



NEWS RELEASE

## Werner Enterprises Reports Third Quarter 2015 Revenues and Record Third Quarter Earnings

10/20/2015

OMAHA, Neb.--(BUSINESS WIRE)-- Werner Enterprises, Inc. (NASDAQ: WERN), one of the nation's largest transportation and logistics companies, reported revenues and earnings for the third quarter ended September 30, 2015.

Summarized financial results for third quarter and year-to-date 2015 compared to third quarter and year-to-date 2014 are as follows (dollars in thousands, except per share data):

|  | Three Months Ended<br>September 30, |            | % Change | Nine Months Ended<br>September 30, |              | % Change |
|--|-------------------------------------|------------|----------|------------------------------------|--------------|----------|
|  | 2015                                | 2014       |          | 2015                               | 2014         |          |
| Total revenues                           | \$ 534,448                          | \$ 551,961 | (3)%     | \$ 1,564,746                       | \$ 1,586,103 | (1)%     |
| Trucking revenues, net of fuel surcharge | 360,124                             | 334,520    | 8 %      | 1,042,309                          | 978,067      | 7 %      |
| Value Added Services ("VAS") revenues    | 102,149                             | 106,490    | (4)%     | 296,459                            | 292,145      | 1 %      |
| Operating income                         | 52,800                              | 41,690     | 27 %     | 143,195                            | 107,461      | 33 %     |
| Net income                               | 32,076                              | 25,970     | 24 %     | 87,066                             | 65,941       | 32 %     |
| Earnings per diluted share               | 0.44                                | 0.36       | 23 %     | 1.20                               | 0.91         | 32 %     |

During third quarter 2015, we accrued a total of \$3.9 million of expense (\$2.4 million after tax), or three cents per share, related to a class action suit involving an employment-related claim and a separation agreement for an executive resignation previously disclosed in third quarter 2015.

Freight demand in third quarter 2015 and so far in October 2015 has been similar to historical standards and not as strong as the robust freight market during the same periods in 2014.

Constrained truck capacity combined with a gradually improving economy in the retail, consumer products and grocery products markets primarily served by us are contributing to freight demand trends. Truckload industry capacity is challenged by an extremely competitive driver recruiting market and heightened regulatory cost increases for safety and truck ownership. We expect this favorable trend will continue. There are numerous pending and proposed federal safety initiatives that could further limit truckload and driver capacity in the next few years, including mandatory electronic logging devices (ELD's), a national drug and alcohol driver database, increased minimum liability insurance requirements for carriers, more sophisticated drug screening procedures for drivers and mandatory truck speed limiter devices. It is expected that the final rule for ELD's will be issued in fourth quarter 2015.

Average revenues per tractor per week, net of fuel surcharge, increased 2.1% in third quarter 2015 compared to third quarter 2014. Third quarter 2014 average revenues per tractor per week were 7.4% higher than third quarter 2013. Our continued focus on securing driver friendly, highly productive freight and improved freight selection using our proprietary freight optimization system enabled us to essentially maintain our average miles per truck in a freight market that is not as stellar as third quarter 2014. Our average miles per truck declined slightly by 0.7% in third quarter 2015 compared to third quarter 2014.

Average revenues per total mile, net of fuel surcharge, increased 2.8% in third quarter 2015 compared to third quarter 2014, despite a 49 basis point increase in the empty mile percentage from 12.04% to 12.53%. Our average length of haul in third quarter 2015 was 2% higher than third quarter 2014.

We are making continued progress implementing sustainable rate increases with our customers. These efforts are ongoing as we move forward and work to recoup the cost increases associated with more expensive equipment, a shrinking supply of qualified drivers and an increasingly challenging regulatory environment. Strategic customers understand the collective capacity and service challenges facing our company and our industry and are supportive of Werner's ongoing initiatives to provide sustainable transportation solutions in support of their supply chain needs.

In third quarter 2015, we averaged 7,355 trucks in service in the Truckload segment and 60 intermodal drayage trucks in the VAS segment. Following an ongoing and intense company-wide focus to improve our driver recruiting and retention, we ended third quarter 2015 with 7,415 trucks in the Truckload segment, a sequential improvement of 140 trucks compared to the end of second quarter 2015 and a year-over-year improvement of 355 trucks compared to the end of third quarter 2014. Our Specialized Services unit, primarily Dedicated, ended the quarter with 3,710 trucks (or 50% of our total Truckload segment fleet).

Diesel fuel prices were \$1.25 per gallon lower in third quarter 2015 than in third quarter 2014 and were 26 cents per gallon lower than in second quarter 2015. For the first 20 days of October 2015, the average diesel fuel price

per gallon was \$1.00 lower than the average diesel fuel price per gallon in the same period of 2014 and 79 cents lower than in fourth quarter 2014. The components of the Company's total fuel cost consist of and are recorded in our income statement as follows: (i) Fuel (fuel expense for company trucks excluding federal and state fuel taxes); (ii) Taxes and Licenses (federal and state fuel taxes); and (iii) Rent and Purchased Transportation (fuel component of our independent contractor costs, including the base cost of fuel and additional fuel surcharge reimbursement for costs exceeding the fuel base).

The significantly lower fuel prices in third quarter 2015 compared to third quarter 2014 primarily caused a reduction in fuel surcharge revenues by \$36 million in the Truckload segment and revenues by an estimated \$7 million in the VAS segment. This had the effect of reducing total consolidated revenues by an estimated 8 percentage points in third quarter 2015 compared to third quarter 2014.

We continue to invest in equipment solutions to improve the driver experience, raise operational efficiency and better manage maintenance and safety costs. We increased our capital expenditures in the last 12 months to lower the average age of our truck fleet and attained an average age of 1.9 years as of September 30, 2015, which compares to an average age of 2.3 years as of September 30, 2014. Net capital expenditures in the first nine months of 2015 were \$251 million compared to \$147 million in the first nine months of 2014. We estimate net capital expenditures for the full year of 2015 to be in the range of \$300 to \$325 million. We remain committed to investing in a best in class fleet for the benefit of our customers, our drivers and the Werner brand.

The driver recruiting market remained very challenging during third quarter 2015. Several difficult market factors persist including a declining number of, and increased competition for, driver training school graduates, a gradually declining national unemployment rate, aging truck driver demographics and increased truck safety regulations.

Gains on sales of assets were \$6.7 million in third quarter 2015, including a \$0.7 million gain from a real estate sale. This compares to gains on sales of assets of \$4.5 million in third quarter 2014 and gains on sales of assets of \$6.7 million in second quarter 2015. In third quarter 2015, we sold more trucks and trailers than in third quarter 2014. We realized lower average gains per truck and higher average gains per trailer in third quarter 2015 compared to third quarter 2014. Gains on sales of assets are reflected as a reduction of Other Operating Expenses in our income statement.

To provide shippers with additional sources of managed capacity and network analysis, we continue to develop our non-asset-based VAS segment. VAS includes Brokerage, Freight Management, Intermodal and Werner Global Logistics (International).

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|  | Three Months Ended September 30, |            |                 |            | Nine Months Ended September 30, |            |                 |            |
|--|----------------------------------|------------|-----------------|------------|---------------------------------|------------|-----------------|------------|
|  | 2015                             | %          | 2014            | %          | 2015                            | %          | 2014            | %          |
| <u>Value Added Services (amounts in thousands)</u> |                                  |            |                 |            |                                 |            |                 |            |
| Operating revenues                                 | \$ 102,149                       | 100.0      | \$ 106,490      | 100.0      | \$ 296,459                      | 100.0      | \$ 292,145      | 100.0      |
| Rent and purchased transportation expense          | 86,085                           | 84.3       | 93,762          | 88.0       | 251,406                         | 84.8       | 253,525         | 86.8       |
| Gross margin                                       | 16,064                           | 15.7       | 12,728          | 12.0       | 45,053                          | 15.2       | 38,620          | 13.2       |
| Other operating expenses                           | 11,043                           | 10.8       | 11,706          | 11.0       | 32,579                          | 11.0       | 33,488          | 11.4       |
| Operating income                                   | <u>\$ 5,021</u>                  | <u>4.9</u> | <u>\$ 1,022</u> | <u>1.0</u> | <u>\$ 12,474</u>                | <u>4.2</u> | <u>\$ 5,132</u> | <u>1.8</u> |

In third quarter 2015, VAS revenues decreased \$4.3 million or 4%, and operating income dollars increased \$4.0 million or 391%, compared to third quarter 2014. Adjusting for lower fuel prices that reduced operating revenues by an estimated \$7 million, operating revenues would have increased 3%. The VAS gross margin percentage in third quarter 2015 of 15.7% improved year over year compared to the gross margin percentage of 12.0% in third quarter 2014. The VAS operating income percentage in third quarter 2015 of 4.9% improved from third quarter 2014 of 1.0%.

Comparisons of the operating ratios for the Truckload segment (net of fuel surcharge revenues of \$52.4 million and \$88.8 million in third quarters 2015 and 2014, respectively, and \$167.2 million and \$268.6 million in the year-to-date 2015 and 2014 periods, respectively) and the VAS segment are shown below.

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|                                   | Three Months Ended September 30, |       |            | Nine Months Ended September 30, |       |            |
|-----------------------------------|----------------------------------|-------|------------|---------------------------------|-------|------------|
|                                   | 2015                             | 2014  | Difference | 2015                            | 2014  | Difference |
| <u>Operating Ratios</u>           |                                  |       |            |                                 |       |            |
| Truckload Transportation Services | 86.7%                            | 88.5% | (1.8)%     | 87.5%                           | 90.1% | (2.6)%     |
| Value Added Services              | 95.1%                            | 99.0% | (3.9)%     | 95.8%                           | 98.2% | (2.4)%     |

Fluctuating fuel prices and fuel surcharge revenues impact the total company operating ratio and the Truckload segment's operating ratio when fuel surcharges are reported on a gross basis as revenues versus netting against fuel expenses. Eliminating fuel surcharge revenues, which are generally a more volatile source of revenue, provides a more consistent basis for comparing the results of operations from period to period. The Truckload segment's operating ratios for third quarter 2015 and third quarter 2014 are 88.3% and 90.9%, respectively, and for year-to-date 2015 and 2014 are 89.2% and 92.2%, respectively, when fuel surcharge revenues are reported as revenues instead of a reduction of operating expenses.

Our financial position remains strong. As of September 30, 2015, we had \$75.0 million of debt outstanding and \$903.2 million of stockholders' equity.

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**INCOME STATEMENT**  
**(Unaudited)**  
**(In thousands, except per share amounts)**

|                                   | Three Months Ended<br>September 30, |       |            |       | Nine Months Ended<br>September 30, |       |              |       |
|-----------------------------------|-------------------------------------|-------|------------|-------|------------------------------------|-------|--------------|-------|
|                                   | 2015                                |       | 2014       |       | 2015                               |       | 2014         |       |
|                                   | \$                                  | %     | \$         | %     | \$                                 | %     | \$           | %     |
| Operating revenues                | \$ 534,448                          | 100.0 | \$ 551,961 | 100.0 | \$ 1,564,746                       | 100.0 | \$ 1,586,103 | 100.0 |
| Operating expenses:               |                                     |       |            |       |                                    |       |              |       |
| Salaries, wages and benefits      | 167,301                             | 31.3  | 149,206    | 27.0  | 479,142                            | 30.6  | 428,425      | 27.0  |
| Fuel                              | 50,855                              | 9.5   | 86,820     | 15.7  | 160,996                            | 10.3  | 270,026      | 17.0  |
| Supplies and maintenance          | 50,283                              | 9.4   | 48,527     | 8.8   | 144,328                            | 9.2   | 140,268      | 8.8   |
| Taxes and licenses                | 22,616                              | 4.2   | 21,420     | 3.9   | 66,459                             | 4.3   | 63,563       | 4.0   |
| Insurance and claims              | 17,372                              | 3.3   | 19,789     | 3.6   | 60,034                             | 3.8   | 59,175       | 3.7   |
| Depreciation                      | 49,081                              | 9.2   | 44,182     | 8.0   | 143,065                            | 9.1   | 131,878      | 8.3   |
| Rent and purchased transportation | 122,006                             | 22.8  | 133,893    | 24.2  | 360,706                            | 23.1  | 373,778      | 23.6  |
| Communications and utilities      | 3,786                               | 0.7   | 3,689      | 0.7   | 11,301                             | 0.7   | 10,597       | 0.7   |
| Other                             | (1,652)                             | (0.3) | 2,745      | 0.5   | (4,480)                            | (0.3) | 932          | 0.1   |
| Total operating expenses          | 481,648                             | 90.1  | 510,271    | 92.4  | 1,421,551                          | 90.8  | 1,478,642    | 93.2  |
| Operating income                  | 52,800                              | 9.9   | 41,690     | 7.6   | 143,195                            | 9.2   | 107,461      | 6.8   |
| Other expense (income):           |                                     |       |            |       |                                    |       |              |       |
| Interest expense                  | 511                                 | 0.1   | 140        | —     | 1,569                              | 0.1   | 370          | —     |
| Interest income                   | (760)                               | (0.1) | (614)      | —     | (2,088)                            | (0.1) | (1,929)      | (0.1) |
| Other                             | 32                                  | —     | 43         | —     | 257                                | —     | 2            | —     |
| Total other expense (income)      | (217)                               | —     | (431)      | —     | (262)                              | —     | (1,557)      | (0.1) |
| Income before income taxes        | 53,017                              | 9.9   | 42,121     | 7.6   | 143,457                            | 9.2   | 109,018      | 6.9   |
| Income taxes                      | 20,941                              | 3.9   | 16,151     | 2.9   | 56,391                             | 3.6   | 43,077       | 2.7   |
| Net income                        | \$ 32,076                           | 6.0   | \$ 25,970  | 4.7   | \$ 87,066                          | 5.6   | \$ 65,941    | 4.2   |
| Diluted shares outstanding        | 72,478                              |       | 72,364     |       | 72,546                             |       | 72,706       |       |
| Diluted earnings per share        | \$ 0.44                             |       | \$ 0.36    |       | \$ 1.20                            |       | \$ 0.91      |       |

**SEGMENT INFORMATION**  
**(Unaudited)**  
**(In thousands)**

|                                   | Three Months Ended<br>September 30, |            | Nine Months Ended<br>September 30, |              |
|-----------------------------------|-------------------------------------|------------|------------------------------------|--------------|
|                                   | 2015                                |            | 2014                               |              |
|                                   | \$                                  |            | \$                                 |              |
| Revenues                          |                                     |            |                                    |              |
| Truckload Transportation Services | \$ 417,861                          | \$ 428,619 | \$ 1,225,439                       | \$ 1,261,194 |
| Value Added Services              | 102,149                             | 106,490    | 296,459                            | 292,145      |
| Other                             | 14,087                              | 16,868     | 41,996                             | 33,115       |
| Corporate                         | 634                                 | 688        | 1,880                              | 2,075        |
| Subtotal                          | 534,731                             | 552,665    | 1,565,774                          | 1,588,529    |
| Inter-segment eliminations (1)    | (283)                               | (704)      | (1,028)                            | (2,426)      |
| Total                             | \$ 534,448                          | \$ 551,961 | \$ 1,564,746                       | \$ 1,586,103 |
| Operating Income                  |                                     |            |                                    |              |
| Truckload Transportation Services | \$ 48,747                           | \$ 39,138  | \$ 131,901                         | \$ 98,238    |
| Value Added Services              | 5,021                               | 1,022      | 12,474                             | 5,132        |
| Other                             | (1,354)                             | 404        | (2,038)                            | 1,245        |
| Corporate                         | 386                                 | 1,126      | 858                                | 2,846        |
| Total                             | \$ 52,800                           | \$ 41,690  | \$ 143,195                         | \$ 107,461   |

(1) Inter-segment eliminations represent transactions between reporting segments that are eliminated in consolidation.

**OPERATING STATISTICS BY SEGMENT**  
(Unaudited)

|  | Three Months Ended<br>September 30, |          |          | Nine Months Ended<br>September 30, |          |  | % Change |
|--|-------------------------------------|----------|----------|------------------------------------|----------|--|----------|
|  | 2015                                | 2014     | % Change | 2015                               | 2014     |  |          |
| <b>Truckload Transportation Services segment</b> |                                     |          |          |                                    |          |  |          |
| Average percentage of empty miles                | 12.53%                              | 12.04%   | 4.1%     | 12.30%                             | 12.05%   |  | 2.1%     |
| Average trip length in miles (loaded)            | 483                                 | 475      | 1.7%     | 480                                | 469      |  | 2.3%     |
| Average tractors in service                      | 7,355                               | 6,974    | 5.5%     | 7,205                              | 7,011    |  | 2.8%     |
| Average revenues per tractor per week (1)        | \$ 3,767                            | \$ 3,690 | 2.1%     | \$ 3,710                           | \$ 3,577 |  | 3.7%     |
| Total trailers (at quarter end)                  | 22,495                              | 22,005   |          | 22,495                             | 22,005   |  |          |
| Total tractors (at quarter end)                  |                                     |          |          |                                    |          |  |          |
| Company  | 6,710                               | 6,395    |          | 6,710                              | 6,395    |  |          |
| Independent contractor                           | 705                                 | 665      |          | 705                                | 665      |  |          |
| Total tractors                                   | 7,415                               | 7,060    |          | 7,415                              | 7,060    |  |          |
| <b>Value Added Services segment</b>              |                                     |          |          |                                    |          |  |          |
| Average tractors in service                      | 60                                  | 50       |          | 54                                 | 48       |  |          |
| Total trailers (at quarter end)                  | 1,405                               | 1,750    |          | 1,405                              | 1,750    |  |          |
| Total tractors (at quarter end)                  | 70                                  | 55       |          | 70                                 | 55       |  |          |

(1) Net of fuel surcharge revenues.

**SUPPLEMENTAL INFORMATION**  
(Unaudited)  
(In thousands)

|                               | Three Months Ended<br>September 30, |           | Nine Months Ended<br>September 30, |            | 2014 |
|-------------------------------|-------------------------------------|-----------|------------------------------------|------------|------|
|                               | 2015                                | 2014      | 2015                               | 2014       |      |
| Capital expenditures, net     | \$ 91,703                           | \$ 84,032 | \$ 251,109                         | \$ 146,839 |      |
| Cash flow from operations     | 89,200                              | 74,666    | 282,772                            | 165,211    |      |
| Return on assets (annualized) | 8.2%                                | 7.4%      | 7.6%                               | 6.4%       |      |
| Return on equity (annualized) | 14.4%                               | 13.0%     | 13.4%                              | 11.2%      |      |

CONDENSED BALANCE SHEET  
(In thousands, except share amounts)

|  | September 30,<br>2015 | December 31,<br>2014 |
|--|-----------------------|----------------------|
|  | (Unaudited)           |                      |
| <b>ASSETS</b>  |                       |                      |
| Current assets:  |                       |                      |
| Cash and cash equivalents  | \$ 45,921             | \$ 22,604            |
| Accounts receivable, trade, less allowance of \$9,710 and \$10,017, respectively   | 250,878               | 266,727              |
| Other receivables  | 20,463                | 20,316               |
| Inventories and supplies   | 16,355                | 17,824               |
| Prepaid taxes, licenses and permits  | 6,974                 | 14,914               |
| Current deferred income taxes  | 29,541                | 34,066               |
| Income taxes receivable  | 1,765                 | 23,435               |
| Other current assets   | 28,936                | 26,458               |
| Total current assets   | <u>400,833</u>        | <u>426,344</u>       |
| Property and equipment   |                       |                      |
| Less – accumulated depreciation  | 1,885,532             | 1,786,229            |
| Property and equipment, net  | <u>761,200</u>        | <u>772,447</u>       |
| Other non-current assets   | 1,124,332             | 1,013,782            |
| Total assets   | <u>46,807</u>         | <u>40,336</u>        |
|  | <u>\$ 1,571,972</u>   | <u>\$ 1,480,462</u>  |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                       |                      |
| Current liabilities:   |                       |                      |
| Accounts payable   | \$ 83,436             | \$ 64,827            |
| Insurance and claims accruals  | 61,298                | 73,814               |
| Accrued payroll  | 37,057                | 28,121               |
| Other current liabilities  | 28,095                | 19,768               |
| Total current liabilities  | <u>209,886</u>        | <u>186,530</u>       |
| Long-term debt, net of current portion   | 75,000                | 75,000               |
| Other long-term liabilities  | 21,073                | 20,021               |
| Insurance and claims accruals, net of current portion  | 129,895               | 123,445              |
| Deferred income taxes  | 232,878               | 241,606              |
| Stockholders' equity:  |                       |                      |
| Common stock, \$.01 par value, 200,000,000 shares authorized; 80,533,536 shares issued; 71,892,934 and 72,038,368 shares outstanding, respectively | 805                   | 805                  |
| Paid-in capital  | 104,619               | 101,803              |
| Retained earnings  | 990,638               | 915,085              |
| Accumulated other comprehensive loss   | (13,321)              | (9,375)              |
| Treasury stock, at cost; 8,640,602 and 8,495,168 shares, respectively  | <u>(179,501)</u>      | <u>(174,458)</u>     |
| Total stockholders' equity   | <u>903,240</u>        | <u>833,860</u>       |
| Total liabilities and stockholders' equity   | <u>\$ 1,571,972</u>   | <u>\$ 1,480,462</u>  |

Werner Enterprises, Inc. was founded in 1956 and is a premier transportation and logistics company, with coverage throughout North America, Asia, Europe, South America, Africa and Australia. Werner maintains its global headquarters in Omaha, Nebraska and maintains offices in the United States, Canada, Mexico, China and Australia. Werner is among the five largest truckload carriers in the United States, with a diversified portfolio of transportation services that includes dedicated van, temperature-controlled and flatbed; medium-to-long-haul, regional and local van; and expedited services. Werner's Value Added Services portfolio includes freight management, truck brokerage, intermodal, and international services. International services are provided through Werner's domestic and global subsidiary companies and include ocean, air and ground transportation; freight forwarding; and customs brokerage.

Werner Enterprises, Inc.'s common stock trades on The NASDAQ Global Select MarketSM under the symbol "WERN". For further information about Werner, visit the Company's website at [www.werner.com](http://www.werner.com).

This press release may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, as amended. Such forward-looking statements are based on information presently available to the Company's management and are current only as of the date made. Actual results could also differ materially from those anticipated as a result of a number of factors, including, but not limited to, those discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

For those reasons, undue reliance should not be placed on any forward-looking statement. The Company assumes no duty or obligation to update or revise any forward-looking statement, although it may do so from time to time as management believes is warranted or as may be required by applicable securities law. Any such updates or revisions may be made by filing reports with the U.S. Securities and Exchange Commission, through the issuance of press releases or by other methods of public disclosure.

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Executive Vice President, Treasurer and Chief Financial Officer