

Analysis of Sales/Earnings
Updating Estimates After Conference Call; Rating Remains Hold

On the company's conference call today, management reiterated guidance set out in the 4Q13 letter to shareholders and provided some additional detail into last quarter's operating results and expectations for 2014. As a result, we are increasing our 2014 and 2015 EPS estimates and reiterating our Hold rating on the company's shares. For a full review of the company's 4Q13 EPS results, see our note [4Q13 Adj. EPS Beats Lowered Street Expectations by \\$0.01, Down 12% Y/Y](#).

- **Management reiterated their expectation for 15% adjusted EPS growth** over top of a recast adjusted EPS of \$1.23 (after the inclusion of Central Refrigerated), despite several headwinds and tough comps in the 1H14—including the impact from the July 1, 2013 implementation of the new Hours-of-Service regulations, a large gain on sale of property in 1Q13, reduced gain on sale of equipment in 2014, and costs associated with the integration of Central and Swift's systems. On the call, management provided a bit more detail and guided 1H14 adjusted EPS growth to "mid-single digit range". We are inclined to give management credit for much of what they are setting out to do in 2014, but we are not as optimistic that they will overcome the 1H14 headwinds and still achieve 15%+ adjusted EPS growth on an annualized basis.
- **We are increasing our 2014 and 2015 EPS estimates** from \$1.32 and \$1.50 to \$1.38 and \$1.55, respectively. These estimates represent y/y increase of 12.2% for 2014—slightly below management's targeted 15% growth as tough 1H14 headwinds could necessitate y/y improvement in excess of 20% in the 2H14—and 12.3% for 2015.
- **Our rating remains Hold.** Our 12-month fair value estimate remains \$23 (or 15.0x our updated 2015 EPS estimate of \$1.55) and provides just over 6% upside potential—not enough, in our view, to warrant a Buy rating on the company's shares. We would be inclined to revisit our rating should the company's shares retreat to \$19 or lower.

Changes	Previous	Current
Rating	—	Hold
Target Price	—	NA
FY14E EPS (Net)	\$1.32	\$1.38
FY15E EPS (Net)	\$1.50	\$1.55
FY14E Rev (Net)	\$4.49B	\$4.37B
FY15E Rev (Net)	\$4.69B	\$4.57B

Price (01/28/14):	\$21.60
52-Week Range:	\$24 – \$13
Market Cap.(mm):	3,103.1
Shr.O/S-Diluted (mm):	143.7
Enterprise Val. (mm):	\$4,647.0
Avg Daily Vol (3 Mo):	1,727,296
LT Debt/Total Cap.:	85.0%
Net Cash/Share:	\$0.41
Book Value/Share:	\$1.97
Dividend(\$ / %)	\$0.00 / 0.0%
S&P Index	1,792.50

EPS (Net)	2013A	2014E	2015E
Q1	\$0.21	\$0.25	\$NE
Q2	0.32	0.38	NE
Q3	0.29	0.35	NE
Q4	0.36	0.40	NE
FY Dec	\$1.18A	\$1.38	\$1.55
P/E	18.3x	15.7x	13.9x

EPS are net of one-time items.

Rev (Net)	2013A	2014E	2015E
FY Dec	\$3.86B	\$4.37B	\$4.57B

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All relevant disclosures and certifications appear on pages 8 - 9 of this report.

Company Description

Swift Transportation Co. is currently the largest of the pure truckload carriers in the United States. The company has supercharged its growth historically through strategic acquisitions, the largest of which was the acquisition of M.S. Carriers. At present, the company is starting to enter the intermodal service business in a bigger way, as its truckload fleet growth is constrained by the truckload driver shortage.

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Equity Comps - Transportation

Comparative Valuation Matrix

(figures in \$US millions, except per share amounts)

Company name (Ticker)	Rating	Closing Price 1/28/2014	Diluted S/O	Market cap.	Total Debt	Cash & equiv.	TEV ^(a)	Equity value as a multiple of Earnings per Share			Book value	Enterprise value as a multiple of					Div. Yield	2014E FCF Yld				
								2012A ^(b)	2013E ^(b)	2014E ^(b)		TTM Revenue	2014E EBITDA	TTM EBITDA	TTM EBITDAR ^(c)	TTM EBIT			TTM ROA	TTM ROE	TTM ROIC	PEG ratio ^(d)
Truckload																						
Celadon Group (CGI)	Hold	19.23	24.3	468.2	314.4	3.6	779.0	14.7x	19.4x	17.5x	2.0x	1.2x	6.1x	7.4x	7.0x	17.3x	4.1%	11.6%	5.6%	1.2	0.4%	9.1%
Covenant Transport (CVTT)	NC	8.77	14.9	130.4	202.3	10.5	322.1	21.4x	36.5x	23.1x	1.4x	0.5x	NE	5.4x	5.1x	19.3x	0.8%	3.5%	3.4%	3.0	0.0%	NE
Heartland Express (HTLD)	Hold	20.38	84.9	1,730.9	0.0	174.5	1,556.4	28.7x	24.0x	20.2x	5.1x	2.9x	5.7x	9.0x	9.0x	14.1x	12.7%	19.3%	19.3%	2.9	0.4%	4.8%
J.B. Hunt Transport Svcs. (JBHT)	Hold	74.73	118.0	8,821.3	708.4	5.8	9,523.9	28.9x	26.0x	23.4x	8.7x	1.7x	10.1x	11.5x	11.4x	16.5x	13.0%	38.0%	22.3%	1.6	0.8%	0.1%
Knight Transportation (KNX)	Hold	20.92	80.9	1,692.1	52.0	5.3	1,754.0	24.6x	24.6x	22.0x	3.2x	1.8x	8.0x	8.7x	8.7x	15.3x	9.0%	13.5%	12.4%	1.6	1.1%	2.1%
Landstar System (LSTR)	Hold	56.74	46.0	2,611.8	145.0	132.1	2,624.7	20.5x	22.8x	20.7x	6.2x	1.0x	11.6x	11.9x	11.8x	13.8x	12.9%	30.3%	22.6%	1.4	0.0%	3.6%
Marten Transport (MRTN)	Hold	19.75	33.6	663.4	0.0	13.7	651.5	24.1x	21.9x	19.2x	1.8x	1.0x	5.3x	5.6x	5.6x	12.5x	5.9%	8.7%	8.7%	1.4	0.5%	5.1%
P.A.M. Transportation Svcs. (PTSI)	NC	19.97	8.7	174.3	107.0	0.3	281.1	NM	26.6x	20.0x	1.4x	0.7x	NE	5.8x	5.7x	NM	1.6%	3.9%	3.3%	NM	0.0%	NE
Quality Distribution (QLTY)	Hold	14.09	28.3	398.7	389.0	3.3	784.5	20.4x	20.4x	15.7x	NM	0.9x	8.6x	10.1x	9.2x	15.3x	3.6%	NM	8.7%	1.6	0.0%	7.3%
Swift Transportation (SWFT)	Hold	21.60	143.7	3,103.0	1,603.2	59.2	4,647.0	21.6x	17.6x	15.7x	10.9x	1.2x	7.0x	8.0x	7.3x	12.9x	6.1%	NM	12.4%	0.9	0.0%	7.8%
Universal Truckload Svcs. (UACL)	Buy	30.09	30.1	907.0	124.0	5.5	1,025.6	22.3x	17.2x	14.5x	9.5x	1.0x	7.9x	9.4x	9.1x	11.5x	21.1%	48.7%	30.2%	0.7	0.9%	4.5%
USA Truck (USAK)	NC	13.90	10.6	147.1	142.4	0.0	289.6	NM	NM	NM	1.4x	0.5x	NE	7.8x	7.6x	NM	-2.3%	-7.1%	-2.0%	NM	0.0%	NE
Werner Enterprises (WERN)	Hold	25.86	72.7	1,881.3	50.0	17.4	1,913.9	18.5x	21.9x	19.9x	2.5x	0.9x	5.8x	6.0x	6.0x	13.0x	6.7%	11.7%	11.3%	1.7	0.8%	5.4%
Min				130.4	0.0	0.0	281.1	14.7x	17.2x	14.5x	1.4x	0.5x	5.3x	5.4x	5.1x	11.5x	-2.3%	-7.1%	-2.0%	0.7	0.0%	0.1%
Mean				1,748.4	295.2	33.2	2,011.8	22.3x	23.3x	19.3x	4.5x	1.2x	7.6x	8.2x	8.0x	14.7x	7.3%	16.6%	12.2%	1.6	0.4%	5.0%
Mean (Asset-based TL only)				1,881.2	318.0	29.0	2,171.8	22.8x	24.3x	20.1x	3.8x	1.2x	6.9x	7.5x	7.3x	15.1x	5.8%	11.5%	9.7%	1.8	0.4%	4.9%
Median				907.0	142.4	5.8	1,025.6	21.6x	22.4x	19.9x	2.8x	1.0x	7.5x	8.0x	7.6x	14.1x	6.1%	11.7%	11.3%	1.6	0.4%	5.0%
Max				8,821.3	1,603.2	174.5	9,523.9	28.9x	36.5x	23.4x	10.9x	2.9x	11.6x	11.9x	11.8x	19.3x	21.1%	48.7%	30.2%	3.0	1.1%	9.1%
Stifel Transportation Average				9,084.6	1,600.7	453.5	10,328.8	22.5x	21.3x	18.4x	3.4x	2.2x	9.2x	10.0x	8.7x	14.9x	5.4%	13.9%	10.0%	1.5	0.9%	4.0%

(a) Total Enterprise Value = Market Capitalization of Equity + Total Debt - Cash + Market Value of Minority Interest

(b) Stifel estimates for those rated and First Call mean estimates for unrated securities

(c) Enterprise value adjusted to include the capitalization of off balance sheet operating leases with lease expense (or rent expense) being added back to EBITDA for the valuation multiple calculation

(d) 2014E P/E divided by First Call mean or Stifel estimated long-term growth rate

Excludes non-recurring items

Calculations may vary due to rounding

Source: Company data, First Call, and Stifel estimates



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Swift Transportation Income Statement

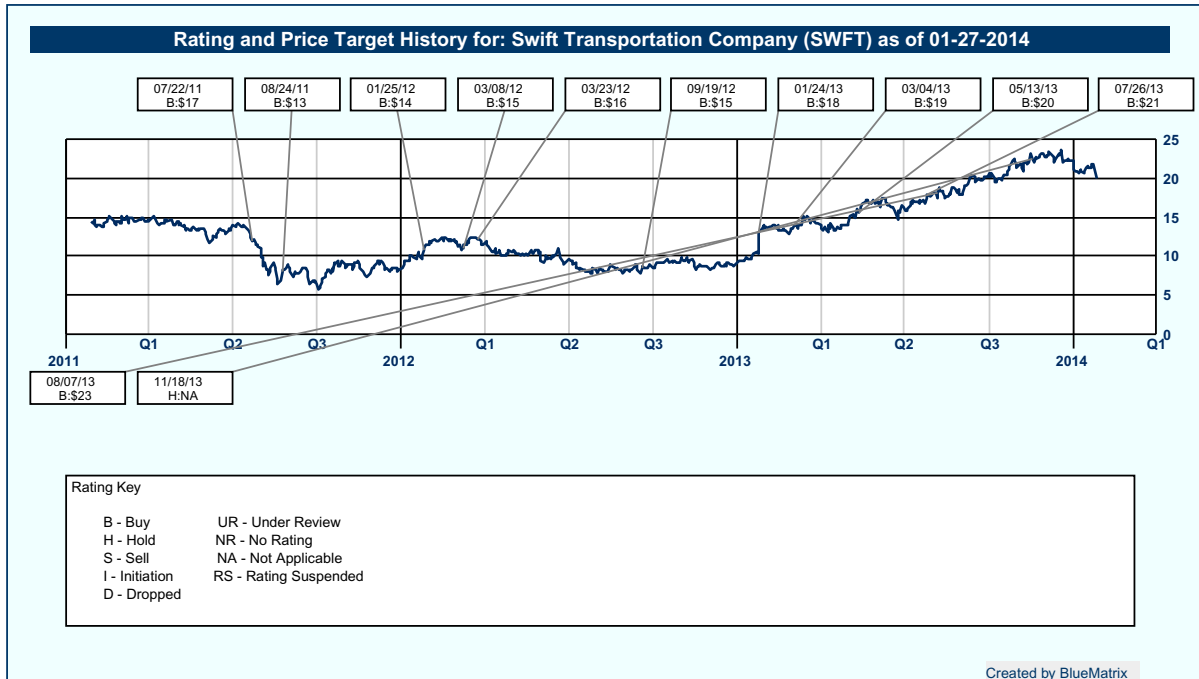
(figures in \$ millions, except per share amounts)

	2012					2013					2014				2014E	2015E	
	2011A	1QA	2QA	3QA	4QA	2012A	1QA	2QA	3QA	4QA	2013A	1QE	2QE	3QE			4QE
Consolidated	PRO FORMA Consolidated Results																
Gross revenue	3,779.1	943.7	992.1	992.6	1,047.6	3,976.0	981.6	1,029.1	1,032.1	1,075.4	4,118.2	1,046.4	1,097.2	1,095.9	1,131.4	4,370.9	4,567.6
% change y/y	n/a	9.6%	3.1%	1.5%	7.0%	5.2%	4.0%	3.7%	4.0%	2.7%	3.6%	6.6%	6.6%	6.2%	5.2%	6.1%	4.5%
Operating expenses:																	
Salaries, wages and employee benefits	861.4	219.1	217.6	218.6	224.6	879.9	226.5	223.9	218.2	232.3	900.8	227.5	232.5	233.9	239.4	933.3	972.5
Operating supplies and expenses	281.9	66.0	74.5	75.3	74.7	290.5	72.1	79.0	85.2	82.8	319.0	85.2	87.1	87.6	89.7	349.5	364.2
Fuel	698.5	169.3	162.3	169.0	168.1	668.7	168.1	160.9	160.6	150.4	640.0	170.4	175.1	173.2	177.3	696.0	725.1
Purchased transportation	1,055.5	277.3	298.0	306.0	313.6	1,194.9	292.2	308.1	318.3	337.1	1,255.6	309.8	316.6	320.5	328.1	1,275.0	1,328.4
Rental expense	122.3	33.2	36.4	39.2	40.7	149.4	40.6	43.0	46.3	50.4	180.3	45.5	46.5	46.8	47.9	186.7	194.5
Insurance and claims	110.6	34.2	29.3	29.5	28.7	121.7	31.5	33.6	35.1	41.9	142.2	38.7	39.6	39.8	40.8	158.9	165.5
Depreciation and amortization	219.3	55.5	55.5	54.3	54.8	220.0	55.2	57.2	58.5	56.3	227.2	61.3	62.7	63.1	64.7	251.8	263.0
Communications and utilities	27.8	6.7	6.6	6.7	6.5	26.5	6.6	5.9	6.7	6.4	25.6	8.7	7.9	9.0	9.2	34.8	36.2
Operating taxes and licenses	71.6	18.3	18.0	17.3	18.2	71.8	18.1	18.5	18.6	19.1	74.3	19.4	19.8	19.9	20.4	79.4	82.8
Other operating expenses	(8.9)	(4.5)	(5.0)	(4.3)	(4.5)	(18.4)	(2.8)	(5.1)	(5.6)	(9.1)	(22.7)	(1.9)	(2.0)	(2.0)	(2.0)	(7.9)	(8.3)
Total operating expenses	3,440.0	875.1	893.1	911.5	925.3	3,605.0	908.0	924.9	941.8	967.7	3,742.4	964.5	985.7	991.7	1,015.3	3,957.3	4,123.8
Adjusted Operating ratio	91.0%	92.7%	90.0%	91.8%	88.3%	90.7%	92.5%	89.9%	91.3%	90.0%	90.9%	92.2%	89.8%	90.5%	89.7%	90.5%	90.3%
EBIT	339.0	68.6	99.0	81.1	122.2	371.0	73.6	104.2	90.3	107.6	375.8	81.8	111.5	104.2	116.0	413.5	443.8
% margin	9.0%	7.3%	10.0%	8.2%	11.7%	9.3%	7.5%	10.1%	8.7%	10.0%	9.1%	7.8%	10.2%	9.5%	10.3%	9.5%	9.7%
EBITDA	558.4	124.1	154.4	135.4	177.0	591.0	128.8	161.3	148.8	163.9	602.9	143.1	174.2	167.3	180.7	665.3	706.7
% margin	14.8%	13.2%	15.6%	13.6%	16.9%	14.9%	13.1%	15.7%	14.4%	15.2%	14.6%	13.7%	15.9%	15.3%	16.0%	15.2%	15.5%
Interest income	2.0	0.4	0.5	0.7	0.6	2.2	0.6	0.5	0.6	0.7	2.5	0.2	0.8	1.3	1.5	3.8	5.3
Interest (expense)	(149.9)	(33.8)	(30.6)	(29.2)	(28.5)	(122.1)	(26.9)	(25.3)	(26.1)	(25.1)	(103.4)	(24.7)	(24.7)	(24.5)	(23.8)	(97.7)	(90.1)
Other income (expense), net ⁽¹⁾	2.2	0.7	1.3	0.4	0.6	3.1	6.6	1.3	2.0	0.9	10.8	0.0	0.0	0.0	0.0	0.0	0.0
Profit before tax	193.4	36.0	70.2	53.1	94.9	254.1	53.9	80.8	66.8	84.1	285.7	57.3	87.6	81.0	93.8	319.6	359.0
% margin	5.1%	3.8%	7.1%	5.3%	9.1%	6.4%	5.5%	7.8%	6.5%	7.8%	6.9%	5.5%	8.0%	7.4%	8.3%	7.3%	7.9%
Tax rate	39.2%	36.1%	39.2%	39.0%	39.0%	38.7%	38.0%	38.5%	38.5%	38.5%	38.4%	38.5%	38.5%	38.5%	38.5%	38.5%	38.5%
Net income (loss) from continuing operations	117.6	23.0	42.7	32.4	57.9	155.9	33.4	49.7	41.1	51.8	175.9	35.2	53.8	49.8	57.7	196.6	220.8
Extraordinary item (net of tax) ⁽¹⁾	(14.9)	(12.2)	(1.7)	1.3	(3.2)	(15.8)	(3.1)	0.2	(11.1)	(6.5)	(20.5)	(2.2)	(2.2)	(2.2)	(2.2)	(8.7)	(8.7)
Net income	102.7	10.8	40.9	33.7	54.7	140.1	30.3	49.9	30.0	45.3	155.4	33.1	51.7	47.6	55.5	187.9	212.1
% margin	2.7%	1.1%	4.1%	3.4%	5.2%	3.5%	3.1%	4.8%	2.9%	4.2%	3.8%	3.2%	4.7%	4.3%	4.9%	4.3%	4.6%
Average shares outstanding - diluted	139.7	140.4	139.6	139.5	139.6	139.6	141.3	141.8	142.3	142.7	142.0	142.7	142.7	142.7	142.7	142.7	142.7
EPS - diluted	\$0.74	\$0.08	\$0.29	\$0.24	\$0.39	\$1.00	\$0.21	\$0.35	\$0.21	\$0.32	\$1.09	\$0.23	\$0.36	\$0.33	\$0.39	\$1.32	\$1.49
% change y/y	n/a	100.0%	81.3%	4.3%	25.8%	35.1%	162.5%	20.7%	-12.5%	-17.9%	9.0%	9.5%	2.9%	57.1%	21.9%	21.1%	12.9%
Adjusted EPS - diluted	\$0.84	\$0.16	\$0.31	\$0.23	\$0.41	\$1.12	\$0.24	\$0.35	\$0.29	\$0.36	\$1.23	\$0.25	\$0.38	\$0.35	\$0.40	\$1.38	\$1.55
% change y/y	n/a	128.6%	63.2%	-11.5%	28.1%	33.3%	50.0%	12.9%	26.1%	-12.2%	9.8%	4.2%	8.6%	20.7%	11.1%	12.2%	12.3%

Source: Company data and Stifel estimates

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For a price chart with our ratings and target price changes for SWFT go to <http://sf.bluematrix.com/bluematrix/Disclosure?ticker=SWFT>

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HOLD -For U.S. securities we expect the stock to perform within 10% (plus or minus) of the S&P 500 over the next 12 months. For Canadian securities we expect the stock to perform within 10% (plus or minus) of the S&P/TSX Composite Index. For other non-U.S. securities we expect the stock to perform within 10% (plus or minus) of the MSCI World Index. A Hold rating is also used for yield-sensitive securities where we are comfortable with the safety of the dividend,

but believe that upside in the share price is limited.

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