PRESS RELEASE:

Fitch Affirms Con-way's IDR at 'BBB-'; Outlook Stable

[08-March-2012]

The following is a press release from Fitch Ratings:

Fitch Ratings-New York- 08 March 2012: Fitch Ratings has affirmed the ratings of Con-way Inc. (NYSE: CNW) as follows:

- Issuer Default Rating (IDR) at 'BBB-';
- Senior unsecured credit facility at 'BBB-';
- Senior unsecured debt at 'BBB-'.

The ratings apply to approximately $719 million in senior unsecured debt and a $325 million unsecured revolving credit facility. The Rating Outlook is Stable.

CNW's ratings reflect its leading market position in the less-than-truckload (LTL) segment of the trucking industry, and its solid liquidity position which is somewhat offset by the capital-intensive, cyclical and intensely competitive nature of the trucking industry. In addition to the LTL business which contributes 61% of revenues, CNW also operates a smaller truckload segment (12%) as well as a logistics company (27%) which diversifies its service offerings in the freight transportation sector.

CNW's 2011 earnings and profitability rebounded from depressed levels reflecting management's renewed focus on yields and overall stable market conditions in the LTL segment. After a period of aggressive discounting at the trough of the recession, industry pricing power has shown notable improvement over the last year as demand in the freight market stabilized and most operators maintain a disciplined approach towards capacity. CNW's revised pricing strategy translated into mid-single digit increases in LTL yields over the last year. Fitch expects similar yield gains over the next several quarters as the supply- demand environment remains favorable and major LTL carriers are particularly focused on rates, especially CNW, which appears to be willing to lose some volume in order to improve yields.

CNW anticipates several cost headwinds this year reflecting primarily a reversal of labor expenditure curtailed during the downturn (salary freeze, benefit cuts etc.). Rising fuel costs are less of a concern for the LTL segment as effective fuel recovery is a relative advantage of LTL carriers that build in fuel surcharge mechanisms into customer contracts that typically reset weekly or biweekly. Despite rising costs, Fitch expects CNW's margins to improve in 2012, as yield gains along with improvement in network efficiencies (due to several technology initiatives implemented during the downturn) and higher productivity should mitigate some of these pressures. Longer-term, management is working towards lowering CNW's LTL operating ratio to the low 90s from the 97.5% recorded in the fourth quarter of 2011 (4Q'11).

Fitch expects another year of modest free cash flow, similar to the $25 million generated in 2011 (after capital expenditure of $298 million and dividends of $22 million) as capital expenditure continues to trend higher than maintenance levels due to necessary fleet replenishment. CNW had significantly cut back on capital expenditure during the downturn, so the fleet upgrades are overdue. Management expects fleet investments to decline after this year as average age of its fleet is lowered to targeted levels. Fitch expects CNW's fleet renewals to improve asset utilization, lower maintenance costs and maintain the company's premium service levels. Cash contributions to its frozen defined-benefit (DB) plan for 2012 is expected to be about $51 million, but the company may consider funding up to $100 million depending on how plan assets and its cash flow perform through the course of the year.

CNW has maintained ample liquidity through the downturn and ended 2011 with a solid cash balance of $451 million. CNW's cash balance is augmented by a $325 million unsecured revolving credit facility which expires in August 2016 (maturity was extended in 3Q'11). The company's credit metrics improved last year as lease-adjusted leverage of 3.3 times (x) at year-end 2011 declined by almost a turn from the 4.2x recorded at year-end 2010, while fixed-charge coverage increased to 3.1x in 2011 from 2.4x in 2010. Given that CNW has no significant maturities until 2018, Fitch expects continued improvement in earnings to gradually improve leverage and credit metrics over the next few years.

The durability of the U.S. economic recovery and the pricing environment of the LTL segment continue to be the primary near-term risk facing the company's ratings. Other issues that could negatively effect the ratings or outlook include a large, debt-financed acquisition or an increase in debt to support a share repurchase program, but Fitch believes the likelihood of the company engaging in either of these activities in the near term is very remote.

Contact:

Primary Analyst
Sara Rouf,Director
+1-212-908-9147
Fitch, Inc.
One State Street Plaza
New York, NY 10004

Secondary Analyst
Stephen Brown, Senior Director
+1-312-368-3139

Committee Chairperson:
Craig D. Fraser, Managing Director
+1-212-908-0310

Media Relations: Brian Bertsch
New York
Tel: +1 212-908-0549
Email: brian.bertsch@fitchratings.com.

Additional information is available at 'www.fitchratings.com'. The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

Applicable Criteria and Related Research:

--'Corporate Rating Methodology' (Aug. 12, 2011).

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Corporate Rating Methodology

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=647229

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