

1Q 2020 EARNINGS PRESENTATION

April 28, 2020

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. Such statements are by nature subject to uncertainties and risks, including but not limited to, the impact of the coronavirus pandemic (COVID-19) and the operational, financial and legal risks detailed in the Company's Annual Report on Form 10-K for the year ended December 31, 2019. These risks and uncertainties could cause actual results or events to differ materially from historical results or those anticipated.

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, 1Q 2020 HIGHLIGHTS

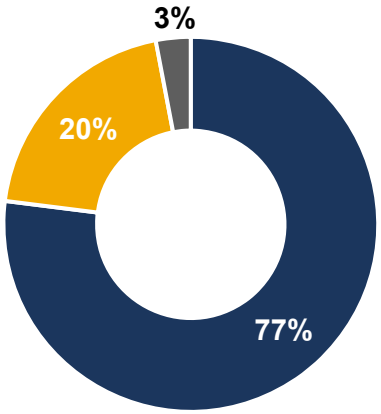
Derek Leathers
President and Chief Executive Officer

WERNER OVERVIEW

Premium Truckload Transportation & Logistics Services Provider

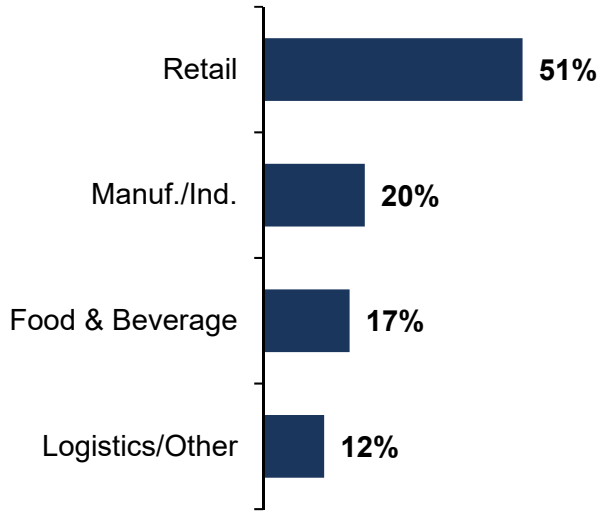
Omaha, NE	$2.8B	4,685	3,150	12,994	0.9%
Headquarters	Market Cap[1]	Dedicated Fleet Size[1]	One-Way Fleet Size[1]	Associates[2]	Dividend Yield[1]

2019 Revenues by Segment

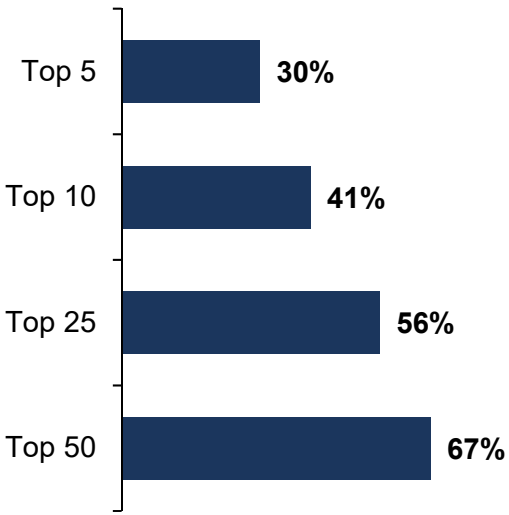


- Truckload Transportation Services (TTS)[3]
- Werner Logistics
- Driver Training Schools and Other

2019 Revenues by Vertical



2019 Revenues by Customer



[1] As of 4/24/20 for Market Cap and Dividend Yield and as of 3/31/20 for Dedicated Fleet Size and One-Way Truckload Fleet Size. [2] Associates as of 3/31/20 includes 12,509 employees and 485 independent contractor drivers. [3] TTS includes Dedicated and One-Way Truckload.

1Q 2020 HIGHLIGHTS

1Q20 Financial Highlights

- Revenues decreased 1% to $593M
- GAAP EPS declined 35% to $0.33
- Adjusted EPS decreased 24% to $0.40
- Adjusted operating income declined 24% to $37.3M
- Adjusted operating margin decreased 190 bps to 6.3%

Strategic Updates and Other Developments

- One-Way Truckload freight demand in January and February 2020 was seasonally normal and slightly lower than January and February 2019. March 2020 freight demand was comparable to March 2019, with demand strengthening the last two to three weeks of March 2020 due in part to increased replenishment shipments for necessity-based household products. Dedicated freight demand remained steady in first quarter 2020 with above normal demand in March for store replenishment.
- 1Q20 includes a $10M insurance and claims accrual, or 11 cents per share, for a January 2020 truck accident previously disclosed during our fourth quarter 2019 earnings call. GAAP EPS and Adjusted EPS include the $10M expense.
- At 3/31/20, 7,835 total trucks in TTS, down 110 YoY and down 165 sequentially.
- Updating 2020 guidance metrics (see page 18). No longer repurchasing stock until we have more clarity on the duration and effects of COVID-19. Committed to continuing to fund our quarterly dividend (~$6.2M/quarter).



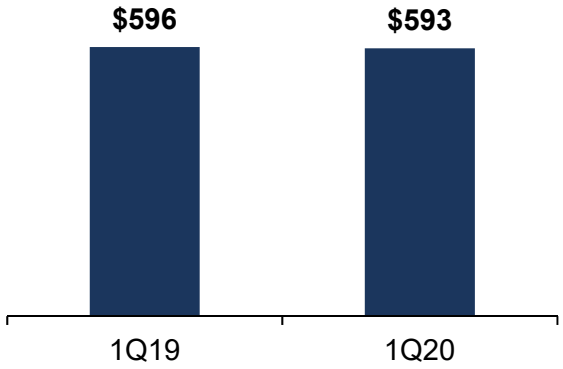


TOTAL COMPANY AND SEGMENT FINANCIAL RESULTS

John Steele
EVP, Treasurer and Chief Financial Officer

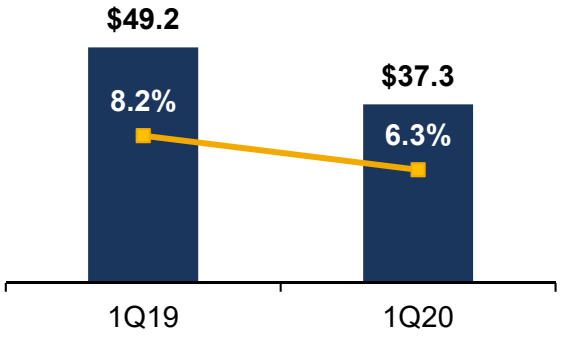
1Q 2020 FINANCIAL PERFORMANCE

Total Revenues ($M)



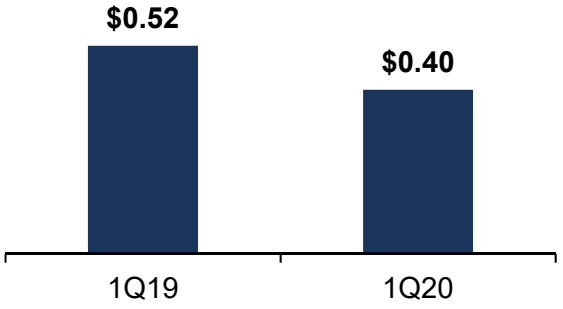
- 1% total revenues decline
- 3.2% higher TTS revenues per truck per week[1], due primarily to higher miles per truck and to a lesser extent higher revenues per total mile
- 0.3% lower TTS average trucks
- 4% lower Logistics revenues

Adjusted Operating Income ($M) and Operating Margin



- 24% lower adjusted operating income
- Adjusted TTS operating margin declined 190 bps
- Logistics operating margin declined 300 bps

Adjusted EPS



- 24% lower adjusted EPS

[1] *Net of fuel surcharge revenues.*

TRUCKLOAD TRANSPORTATION SERVICES (TTS) RESULTS

	1Q19	1Q20	Δ YoY
Revenues ($M)	$462.9	$464.9	0%
Adjusted Op. Income ($M)	$44.1	$35.3	(20)%
Adjusted Op. Margin	9.5%	7.6%	(190) bps
Adjusted OR, net FSC	89.1%	91.5%	240 bps

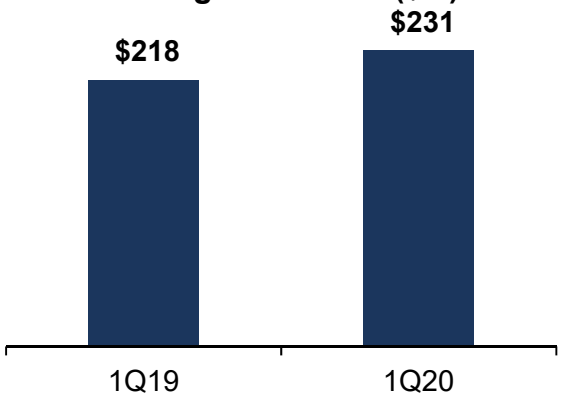
COMMENTARY

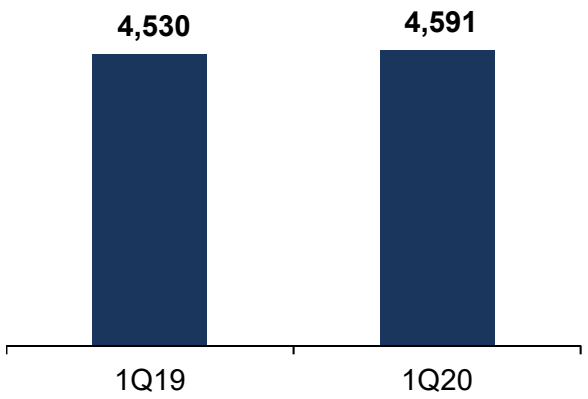
- TTS RPTPW (+3.2%); due primarily to higher miles per truck and to a lesser extent higher RPTM
- $10M insurance claim expense included in Adjusted 1Q20 results
- Strength of our operational execution of our Dedicated fleet (60% of total trucks) minimized the adjusted operating income decline

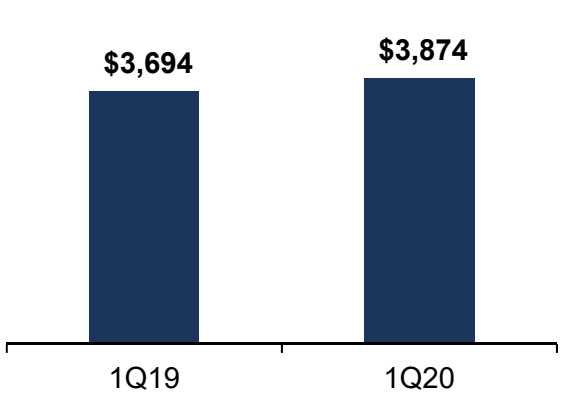
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TTS[1] FLEET METRICS UPDATE

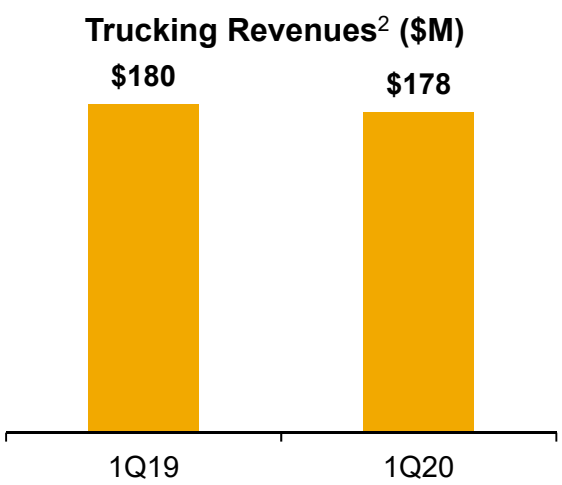
Dedicated Truckload

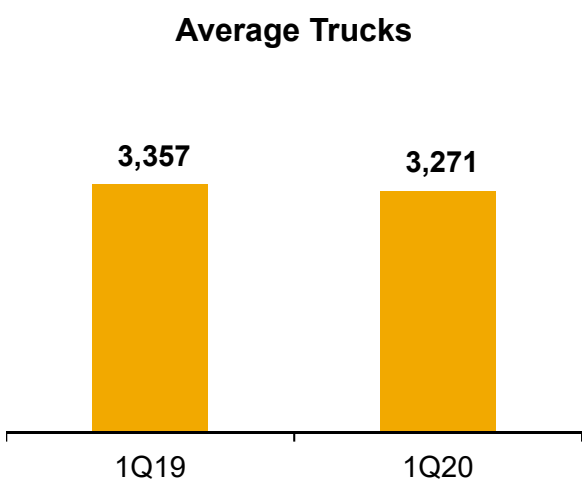


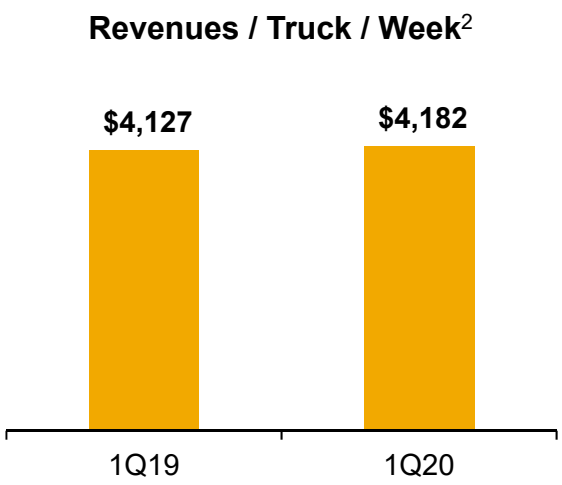




One-Way Truckload







[1] TTS consists of the Dedicated and One-Way Truckload fleets. [2] Net of fuel surcharge revenues.

WERNER LOGISTICS RESULTS

	1Q19	1Q20	Δ YoY
Revenues ($M)	$117.4	$112.2	(4)%
Gross Margin	17.3%	14.5%	(280) bps
Operating Income ($M)	$4.7	$1.1	(77)%
Operating Margin	4.0%	1.0%	(300) bps

COMMENTARY

- Transactional brokerage volumes were challenged in 1Q20 due to a slowing freight economy and the competitive logistics market
- Gross margin percentages were challenged in 1Q20 for contractual brokerage business as the cost of capacity increased in March 2020 due to higher replenishment activity

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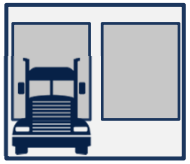




UPDATE ON BUSINESS / COVID-19 & FINANCIAL OUTLOOK

Derek Leathers
President and Chief Executive Officer

FIVE T'S STRATEGY EXECUTION IN A COVID-19 ECONOMY

01	Trucks		▪ Truck age increased slightly from 1.9 to 2.0 years. Intend to keep our truck age as new as possible. Truck age may be impacted by timing of OEM plant re-openings following plant shutdowns that started in April.
02	Trailers		▪ Trailer age increased slightly from 4.0 to 4.1 years. Intend to keep our trailer age new but expect it to increase slightly during the rest of 2020.
03	Talent		▪ Rapidly rising national unemployment rate. We remain committed to our rigorous hiring process to attract and retain industry-leading driver talent.
04	Terminals		▪ Social distancing for equipment maintenance at our terminals; using enhanced technology for driver orientation and training.
05	Technology		▪ Continuing to upgrade and modernize IT infrastructure and data security; using our Drive Werner app for COVID-19 communications; IT enabling productive and efficient work from home solutions for many of our non-driver associates.

Best in Class Customer Service

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COVID-19 PREPAREDNESS UPDATE

- **Transportation is designated by the U.S. government as an essential industry** for keeping the U.S. supply chain moving during COVID-19. Werner drivers and non-driver associates take tremendous pride in this important responsibility. The morale of our associates remains high, despite the challenges.
- We are **working hard to remain safe and stay healthy, while safely delivering our customers' freight on time. Over half of our office associates are working from home.** Throughout our offices and terminal network, we are closely following the CDC and WHO guidelines. We are staying safe, productive and virtually connected.
- **We established a COVID-19 communications hub** to keep all our associates continually updated with the latest news, developments and policy changes. We have a COVID-19 Taskforce that meets multiple times a week to discuss and implement policy changes.
- **Werner's crisis management plans,** as well as our business continuity safeguards, are **designed to adapt to the changing COVID-19 environment.** We have deployed and executed our plans by being rational, logical and above all compassionate.
- We are **extremely proud of our professional drivers who are the backbone of the transportation industry.** Their drive, commitment, talent and skill keep America moving.
- We announced **Werner specific COVID-19 associate response plans** on 3/30/2020 that provide up to two weeks pay for eligible associates who are unable to work because of COVID-19 and an additional $1 million of financial assistance for associates affected by COVID-19.

REVENUES BY VERTICAL – 1Q20

Top 100 Customers Account for 85% of Revenues

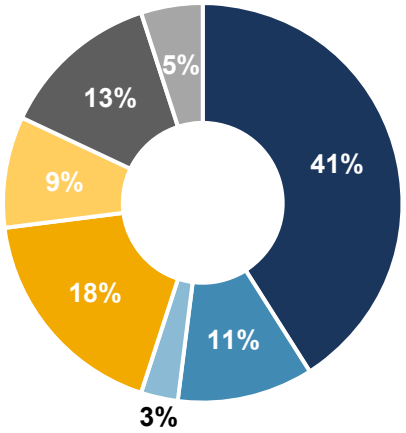
Total Company



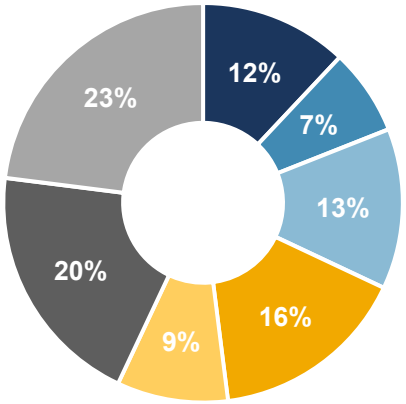
Accounts for 62% of Portfolio

Breakdown by Business Unit

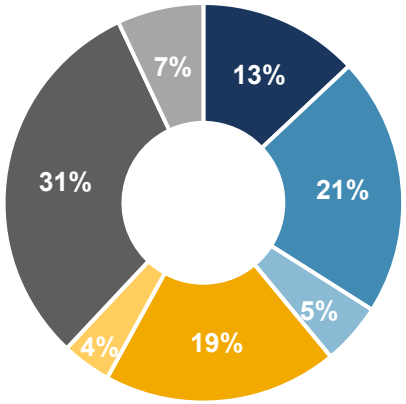
Dedicated



One-Way TL



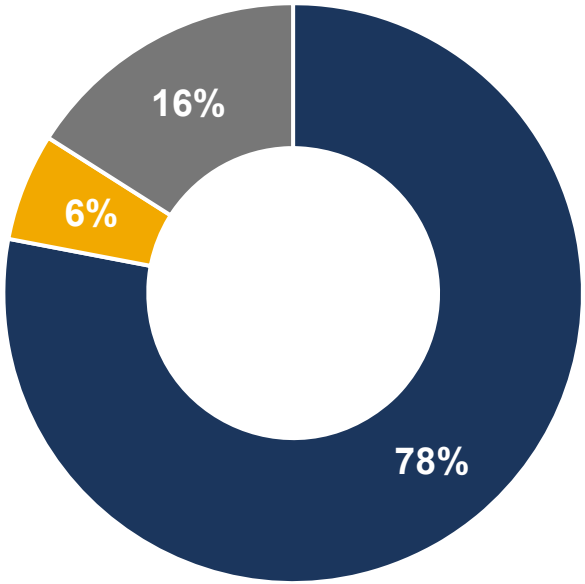
Logistics



CUSTOMER RISK REVIEW / COVID-19[1]

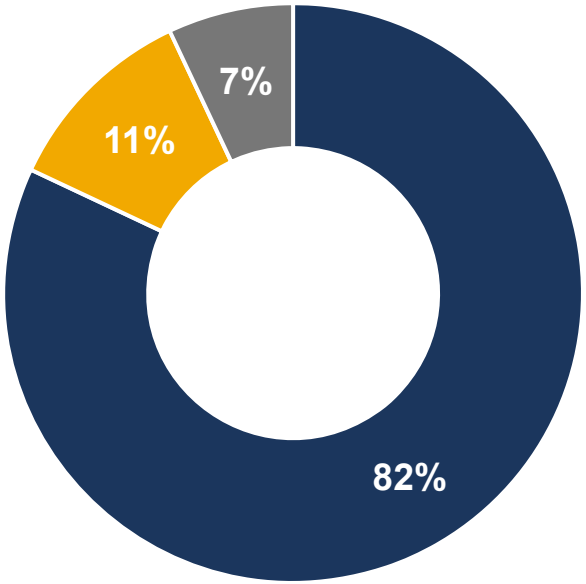
Industry Risk

Based on credit rating agency views on sector-by-sector COVID-19 risk (Moody's, S&P Global)



Financial Risk

Based on financial performance, net debt to EBITDA, liquidity, size and other factors



■ Lower Risk ■ Moderate Risk ■ Higher Risk

[1] *Based on 1Q20 revenues - top 100 customers = 85% of revenues.*

BALANCE SHEET AND LIQUIDITY UPDATE

As of March 31, 2020	
Available Cash	**$72M**
Total Debt Outstanding	**$250M**[1]
Stockholders' Equity	**$1.1B**[2]
Total Net Debt Outstanding to LTM EBITDA	**0.4x**[1,2]

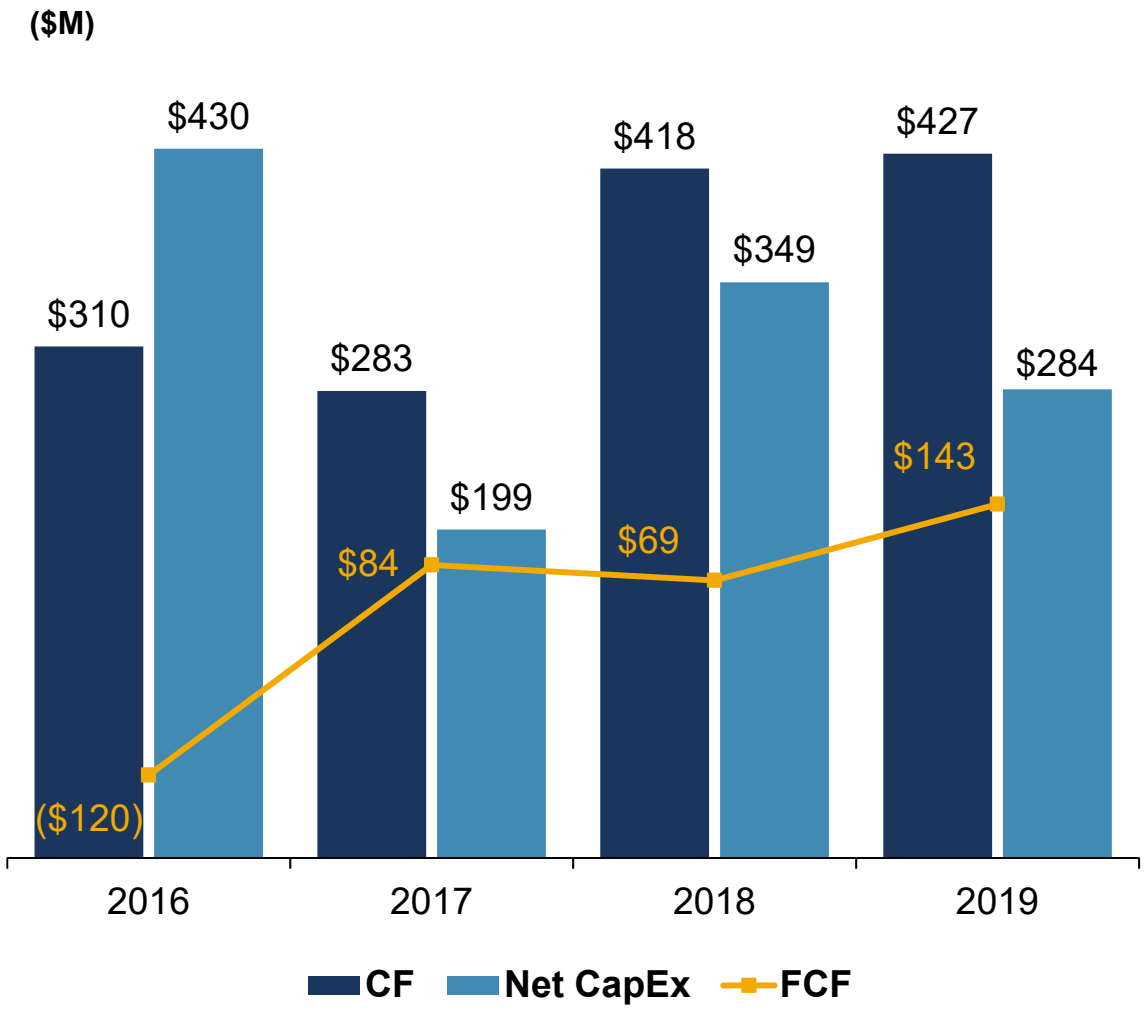
Credit Capacity and Liquidity	
Two Bank Credit Agreements that Expire in May 2024	**$500M**
One Bank Credit Agreement that Expires in July 2020	**75M**
Total Credit Capacity	**$575M**
Less:	
Standby Letters of Credit	**(45M)**
Total Debt Outstanding	**(250M)**[1]
Unused Credit Capacity	**$280M**
Available Cash	**72M**
Liquidity	**$352M**

Debt Covenants	Covenant	3/31/20
Total Funded Debt to LTM EBITDA	**≤ 2.5 to 1**	**0.6 to 1**[1,2]
Interest Coverage Ratio	**≥ 3.0 to 1**	**62 to 1**[2]

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[1] $50M of debt repaid in 1Q20. [2] As of or for the twelve months ended March 31, 2020.

STRONG FCF GENERATION, EXPECTED TO CONTINUE



COMMENTARY

- 2020 Net CapEx expected to be in the range of $260M to $300M; lower new truck purchases (-$46M) mostly offset by lower used truck sales at expected lower prices (-$42M); 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
- FCF expected to be in excess of $100M in 2020 (achieved $115M of FCF in 1Q20)

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2020 GUIDANCE METRICS AND ASSUMPTIONS

2020 GUIDANCE	PRIOR ANNUAL GUIDANCE (AS OF 2/5/20)	1Q20 ACTUAL (AS OF 3/31/20)	CURRENT ANNUAL GUIDANCE (AS OF 4/28/20)	COMMENTARY
TTS Truck Growth from Year-End 2019	(3)% to 1%	(2)%	(5)% to 0%	-
Gains on Sales of Equipment	$6M to $12M	$2.5M	Withdrawing Guidance	Demand very low in used truck market; too difficult to predict accurately at this time
Net Capital Expenditures	$260M to $300M	$19M	$260M to $300M	Lower estimated new truck purchases (-$46M) and lower estimated used truck sales (-$42M)
1H 2020 GUIDANCE				
One-Way Truckload RPTM (1H20 vs. 1H19)	(7)% to (5)%	(3.7)%	(7)% to (5)%	Assumes a very difficult freight market in May and June 2020
ASSUMPTIONS				
Effective Tax Rate	25% to 26%	23.3%	25% to 26%	-
Truck Age **Trailer Age**	1.9 years 4.0 years	2.0 years 4.1 years	Low “2” years Low-to-mid “4” years	Will depend on freight recovery and timing of OEM plant re-openings



Q&A

SUMMARY – INVEST WITH US



We have balanced our revenue portfolio toward more consistent revenue and earnings streams which positions us well across various freight markets	Heavy capex period behind us; current capex normalized; free cash flow generation strong	New fleet, updated terminal network, enhanced fleet and logistics technology, and experienced drivers produce excellent on-time service	Long-term margin and return expectations going forward are higher than the past	We are a stronger, better positioned company than we were in the past; we will deliver shareholder value



APPENDIX

GAAP TO NON-GAAP RECONCILIATION

(UNAUDITED)
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Three Months Ended March 31,	
	2020	2019
Operating revenues	$ 592,703	$ 596,117
Operating expenses	561,637	548,098
Adjusted for:		
Insurance and claims[1]	(1,198)	(1,150)
Depreciation[2]	(5,014)	-
Adjusted operating expenses	555,425	546,948
Adjusted operating income[3]	37,278	49,169
Total other expense (income)	1,010	(161)
Adjusted income before income taxes	36,268	49,330
Adjusted income tax expense	8,582	12,384
Adjusted net income[3]	$ 27,686	$ 36,946
Diluted shares outstanding	69,609	70,572
Adjusted diluted earnings per share[3]	$ 0.40	$ 0.52

(1) During first quarter 2020 and 2019, we accrued $1,198 and $1,150, respectively, of pre-tax insurance and claims expense for interest related to a previously disclosed excess adverse jury verdict rendered on May 17, 2018 in a lawsuit arising from a December 2014 accident. The Company is appealing this verdict. 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 $10.0 million (plus pre-judgment and post-judgment interest) with premium-based insurance coverage that exceeds the jury verdict amount. Interest is accrued at $0.4 million per month until such time as the outcome of our appeal is finalized. 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 first quarter 2020, we changed the estimated life of certain trucks currently expected to be sold in 2020 to more rapidly depreciate these trucks to their estimated residual values due to the weak used truck market. The effect of this change in accounting estimate increased first quarter 2020 depreciation expense by $5,014. These trucks will continue to depreciate at the same higher rate per truck until the trucks are sold. Management believes excluding the effect of this unusual and infrequent 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.

(3) 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 subtract the insurance and claims jury verdict interest accrual and additional depreciation expense from (a) to arrive at adjusted operating expenses, which we subtract from operating revenues to arrive at (b) adjusted operating income. We subtract (c) total other expense (income) from (b) adjusted operating income to arrive at (d) adjusted income before income taxes. We calculate adjusted income tax expense by applying the incremental income tax rate excluding discrete items to the net pre-tax adjustments and adding this additional income tax to GAAP income tax expense. We then subtract adjusted income tax expense 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.


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