide guidance on the non-reportable line for the fourth quarter?

Ginnie Henkels: We currently expect our other non-reportable segment fourth-quarter revenue to be roughly $90 million to $100 million and the operating loss to be approximately $3 million to $4 million.

Jason Bates: What are the “non-recurring” items in the non-reportable segment for the first three quarters, so people can start to think about a “normal level” for 2017?

Ginnie Henkels: We did not have any non-recurring items in the non-reportable segments in Q1. In Q2 we had a $1.5 million legal settlement and unusual losses in our captive insurance company of approximately $3 million. In Q3 we had the $7.1 million related to Jerry's retirement agreement, as we discussed. In addition to these items, we also believe we have opportunities to improve operationally and some of the services that we provide to owner-operators as well as our logistics business going forward.

Jason Bates: Has the softening used equipment market put any pressure on non-reportable segment operating performance?

Ginnie Henkels: Yes, to a certain extent. Our leasing subsidiary, IEL, is included in the non-reportable segment. IEL has had an excess number of unseated trucks, partly due to the softening of the used truck market and our ability to turn trucks that are near end of term more quickly. This has caused an increase in our rent and depreciation expense on a relative basis as these trucks sit longer.

Jason Bates: Can management elaborate on what drove the steep deceleration in non-reportable segments revenue during the third quarter of 2016? How much of this was related to Swift's logistics operations versus services to owner-operators? Can management remind us how much of this line is attributable to logistics operations?

Ginnie Henkels: The majority of the decline in revenue was related to our logistics business and resulted from a change in shipping patterns for two customers, primarily. We have not disclosed the overall proportion of our revenue related to logistics.

Jason Bates: Understanding the fourth quarter 2016 tax rate is not finalized, what tax rate is currently incorporated in the guidance of $1.30 to $1.40?

Ginnie Henkels: As described in the letter to stockholders we are currently working through some prior years to determine the amount of certain deductions that should favorably impact our tax rate. This work is not yet complete so it is difficult to

specifically quantify but we assumed the effective tax rate to be in the range of 29% to 34% for the fourth quarter.

Jason Bates: What long-term tax rate does management expect the business to incur?

Ginnie Henkels: Again, we have a few moving parts in addition to what I just discussed that will impact our future tax rate. But, at this point, we would expect to be in the range of 36% to 37.5% or so for 2017.

Jason Bates: Is your projection of gain on sale in the fourth quarter based on the sale of trucks, trailers, or real estate?

Ginnie Henkels: It is primarily related to trailers and some trucks, but not real estate.

Jason Bates: Historically Swift has seen strong improvements in the fourth quarter and its truckload, intermodal and non-reportable segments related to seasonal project business. Can you discuss at a high level how much visibility you have into your seasonal business and what impact we should expect to see in these segments?

Richard Stocking: Yes, the fourth-quarter project business is under way and we are expecting it to be at similar levels to last year. What is more difficult to read is how the entire holiday season will shape up given the market dynamics we have experienced thus far this year. However, most of our customers are positive on the holiday season.

Jason Bates: We'll move into some questions about debt, CapEx and cash flow. Can you provide initial CapEx guidance for 2017? If you can't provide a number, can you let us know if you plan to age the fleet or keep it steady, increase or decrease mix of cash CapEx versus leases?

Ginnie Henkels: As Jason discussed at the beginning of the call, we are in the process of determining our capital expenditure plans for 2017, as we speak, and we should be able to provide more guidance on this during our mid-quarter call in December.

Jason Bates: What do you consider a normalized level of capital expenditures? Could you please specify if your response is gross or net?

Ginnie Henkels: Given our current fleet size, structure and lease portfolio, a normalized level of maintenance, net cash capital expenditures, would be approximately $250 million to $300 million.

Jason Bates: CapEx has fallen to $125 million to $135 million in 2016. Can you talk about the reduced truck net ordering and what is built into the new number? Are you pushing out orders or canceling? And what led to the trailer delay?

Ginnie Henkels: We have done a combination of both. We have cancelled certain truck orders and pushed some truck and trailer orders into the first quarter of next year. Some of the reduction in CapEx this year has to do with the delays in the trailer, which, given the timing of receipts of the trailers and our payment terms, it will push payment for these trailers into the first quarter.

Jason Bates: Would you expect the buyback to reaccelerate? Why were they down $25 million versus $45 million in the second quarter? Anything unusual -- IE, shorter buying window?

Ginnie Henkels: The mandate from the Board with regard to the buyback program is that it is to occur with free cash flow so long as we pay off $30 million to $50 million of debt, reinvest in equipment and maintain a leverage ratio of less than 2.0. As we discussed in Q2, given that our cash capital expenditures were more heavily weighted to the back half of the year, the repurchases would likely taper off in the second half given the requirements outlined by the Board that I just described.

Jason Bates: CapEx is coming down nicely. Can you talk about free cash flow and the potential for more share repurchases in the next 12 to 18 months?

Ginnie Henkels: Once we finish our CapEx plans and other expectations for 2017, we'll be able to give more specific guidance on future share repurchases, as well.

Jason Bates: That moves us into a discussion about the segments. We'll start with the truckload segment. When is your best estimate with regard to when we will

see the supply demand dynamic in the dry van truckload market tighten? And when will that tightening have a favorable impact on pricing? Rough estimates would be appreciated.

Richard Stocking: We are already seeing early signs of supply demand tightening with our customer base. Several have expressed concerns over near-term capacity availability, a trend we expect to see continue throughout the quarter. Obviously that will likely slow down as we move through the first quarter, but as we draw nearer to the ELD deadline it is possible to see a meaningful capacity demand in balance, which should be very positive for pricing.

Jason Bates: Can management discuss how September ended from a demand perspective? Operating metrics offered on the mid-quarter call, mainly total loaded miles and loaded miles per truck, suggest that September was softer when compared to the first two months of the third quarter on a year-over-year basis. Can management provide an update on these metrics for October?

Richard Stocking: In September of 2016 we had roughly 500 fewer trucks in our truckload segment than in the same period last year, so you are correct that the total loaded miles were down year over year for that reason. However, we were still able to increase utilization on a year-over-year bases in September, just not at the same level we had in July and August. Again, this is a key focal area for us and we will continue to exercise discipline with regard to doing that which is necessary to efficiently utilize our assets.

For October, we are seeing a similar trend with regard to the total loaded miles being down, primarily due to a similar year-over-year truck account reduction. And our loaded utilization, once again, is up slightly through 24 days, and we still have several business days left this month.

Jason Bates: Can management provide some color on its expectations for peak shipping season demand this year -- IE, is there any preliminary data that would suggest Swift truckload volume will be better or worse than a year ago?

Richard Stocking: As I mentioned previously, we have had some customers express concern over high-quality, reliable capacity availability through the peak season. While we aren't prepared to share specific volume data relative to peak season at this

juncture, we are fairly optimistic about how demand holds over the coming months.

Jason Bates: What percentage of Swift's truckload fleet is currently operating in the spot market? How does this compare to a year ago and earlier this year? How did it change through the quarter? What are management's expectations for contract spot mix over the next three to six months for the fleet?

Richard Stocking: In the third quarter less than 5% of our miles came from the spot market. It was our lowest quarterly spot participation this year. However, it is still much higher than the 2% to 3% range we experienced in each quarter last year. Our spot participation decreased sequentially throughout the quarter. Additionally, the magnitude of the negative year-over-year rates dissipated sequentially throughout the quarter. Both of these trends are encouraging. Our crystal ball is not entirely clear; however, we expect these positive trends to continue for the remainder of the fourth quarter with a slight seasonal increase in the first quarter before tapering again in Q2.

Jason Bates: Why are you expecting to reduce participation in the spot market in coming months? What gives you confidence that freight levels will improve with contractual customers?

Richard Stocking: Our views are predominantly a function of the feedback we are receiving from our customers. As I mentioned, there are several who have expressed concerns over availability of high-quality reliable capacity through this peak season. They also recognize that they will soon be locking in contracts with shippers for a period that will lapse the ELD implementation date, and they don't want to be the proverbial last person standing in this high-stakes game of musical chairs.

We are diligently working with both our current as well as our prospective customers, those who are interested locking in capacity from a quality carrier like Swift, to demonstrate our ability to provide them with a superior customer experience. We have a broad suite of services, a nationwide terminal footprint, state-of-the-art safety and technology tools, a non-driver workforce committed to delivering a better life to our drivers, so they can provide best-in-class

service to our customers. We believe that as we execute on our various initiatives we will be able to fill the freight basket with appropriately priced high-quality freight, which will further enable us to not only service our customers but to also achieve our utilization and our revenue per truck per week goals.

Jason Bates: It seems as though the rate environment has deteriorated as the year 2016 has progressed. We have recently heard that some shippers may be positioning to take another bite at the “rate apple” here in late 2016 and in early 2017. Do you see any evidence of that type of activity? If so, do you plan to walk away from any freight, stand your ground, and take your chances on potentially losing the freight, or acquiesce to the shippers' rate reduction guidelines? Or will it be a combination of the three?

Richard Stocking: It's a very good question. You are correct that contract rates have been under increasing pressure as of late, and that there are clearly some shippers who are being more shortsighted or transactional in nature than others. We have always thought to secure relationships with true partners. We have been in business for 50 years and have been through many of these cycles. If there's one thing that we have learned, it is that the pendulum will always swing back. It has a tendency to move in both directions over time. While we are committed to remaining loyal to those customers who demonstrate partnership to us when the pendulum swings in the shippers' favor, the alternate will be true, as well.

We have seen some customers seeking to take another bite out of the rate apple. We are being very surgical about which lanes we are locking in, the duration we are committing to, and with whom. We have shown immense discipline across many of our lines of business with regards to ensuring return on investment thresholds can be maintained. And if that is not possible, we have demonstrated a willingness to walk away from the business. Having said that, as I mentioned previously, there are several of our customers who are beginning to cite concerns over capacity availability and we expect that will play into the rate conversation sooner rather than later.

Jason Bates: Management indicated that truckload contract pricing for Swift was down 1% to 1.5% earlier in the third quarter. Has there been any change to contract pricing during October? Does management believe that contract pricing has bottomed or could there be more degradation in contract rates moving forward? Remind us what percent of Swift contracts reprice in any given quarter and how much will reprice during the first half of 2017.

Richard Stocking: We do believe we are either at the bottom or close to the bottom. When you look at each of the months throughout 2016, August marked the low point in our absolute contract rate average, with it turning up in September. As I indicated previously, shippers will soon be locking in contracts with carriers that will span the ELD implementation date, which should be a catalyst for further rate increases as the quantity of ELD compliant capacity in the market will definitely be a factor in the future. Regarding the percent of contracts that reprice in any given quarter, the short answer is it depends on the year. However, as a general rule of thumb, we expect to reprice roughly 30% in Q1, with the remainder being spread between Q2, Q3 and Q4, with Q4 being slightly lighter than the others.

Jason Bates: How should we think about average fleet count during the fourth quarter of 2016? Is the fleet expected to sequentially shrink further or has management attained its internal fleet utilization goals in truckload?

Ginnie Henkels: While we are pleased with the progress the team has made in advancing our equipment utilization, we believe there still remains ample opportunity for improvement. We have demonstrated discipline to fleet management in the past and will do so in the future. If the macro environment does not warrant fleet expansion and an acceptable ROI, we will not grow…. favoring revenue growth through improved asset utilization as opposed to fleet growth. The decision to reduce the fleet follows that same economic analysis.

As it stands right now, we would anticipate reducing Q4 average truckload fleet by roughly 200 trucks sequentially. The majority of these trucks will be used to facilitate the dedicated growth and surge support.

Beyond that, our fleet size will largely depend on market economics and customer demand, with a constant internal focus on improving asset utilization. We are continually working on our strategic partner shippers to ensure we understand their anticipated needs so we can continue to service them at best-in-class levels.

Jason Bates: What are your thoughts on utilization growth outlook? And would you expect it to climb toward the 2000 mile per tractor per week level?

Richard Stocking: Yes, we would expect to continue to climb in that direction. We have had periods in the past where our truckload fleet has exceeded 2,000 loaded miles per truck per week, but to maintain a fleet of our size at those levels is no easy task. Many of our strategic initiatives are geared towards reaching and even exceeding that utilization figure however it will require continued focus on strategy, structure, discipline and execution, combined with time for us to be able to maintain 2,000-plus levels of utilization on a continual basis.

Jason Bates: What's the average age of the truckload fleet today? Do you expect to age the fleet further than normal in order to avoid potentially taking losses on equipment?

Ginnie Henkels: Our core sleeper fleet is slightly above two years today, relatively consistent with where it has been in the past. As we have disclosed in the past, we have a fair amount of flexibility given our relationships with the OEMs. We will continue to monitor the fleet age and maintenance expense projections by model year in conjunction with the used truck market, and will make the appropriate adjustments to ensure we maximize returns to shareholders.

Jason Bates: Have shippers begun to request fleets with ELDs?

Richard Stocking: Yes there are some, most shippers are not yet requiring it, however, the majority of them are asking about it in conjunction with bids. They are conscious of the fact that any contract they lock in starting next year will span the ELD requirement implementation date. The nearer we get to that date the more we expect this topic to be discussed and the more likely it is to be a requirement and ultimately affect the pricing environment.

Jason Bates: That takes us to the dedicated segmented. Can you give us some additional color on the pipeline in dedicated? Can management provide more color on the growth opportunities with existing customers, the type of accounts that Swift is growing with?

Richard Stocking: Yes, the dedicated opportunities that we are seeing today are similar in scope and size to what we have seen in the past, as much of this growth is coming from our existing customer base, ranging from retailers to consumer product companies. Much of this growth is driven by the customers' desire to secure capable capacity of servicing specialized delivery needs such as store deliveries, et cetera. Our current dedicated pipeline is fairly robust as it contains opportunities from both existing as well as incremental customers, some of which are interested in expanded dedicated offerings such as private fleet conversion, pool distribution, and full-service leasing.

Jason Bates: Any new start up contracts that we should be concerned with on the cost side? How is the backlog of new contracts?

Richard Stocking: Given our existing pipeline we do not foresee any material start up costs in the fourth quarter of this year or into the first part of 2017.

Jason Bates: Great job on dedicated. Would you expect rates, revenue per tractor, to accelerate at upper single-digit levels?

Richard Stocking: Thank you. The increase in our dedicated revenue per tractor per week is due to improvements in both asset utilization and pricing, as we have worked hard to operate our fleet more efficiently, while also securing backhaul opportunities and other price increases. Building upon this momentum remains a top priority and will be for the next several quarters as we feel confident there is remaining opportunity in improving this metric.

Jason Bates: Moving to the intermodal segment, are you satisfied with the progress of the turnaround efforts in intermodal? Progress seems slow. Or is progress being obfuscated by the challenging environment?

Richard Stocking: Of course we would prefer that our turnaround progress was further advanced at the moment, however, the challenging market conditions continue to be a

key factor in impeding our results. We feel we have made strong operating improvements in a difficult market environment, and that these operating improvements have substantially reduced the intermodal breakeven point. This has created a foundation which should allow us to substantially improve operating income as the intermodal marketplace recovers. We also remain disciplined in our pricing approach which we believe will allow our results to accelerate much more rapidly when the market improves.

Jason Bates: In intermodal what are some of the cost cutting and productivity initiatives planned for 2017?

Richard Stocking: We have already made significant efforts to reduce cost in 2016 and these benefits will build in 2017. Administrative headcount was reduced earlier in 2016 and we will continue to operate with a lean headcount even when the market shows signs of improvement. We have also actively controlled our chassis costs through tactical container stacking. Our terminal yard network that we strategically established near the rail ramps has reduced our cost to move our equipment in and out of stack. We have actively engaged our rail partners to help align our rail costs with the direction of the intermodal market conditions. We also remain focused upon improving the tractor utilization through the right-sizing of our dray fleet and increasing the percentage of our trucks that are now being slip seated.

Jason Bates: Intermodal volume declined 7% year over year during the third quarter, ahead of management's 4% to 5% guidance. What drove downside and what are management's expectations for Swift intermodal volume during the fourth quarter?

Richard Stocking: COFC volume weakened in September versus the earlier months in the quarter, which impacted our overall growth rate versus our previous guidance. October has had strong volumes off the West Coast month to date, and, as a result, we feel positive about the Q4 volume prospects. We will also finally lap the discontinuation of the TOFC service offering at the end of February 2017 which will help improve our reported growth rates.

Jason Bates: Did the weakness you noted that ramped back up in September continue into October? Can you discuss this a little bit more?

Richard Stocking: Like I previously mentioned, we feel the marketplace in October is stronger than September. Transloading volumes are stronger off the West Coast and we feel this will improve the volume results versus Q3 results.

Jason Bates: The intermodal marketplace has become incrementally more competitive during 2016. However, Swift management seems to be more price disciplined than some of its competitors, albeit appears to have lost some share. At what point would it make sense to bend further on price in order to defend Swift's intermodal market share?

Richard Stocking: Price is the most powerful determinant of profit and we feel that exhibiting pricing discipline now will help us improve our operating ratio more rapidly as the market improves. Additionally, we feel that some of the pricing in the marketplace is not sustainable. We believe that when customers are confronted with a lukewarm willingness to provide capacity at below market rates, there will be ample opportunity for Swift to recover market share.

Jason Bates: Intermodal containers actually declined sequentially - returns and margins remain below re-investible levels. Was this an explicit move to retire containers? What are the plans into fourth quarter and 2017?

Richard Stocking: The container count reduction of 12 units was simply that, related to containers that were decommissioned, as a result of damage and derailment, which incurred over the last several quarters. Our plans in 2017 are to maintain our pricing discipline, maintain the cost controls we had established in 2016, and grow our business as the market recovers. We are delivering strong service results to many of our customers and believe this, along with the overall combined value of Swift's truck fleet, will allow us to grow our intermodal business with strategic customers.

Jason Bates: What is it going to take to improve the profitability of the business? If the market turns around and volumes grow, say, 3% consistently, what kind of operating ratio would you expect from this business?

Richard Stocking: Our efforts to improve profitability is centered upon responsible pricing in the marketplace, maintaining the cost reductions we have implemented this year, and increasing container fleet velocity and equipment utilization through a disciplined growth strategy. We believe an operating ratio in the mid 90's is very attainable.

Jason Bates: Has the intermodal unit experienced any impact, positively or negatively, from the Hanjin bankruptcy? In other words, are there increased transloading opportunities or a tightening of the drayage market?

Richard Stocking: We feel that the Hanjin bankruptcy has created added strength in the West Coast transloading marketplace. Our belief is that this shift will potentially increase transload volumes not just this year but also in 2017 as the steamship lines focus upon the cost reduction opportunities possible through reducing inland moves with international containers.

Jason Bates: You are clearly bucking the trend with intermodal yields being up. Can you talk more about what you're doing there to get those results?

Richard Stocking: We believe we should price our business to reflect the value we provide to our customers and will not offer unsustainable rates. As the impact of ELDs enter the marketplace in 2017, we feel this strategy will be rewarded, as we will not be burdened with a gluttony of unsustainable price business from the previous bid season.

Jason Bates: Can you talk about the aggressive pricing competition and where you're seeing that? Has it intensified? Is it from one large player or several?

Richard Stocking: We believe that the level of aggressive pricing competition is moderating. We believe there were a couple of larger competitors that led the downward pricing effort.

Jason Bates: That takes us to the Swift refrigerated segment. In refrigerated, what are some of the cost-cutting and productivity initiatives planned for 2017?

Richard Stocking: Some of these cost-cutting initiatives include reducing empty miles, improving our insurance and claims and cargo expenses, appropriate

headcount levels, and reducing on-road maintenance expenses. As far as productivity initiatives, these are all centered around increasing the weekly revenue our trucks generate. We are accomplishing this through improved management of our network, increasing our freight selection, and working with new and existing contracted customers to increase pricing.

Jason Bates: Are you satisfied with the progress of the turnaround efforts at Swift refrigerated? Progress seems slow.

Richard Stocking: Our Swift refrigerated team has been working diligently to engineer the network and sustaining margins in the challenging freight environment. That being said, we are not satisfied with these results and we know that there is still a lot of work to do. We remain committed to improving this segment's results through many of the initiatives we've outlined today.

Jason Bates: What drove the decrease in the segment's average truck count during the third quarter of 2016, as management on their mid-quarter update call expected truck counts to remain flat on a sequential basis?

Richard Stocking: The current market challenges and a tougher than expected driver market were the main factors behind the slight decrease in truck count we experienced in Q3.

Jason Bates: You noted a bigger shift to spot impacting rates at refrigerated. Has the market shifted in October? Or thoughts into the winter season. Does it traditionally remain weak until the spring?

Richard Stocking: We have experienced a slight increase in demand during the first few weeks of October and expect it to gradually improve as seasonal demand increases. We have also received some recent awards for additional protect business this winter and are optimistic that we will be able to sustain and grow upon these volumes into next year. As the ELD mandate draws closer we expect further opportunities for pricing improvement.

Jason Bates: Are you slowing asset purchases here, as well?

Richard Stocking: We continue to evaluate our assets and will make adjustments as necessary in order to achieve optimal levels to match our freight environment.

Jason Bates: That takes us to a variety of miscellaneous topics. Given the recent exit of a number of insurance providers from the market, how do we think of your insurance expense in the near to medium term? And how can ADAS technology help that line?

Ginnie Henkels: Given the fact that we are almost entirely self-insured with our $10 million limit per incident, the recent exit of insurance providers should have little impact to our overall insurance expense. Our current and future insurance expense will be much more impacted by our ability to successfully sustain a high level of safety performance in both the frequency and severity of claims. Fortunately, our industry is quickly becoming the beneficiary of many new and exciting technological advances, including the ADAS technology, in which we are confident should help improve the expense line.

Jason Bates: Does the reduction in workers' compensation expense, cited in the salaries, wages and benefits commentary, reflect the reversal of a reserve during the quarter or a true reduction to operational expenses from prior years? If it is a reserve reversal, could you please quantify the dollar amount and per share impact?

Ginnie Henkels: There were a variety of positive factors which contributed to this improvement, including a year-over-year reduction in workers' compensation frequency. We continue to preach safety on a daily basis and are hopeful these improvements will continue.

Jason Bates: Wal-Mart is a large customer. Have you made any significant changes to your operations or equipment in order to support their efforts to perform more two-day deliveries?

Richard Stocking: We are excited to be so closely partnered with Wal-Mart and are fully supportive of their efforts to increase two-day deliveries. This support has not resulted in any significant changes to our operations or equipment.

Jason Bates: How are lanes and densities changing with continued eCommerce volume growth? And how will Swift adapt to this market if it keeps growing?

Richard Stocking: Swift is adapting to this changing market now and has been for some time. We are proud to be partnered with some of the largest and most competent companies driving this eCommerce growth. And as this growth has continued, we have shown the ability to grow with it and, in some cases, have redeployed our fleet to ensure our customers' needs are met.

Jason Bates: What are the chances that the ELD mandate does not pass in its current form from the Appeals Court? When are you expecting a decision? What's to keep large fleets from expanding into the capacity gap if there is one from ELD adoption?

Richard Stocking: As we have mentioned in our prior quarters, although we feel it is unlikely the mandate will be overturned, it is possible, and therefore we can only speculate at this time. Once the mandate goes into effect, however, we feel confident we will be able to position to take advantage of the capacity tightening and the robust pricing market that will likely ensue. It is our belief that fleets that are not ELD trained and compliant will have a steep learning curve as enforcement begins.

Jason Bates: Are we on the cusp of another round of truckload sector consolidation in the form of M&A? Or is there still too big a gap between sellers' valuation expectations and prospective buyers' valuations expectations? Will Swift actively participate in the next round of industry consolidation via M&A? How much flexibility do your covenants allow on this front?

Ginnie Henkels: This is an interesting series of questions. I do believe the market may be beginning to change somewhat with regard to valuation expectations. It's a bit too early to tell but the regulatory environment in the truckload sector could bring about an opportunity for consolidation. We will continue to monitor the environment and look for opportunities to generate value for our shareholders, whether this be through opportunistic acquisitions, organic growth and/or other margin expansion activities. Our covenants do allow us to do

acquisitions so long as our total leverage on a pro forma basis remains below 3.25.

Jason Bates: Management discussed numerous initiatives and counter measures within its letter to stockholders. What are the top one or two priorities of this management team to improve profitability and earnings at Swift?

Richard Stocking: Thanks, Jason. We have a long list of activities and counter measures, but the two I'll highlight are, one, growing our top-line revenue by increasing the efficiency and utilization of our fleet. We believe that, despite the advancement we have made over the last several quarters, there still remains great opportunity to drive additional miles over our existing fleet. Several process improvements and network engineering efforts will serve as the foundation for these improvements. and two, being fanatically disciplined to cost control. This message has been felt throughout our entire organization as all areas have tightened their belts to help offset this less than ideal market condition. The fruits of this cost control comes in many forms, including the reduction of non-revenue producing miles, select non-driver headcount reduction, postponement of non-critical system implementation, and vendor renegotiations.

Jason Bates: Great. That concludes the submitted questions. We'll go ahead and turn it over to Richard for a wrap up.

Richard Stocking: Thank you, Jason. In conclusion, we are excited about the direction we are heading as a Company. We're happy for Jerry and appreciate all that he's done over the past 50 years to build an amazing company, and we are proud of the legacy he leaves with us. We wish him nothing but the best in his retirement.

We are excited about the leadership team we have in place and the momentum we are seeing as the team continues to focus us on developing employees, and powering them to succeed in their respective areas of responsibility. We are diligently working on a detailed bottoms-up strategy centered around asset utilization, cost control, and returning capital to our shareholders, all while exercising discipline and driving accountability throughout the entire organization.

We have exerted time, energy and resources to ensure we have appropriately positioned Swift in our marketplace, and expect that hard work to yield benefits in the coming years. We are very optimistic about the future of Swift and remain committed to providing world-class service to our customers, delivering a better life to all of our employees and generating meaningful value to each of you our stockholders. We appreciate your continued support of Swift. Thank you very much.

Jason Bates: That concludes our call for the day. Thank you.

Operator: Thank you for dialing in for today's conference call. We appreciate your participation and ask that you disconnect. Thank you.

END