

4Q18 AND FULL YEAR 2018 EARNINGS PRESENTATION

February 6, 2019

DISCLOSURE STATEMENT

This presentation 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, 2017.

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.



WERNER OVERVIEW, 4Q18 AND FULL YEAR 2018 HIGHLIGHTS



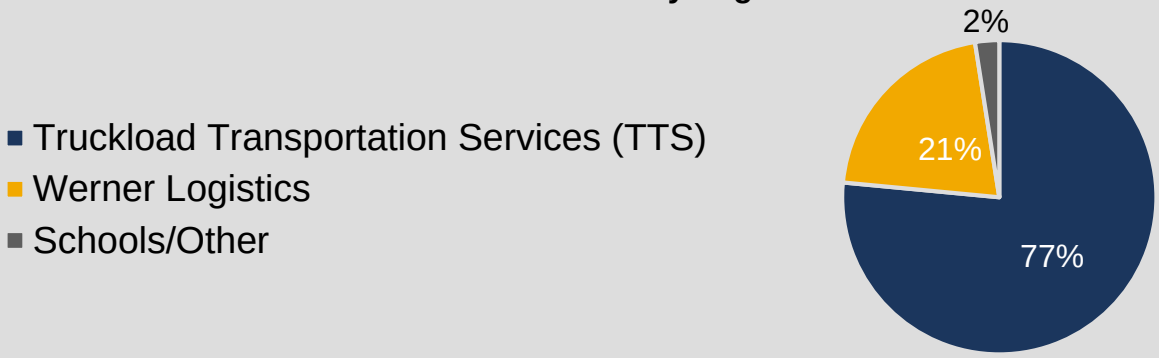
Derek Leathers
President and Chief Executive Officer

WERNER OVERVIEW

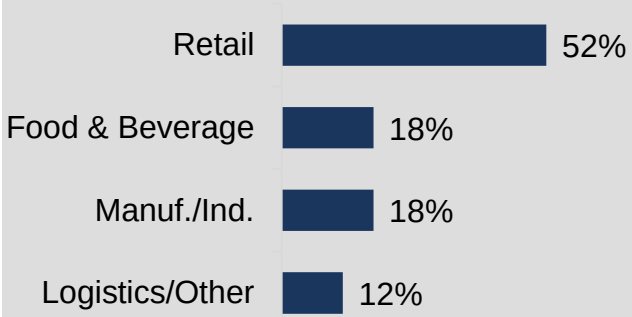
Premium Truckload Transportation & Logistics Services Provider

Headquarters	Omaha
Market Cap[1]	$2.3B
Dedicated Fleet Size[1]	4,500
One-Way Fleet Size[1]	3,320
Associates[2]	13,432
Dividend Yield[1]	1.1%

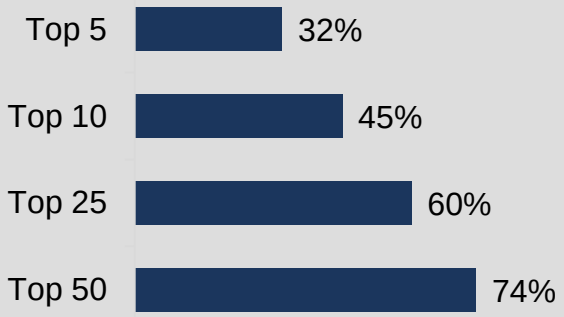
2018 Revenues by Segment



2018 Revenues by Vertical
Top 50 Customers



2018 Revenues by Customer



1) *As of 1/31/19 for Market Cap and Dividend Yield, and as of 12/31/18 for Dedicated Fleet Size and One-Way Truckload Fleet Size*
2) *Associates as of 12/31/18, includes 12,852 employees and 580 independent contractor drivers*

4Q18 AND FULL YEAR 2018 HIGHLIGHTS

4Q18 Financial Highlights	▪ Revenues increased 14% to $646M ▪ GAAP EPS decreased 61% to $0.77; GAAP EPS for 4Q17 included a $110.5M favorable income tax adjustment, or $1.52/share, due to Tax Reform ▪ Adj. EPS increased 79% to $0.75 ▪ Adj. operating income increased 63% to $73.6M ▪ Adj. operating margin improved ~350 bps to 11.4%
2018 Financial Highlights	▪ Revenues increased 16% to $2.5B ▪ GAAP EPS decreased 17% to $2.33; same income tax adjustment as above ▪ Adj. EPS increased 86% to $2.38 ▪ Adj. operating income increased 59% to $228.6M ▪ Adj. operating margin improved ~ 250 bps to 9.3%
Strategic Updates and Other Developments	▪ Freight demand for our One-Way Truckload fleet was stronger than normal in 4Q18, but not as strong as 4Q17 ▪ At 12/31/18, 7,820 total tractors in TTS, up 385 YoY and 70 sequentially; all YoY and sequential fleet growth occurred in Dedicated



TOTAL COMPANY AND SEGMENT FINANCIAL RESULTS

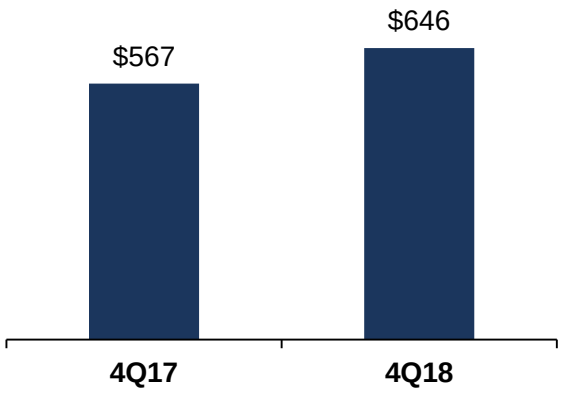


John Steele
Executive Vice President, Treasurer and Chief Financial Officer

4Q18 FINANCIAL PERFORMANCE

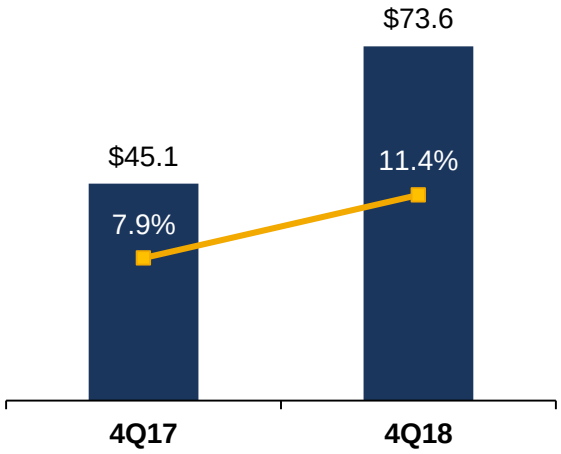
($M)

Total Revenues



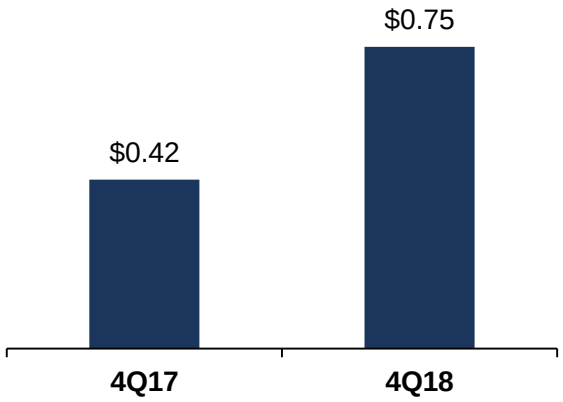
- 14% total revenues growth
- +6.9% TTS revenues per truck per week*
- +4.7% TTS average trucks
- 22% logistics revenues growth

Adjusted Operating Income and Operating Margin



- 63% Adj. operating income growth
- Adj. TTS operating margin improved 360 bps
- Logistics operating margin grew 350 bps
- Continued to invest in our professional drivers; driver pay increase of over 9% per company mile

Adjusted EPS



- 79% Adj. EPS growth
- Adj. TTS contributed Adj. EPS growth of $0.24
- Logistics contributed Adj. EPS growth of $0.05

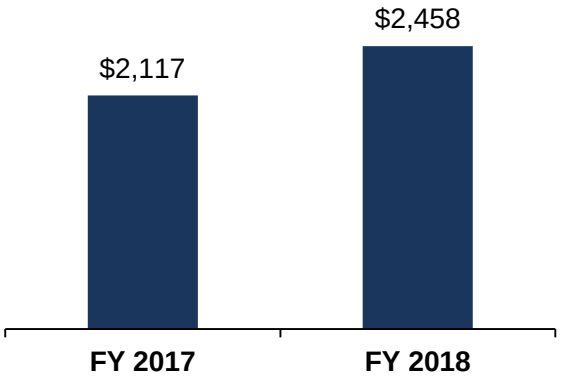
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** Net of fuel surcharge revenues*

FULL YEAR 2018 FINANCIAL PERFORMANCE

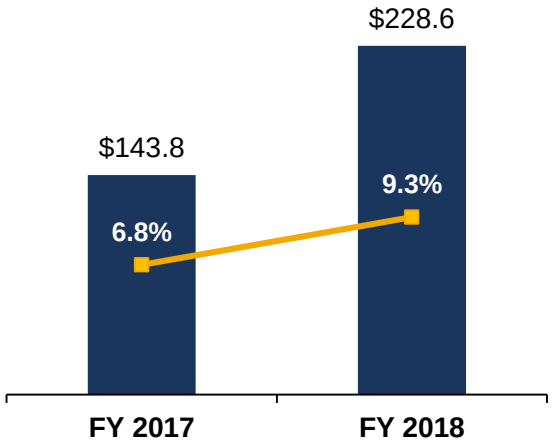
($M)

Total Revenues



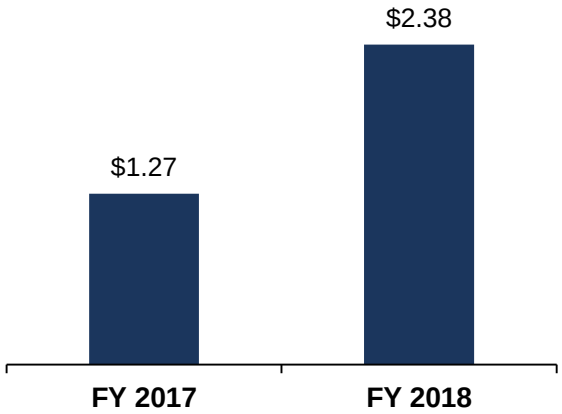
- 16% total revenues growth
- +8.4% TTS revenues per truck per week*
- +4.3% TTS average trucks
- 24% logistics revenues growth

Adjusted Operating Income and Operating Margin



- 59% Adj. operating income growth
- Adj. TTS operating margin improved 290 bps
- Logistics operating margin grew 180 bps
- Continued to invest in our professional drivers, driver pay increase of over 10% per company mile

Adjusted EPS



- 86% Adj. EPS growth
- Adj. TTS contributed Adj. EPS growth of $0.78
- Logistics contributed Adj. EPS growth of $0.12

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** Net of fuel surcharge revenues*

TRUCKLOAD TRANSPORTATION SERVICES (TTS) RESULTS

	4Q18	4Q17	Change YoY
Revenues ($M)	$494.7	$439.2	13%
Adj. Op. Income ($M)	$68.0	$44.5	53%
Adj. Op. Margin	13.7%	10.1%	360 bps
Adj. OR, net FSC	84.1%	88.3%	(420) bps

- TTS RPTPW* +6.9%; led by One-Way TL RPTPW* +9.8%, including 10.5% higher One-Way TL RPTM*
- TTS RPTPW* increases and operating margin expansion led to $23.4M Adj. operating income growth
- 7 consecutive quarters of TTS operating margin improvement

	2018	2017	Change YoY
Revenues ($M)	$1,881.3	$1,635.2	15%
Adj. Op. Income ($M)	$212.9	$138.1	54%
Adj. Op. Margin	11.3%	8.4%	290 bps
Adj. OR, net FSC	86.8%	90.3%	(350) bps

- TTS RPTPW* +8.4%; led by One-Way TL RPTPW* +13.2%, including 13.2% higher One-Way TL RPTM*
- TTS RPTPW* increases and operating margin expansion led to $74.8M Adj. operating income growth
- Fluctuating fuel prices and fuel surcharge (FSC) revenues impact the TTS operating ratio (OR) when FSC revenues are reported on a gross basis as revenues vs netting FSC revenues against fuel expense (affects 4Q and full year)

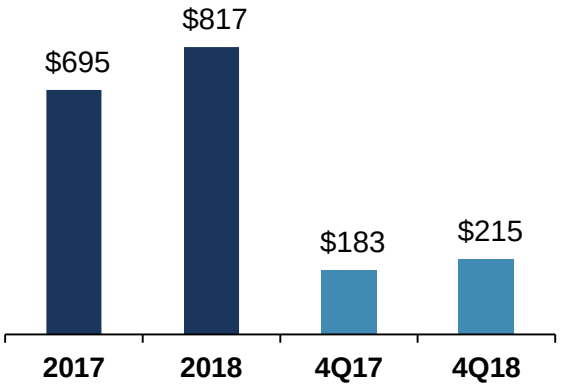
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** Net of fuel surcharge revenues*

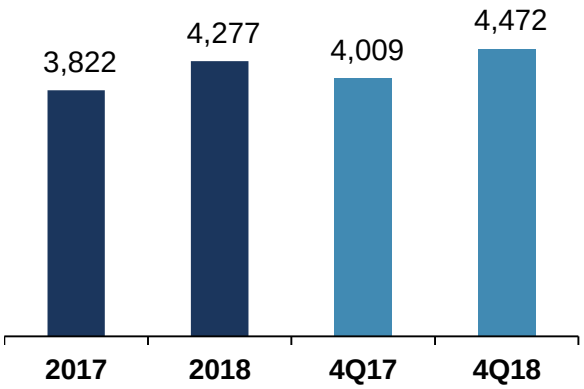
TTS* FLEET METRICS UPDATE

Dedicated Truckload

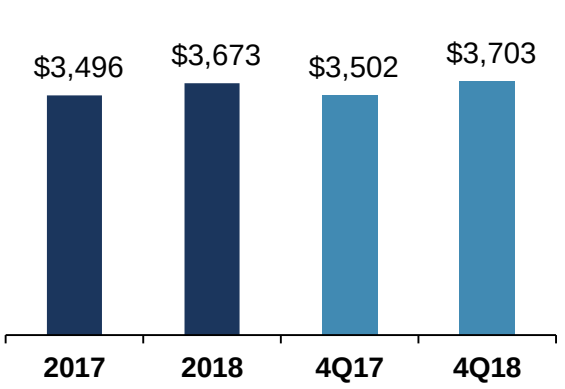
Trucking Revenues** ($M)



Average Tractors

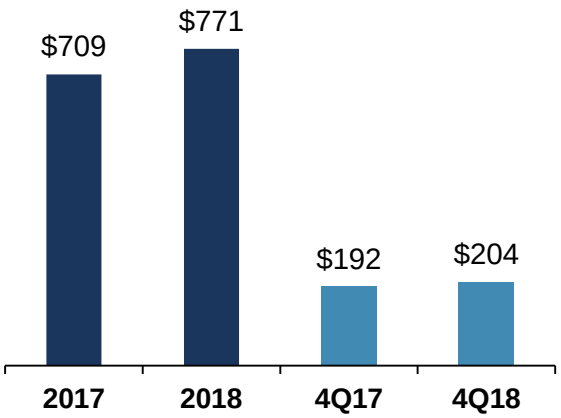


Revenues / Tractor / Week**

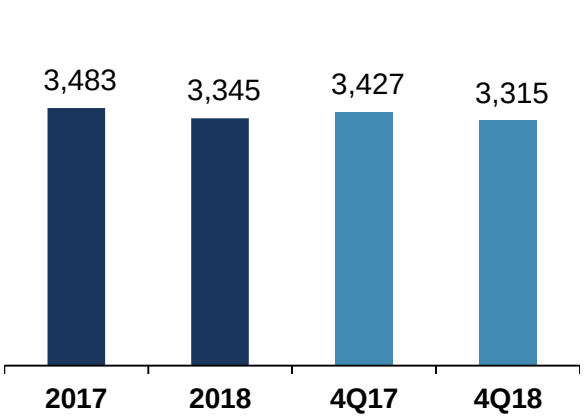


One-Way Truckload

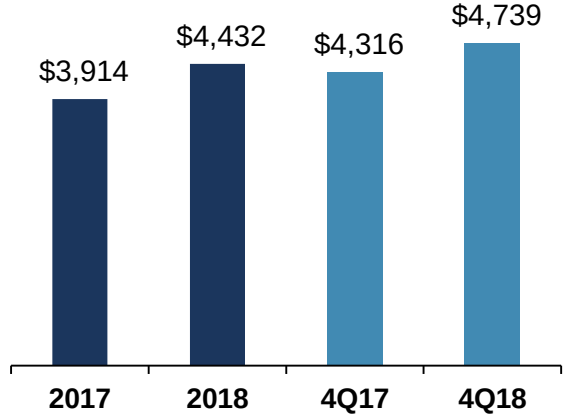
Trucking Revenues** ($M)



Average Tractors



Revenues / Tractor / Week**



** TTS consists of the Dedicated and One-Way Truckload fleets*

*** Net of fuel surcharge revenues*

WERNER LOGISTICS RESULTS

	4Q18	4Q17	Change YoY
Revenues ($M)	$137.2	$112.4	22%
Gross Margin	16.8%	14.4%	240 bps
Op. Income ($M)	$7.2	$2.0	257%
Op. Margin	5.3%	1.8%	350 bps

- Brokerage led the way with 23% revenues growth
- All 5 Logistics units increased revenues (Brokerage, Freight Management, Intermodal, International and Final Mile)
- Strong peak season and improved execution resulted in significant margin expansion and operating income growth

	2018	2017	Change YoY
Revenues ($M)	$518.1	$417.6	24%
Gross Margin	15.8%	14.9%	90 bps
Op. Income ($M)	$20.4	$8.7	135%
Op. Margin	3.9%	2.1%	180 bps

- Brokerage contributed 37% revenues growth
- All 5 Logistics units increased revenues
- Improved gross margin and improved execution combined with revenue growth contributed to an $11.7M increase in operating income



BUSINESS UPDATE AND FINANCIAL OUTLOOK



Derek Leathers
President and Chief Executive Officer

WE ARE TRANSFORMING WERNER INTO A STRONGER PERFORMING AND BETTER POSITIONED COMPANY

2015

Jun
Launched 5 T's Strategy

Aug
C.L. Werner, founder, reassumed CEO role

Derek Leathers, President and COO, takes on increased responsibility

Implemented balanced revenue portfolio initiative

2016

May
Derek Leathers named President and CEO

Continued large CapEx and fleet age reduction during challenging freight market

2017

Apr
Announced new metrics-based management performance pay program

Reinvested in owned driver training school network

Expanded Dedicated fleet

2018

Increased CapEx to:

- Lower fleet age, enhance truck features
- Strengthen terminal network
- Enhance IT

	Dec 31, 2014	Dec 31, 2018
Truck Age (Yrs.)	2.2	**1.8**
Trailer Age (Yrs.)	7.4	**4.1**

FIVE T'S STRATEGY EXECUTION

01	Tractors		▪ Reduced tractor age to 1.8 years; maintain at or near this level going forward
02	Trailers		▪ Reduced trailer age to 4.1 years, lowest level since the year 2000
03	Talent		▪ Despite an extremely competitive driver market, reduced driver turnover to one of the lowest levels in the last 20 years
04	Terminals		▪ Upgraded and expanded our terminal network to improve driver training, safety, equipment maintenance and throughput
05	Technology		▪ Upgrading and modernizing our IT infrastructure, network and data security; enhancing our logistics applications software to improve real-time execution and decision making.

Best in Class Customer Service

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OUR DRIVER STRATEGY IS WORKING IN A VERY COMPETITIVE LABOR MARKET

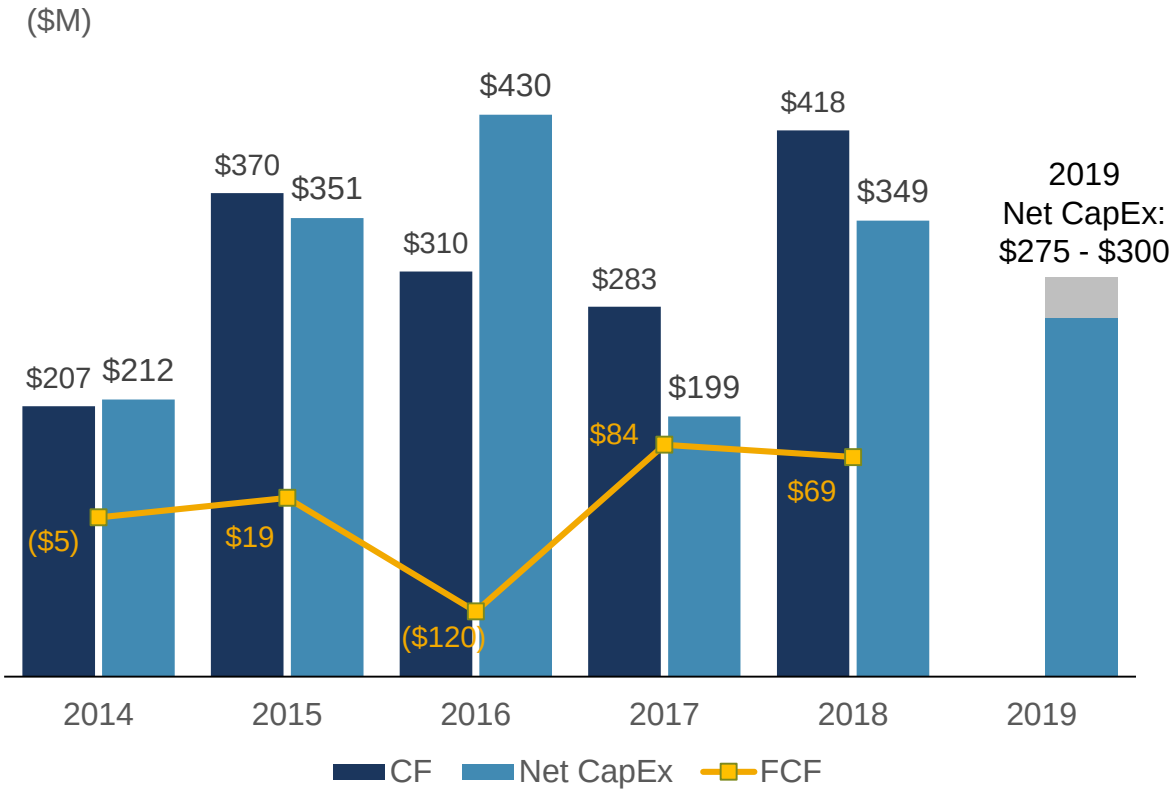
Werner Programs Are Attracting and Retaining Professional Drivers

New, modern and operationally efficient tractors and trailers	**Advanced truck fleet** with nearly 100% auto-manual transmissions and active-braking collision mitigation technology	**Top tier driver pay** packages for multiple and varied driving options	Nearly 60% of driving jobs in Dedicated with **better home time frequency**
Largest owned driver training school network (14 locations)	Industry-leading driver recruiting and retention program for **former military personnel**	**Female driver** percentage double the industry average	**Over 20 years and 18 billion miles** of ELD experience

For 4Q18, 2nd lowest driver turnover % in the last 20 years;
For Full Year 2018, 3rd lowest driver turnover % in the last 20 years

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CAPEX MODERATING IN 2019; STRONG FCF GENERATION FORTHCOMING



- 2019 Net CapEx expected to normalize in the range of $275M to $300M; over the long term, targeting Net CapEx at 11-13% of gross revenues
- Investment in 2019 focused on continued IT modernization, commercial and operational excellence initiatives and advancing truck technologies
- Free Cash Flow expected to be in excess of $100M in 2019

CAPITAL ALLOCATION STRATEGY

Continue to Invest in Growth and Productivity

- Our first priority remains continued investment in the business across cycles; operational and commercial excellence initiatives in place
- 2018 was a higher than average Net CapEx spend year to invest in the 5 T's
- Fleet and terminal network improved; continuing upgrades to IT infrastructure, truck technology
- Expect Net CapEx to moderate and normalize going forward

Return Cash to Shareholders

- Long history of returning cash via dividends and share repurchases
- Quarterly cash dividend rate per common share of $0.09 per quarter ($0.36 per year)
- In 2018, repurchased ~2.1M shares, including 800K shares during 4Q18 for total cost of $72.2M and $25.8M, respectively; 2.6M shares remaining under current authorization
- Regularly evaluate opportunities to return excess cash

Flexible Balance Sheet

- Financial position remains strong
- As of December 31, 2018, $125M of debt outstanding and over $1.26B of stockholders' equity; Debt to EBITDA of 0.3x
- Provides flexibility to continue to invest in the business across cycles and opportunistically return capital to further drive shareholder value

FULL YEAR 2019 OUTLOOK

Assumptions

- Truck growth of 3% to 5% in our TTS truck fleet in Dedicated in 1H19; minimal to no truck growth planned for 2H19
- One-Way Truckload RPTM for full year 2019 vs 2018 expected to increase in a range of 4% to 8%; YoY increase expected to gradually moderate from 1Q19 to 4Q19
- Gains on sales of equipment in 2019 are expected to be similar to the $19M in 2018 and more consistent quarter to quarter
- Expect effective income tax rate to be in the range of 25% to 26%
- Net capital expenditures in the range of $275M to $300M
- Maintain newer fleet age at or near current levels of 1.8 years for trucks and 4.1 years for trailers

One-Way Truckload Freight Demand

- QTD 2019 has been tracking slightly better than normal for this time of year, but lower than the unusually strong freight demand during the same period in 2018

Business Drivers

- 2019 a more normalized fleet replacement year; Net CapEx declining $50M to $75M from 2018
- Driver supply expected to be very tight with 50-year low domestic unemployment rate
- Used equipment market for our lower mileage trucks and trailers is expected to remain at current levels

WERNER WELL-POSITIONED FOR POTENTIAL ECONOMIC OUTCOMES

Bullish case (domestic GDP growth > 2.5%, driver supply tight, freight demand solid)

- Werner continues to provide outstanding customer service with new fleet, more experienced drivers, enhanced IT, strong operational execution
- One-Way Truckload RPTM and driver pay increases rise in the mid-to-high single digit percentage range (2019 vs 2018)

Bearish case (domestic GDP growth < 2.5%, driver supply increases, freight demand moderates)

- Werner continues to provide outstanding customer service with new fleet, more experienced drivers, enhanced IT, strong operational execution
- One-Way Truckload RPTM and driver pay increases moderate to the low-to-mid single digit percentage range (2019 vs 2018)
- Werner already prepared with nearly 60% of trucks/drivers in more stable and predictable Dedicated; over 20% Logistics revenues; less exposure to One-Way Truckload market. Fleet already new, fleet does not need to be aggressively refreshed as we did during the last softer industry period in 2016.



Q&A

SUMMARY – INVEST WITH US



Focused effort over the past several years to balance the portfolio toward more consistent revenue streams positions us well across various freight markets	Heavy capex period to transform our company is behind us; we will continue to invest strategically and will begin to generate higher free cash flow	Our new, technologically-advanced fleet, updated terminal network and industry-leading experienced drivers will continue to serve as a differentiator	Long-term margin and return expectations going forward are higher than the past	We are a stronger, better positioned company than we were three years ago; we will continue to deliver shareholder value



APPENDIX

GAAP to NON-GAAP RECONCILIATION

(Unaudited)

(In thousands, except per share amounts)

	Three Months Ended December 31,		Year Ended December 31,	
	2018	2017	2018	2017
Operating revenues	$ 646,365	$ 567,365	$ 2,457,914	$ 2,116,737
Operating expenses	571,434	522,304	2,233,699	1,972,917
Adjusted for:				
Insurance and claims [1]	(1,150)	—	(15,189)	—
Property tax settlement [2]	—	—	4,900	—
Gains on sale of real estate [3]	2,432	—	5,927	—
Adjusted operating expenses	572,716	522,304	2,229,337	1,972,917
Adjusted operating income [4]	73,649	45,061	228,577	143,820
Total other expense (income)	399	(366)	334	(737)
Adjusted income before income taxes	73,250	45,427	228,243	144,557
Adjusted income tax expense (benefit)	19,647	(95,707)	56,830	(58,332)
Deferred income tax adjustment for tax reform [5]	—	110,508	—	110,508
Adjusted net income [4]	53,603	30,626	171,413	92,381
Diluted shares outstanding	71,136	72,660	72,057	72,558
Adjusted diluted earnings per share [4]	$ 0.75	$ 0.42	$ 2.38	$ 1.27

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GAAP to NON-GAAP RECONCILIATION

(Unaudited)

(In thousands, except per share amounts)

(1) During 2Q18, we accrued $11,250 of pre-tax insurance and claims expense (including interest of $1,300) related to a previously disclosed excess adverse jury verdict rendered on May 17, 2018 in a lawsuit arising from a December 2014 accident. Additional information about the accident was included in our Current Report on Form 8-K dated May 17, 2018. Under our insurance policies in effect on the date of this accident, our maximum liability for this accident is $10,000 (plus pre-judgment and post-judgment interest) with premium-based insurance coverage that exceeds the jury verdict amount. The Company is appealing this verdict. During 3Q18 and 4Q18, respectively, we accrued $2,789 of interest and legal fees and $1,150 of interest related to this jury verdict. Management believes excluding the effect of this item provides a more useful comparison of our performance from period to period. This item is included in the Truckload Transportation Services segment in our Segment Information table.

(2) During 3Q18, we reached a favorable settlement related to a property tax dispute that reduced taxes and licenses expense by $4,900, for property taxes that were previously expensed and paid over a multi-year period. This item is included in the Truckload Transportation Services segment in our Segment information table.

(3) During 2Q18, we sold a parcel of real estate which resulted in a $3,495 pre-tax gain. During 4Q18, we sold a parcel of real estate which resulted in a $2,432 pre-tax gain. These items are included in Corporate in our Segment information table.

(4) Our definition of the non-GAAP measures adjusted operating income, adjusted net income and adjusted diluted earnings per share begins with (a) operating expenses, the most comparable GAAP measure. We add the insurance and claims jury verdict expense accrual and related interest and legal fees to (a) and subtract the gains on sale of real estate and the property tax settlement from (a) to arrive at (b) adjusted operating expenses. We subtract (c) total other expense (income) from (b) adjusted operating expenses to arrive at (d) adjusted income before income taxes. We calculate adjusted income tax expense (benefit) by applying the incremental income tax rate excluding discrete items to the net pre-tax adjustments and adding this additional income tax to actual income tax expense. We then subtract adjusted income tax expense and the fourth quarter 2017 deferred income tax adjustment from adjusted income before income taxes to arrive at adjusted net income. The adjusted net income is divided by the diluted shares outstanding to calculate the adjusted diluted earnings per share.

(5) During 4Q17 and full year 2017, our results included a $110,508 non-cash reduction in income tax expense, which resulted from the revaluation of net deferred income tax liabilities to reflect the lower federal income tax rate enacted on December 22, 2017. The Tax Cuts and Jobs Act of 2017 (the Tax Act) lowered the federal corporate income tax rate to 21% from 35% beginning in 2018.



For more information visit **Werner.com**