

## **WERNER ENTERPRISES (WERN) FOURTH QUARTER AND 2020 EARNINGS CALL FEBRUARY 4, 2021, 4:00 PM CT**

### **CORPORATE PARTICIPANTS**

Derek J. Leathers -- Vice Chairman, President, and Chief Executive Officer  
John J. Steele -- Executive Vice President, Treasurer and Chief Financial Officer

### **CONFERENCE CALL PARTICIPANTS**

Zachary Haggerty -- KeyBanc Capital Markets -- Analyst  
Scott Group -- Wolfe Research -- Analyst  
Amit Mehrotra -- Deutsche Bank -- Analyst  
Jack Atkins -- Stephens, Inc. -- Analyst  
David Ross -- Stifel Financial Corp. -- Analyst  
Ken Hoexter -- Bank of America (Merrill Lynch) -- Analyst  
Ravi Shanker -- Morgan Stanley -- Analyst  
Michael Triano -- UBS Securities, LLC -- Analyst  
Jordan Alliger -- Goldman Sachs -- Analyst

### **PRESENTATION**

Operator. Good afternoon, and welcome to the Werner Enterprises' Fourth Quarter and Full-year 2020 Earnings Conference call. [Operator Instructions] I would now like to turn the conference over to Derek Leathers, Vice Chairman, President, and Chief Executive Officer. Please go ahead.

**Derek J. Leathers** -- Vice Chairman, President, and Chief Executive Officer

Thank you, and good afternoon, everyone. With me today is our CFO, John Steele.

2020 was a very challenging and disruptive year. I'm proud of our Werner team for their resilience, tenacity, and perseverance throughout the year. Werner associates quickly reacted to changes in freight and work conditions and delivered record results.

The Werner team achieved record operating income and adjusted earnings per share in 2020. Our drivers and mechanics relentlessly kept America moving for Werner customers and end consumers, despite the demanding operational protocols necessitated by the pandemic. Werner office associates continue to produce superior service to our customers, drivers, and mechanics, despite restrictive changes to their work environment. Our primary focus continues to be on delivering best-in-class service while protecting the health and personal safety of our associates, their families, and our customers.

We are confident that freight demand for our services will be strong in 2021. On the supply side, structural, truck driver availability constraints, and OEM production challenges are expected to continue to limit industry capacity growth for at least the next several quarters.

On the demand side, our key customers are producing strong sales that are expected to continue as the economy recovers and additional COVID stimulus packages are implemented.

Finally, customer inventories continue to be at historically low levels. Despite the inherent need for even more forward-deployed inventory in a rapidly growing, next-day service, e-commerce market. We are well-positioned to succeed in this business environment, as we did in 2018 when freight was strong, and capacity was tight. We are also positioned to succeed in the event the freight market begins to normalize at some point in the future. You can look to our industry-leading earnings growth in the down market of 2019 versus 2018, as a guide for how we would expect to perform.

Werner is well-positioned and committed to thrive in any trucking cycle. The durability of our diversified Dedicated, One-Way Truckload and Logistics revenue portfolio has demonstrated our resiliency. The constant refinement and strengthening of our 5 T's strategy, plus a laser focus on sustainability throughout, allows us to focus on operational execution. Our unwavering commitment and enhanced processes designed to safely and consistently deliver our customers freight on time, every time, position our brand for margin expansion and revenue growth, ... in that order. After a review of our fourth quarter and annual financial results, I'll provide you with the latest developments of our 5 T's plus S strategy. Finally, I'll report our fourth quarter 2020 guidance and introduce our '21 guidance metrics and assumptions.

On Slide 4. Here's an updated overview of our key market size and fleet size metrics, as well as revenues by segment, industry vertical, and customer. Over three-quarters of our revenues are generated by Truckload Transportation Services, with the remainder primarily coming from Werner Logistics. Werner has a consumer-centric freight base, with over 70% of revenues in retail or food and beverage. Remaining industry verticals are 20% for manufacturing and industrial, and 9% from logistics and other customers.

Nearly half our revenues came from our top 10 customers and almost 80% came from our top 50. In short, we have a long-standing relationship with growing and successful companies and are committed to our strategy of aligning with winning organizations.

Revenues from our top 10 customers increased 6 percentage points to 49% in 2020, compared to the prior three-year average of 43%. Many of our larger and successful retail customers produced very strong sales growth in 2020 during COVID, which resulted in more freight shipments.

Let's move to Slide 5 for an overview of our fourth quarter and full-year financial performance. In the fourth quarter, revenues were flat at \$620 million. Adjusted EPS grew 33% to \$0.89 per share. Adjusted operating income increased 30% to \$82.7 million, while our TTS adjusted operating margin net of fuel increased 420 basis points to 18.2%. For the year, revenues were 4% lower at \$2.4 billion. Adjusted EPS increased 8% to \$2.59 per share. Adjusted operating income increased 7% to \$241.9 million.

For the full year 2020, despite the unprecedented challenges created by COVID, we achieved an adjusted TTS operating margin net of fuel of 14%, exceeding the midpoint of the long-term annual goal range of 10% to 16%. For 2021, we expect our TTS operating margin, net of fuel, will improve and be in the upper end of that range. Dedicated freight demand and revenue per truck were both strong in the fourth quarter, as our largest Dedicated customers in discount retail, home improvement, and beverage continue to produce robust sales.

Our continued success in Dedicated has enabled us to grow it to nearly two-thirds of our TTS fleet. Dedicated is more difficult to service, produces strong financial performance, and is less cyclical than One-Way Truckload. One-Way Truckload peak season freight demand in fourth quarter started sooner than normal in October, and remained strong into December, as customers continue to manage the challenges of strong sales combined with supplier and supply chain constraints caused by COVID.

We ended the year with 7,830 total trucks in TTS, a decrease of 170 trucks year-over-year, and an increase of 120 trucks sequentially from the third quarter. At year-end, 63% of our TTS truck fleet was in Dedicated and 37% in One-Way Truckload.

At this point, I'll turn the call over to John, to discuss our fourth-quarter financial results in more detail. John?

**John J. Steele** -- Executive Vice President, Treasurer and Chief Financial Officer

Thank you, Derek, and good afternoon.

Beginning on Slide 7. Total revenues for fourth quarter decreased slightly with fuel surcharges reduced by \$20 million year-over-year due to lower fuel prices. Our TTS revenues per truck per week increased 5.3% due to improved revenues per total mile and slightly lower miles per truck, which was caused by the increased mix of shorter haul dedicated trucks. Our logistics revenues increased 8%, a significant improvement from the 16% decrease in second quarter and the 3% decrease in third quarter.

Our cost management initiatives and programs continued to perform well in fourth quarter. We effectively managed our controllable costs with sustainable improvements through improved associate productivity, better leveraging our procurement spend, and doing more with less. We aggressively managed expenses, and in 2020, we delivered nearly \$23 million in annualized sustainable cost savings.

In 2020, we achieved our lowest accident per million-mile rate in the last 28 years. While reduced traffic congestion due to COVID was a significant favorable factor, other contributors were the improved safety performance of our professional drivers, our high standards for driver hiring and retention, ongoing safety training, and Werner's enhanced truck safety technology. Also, in 2020, we achieved the lowest work injury rate in the last 15 years.

Adjusted operating income grew 30%, primarily as a result of our strong operating execution in our TTS segment. Our logistics segment had an 80-basis point reduction in operating margin as a result of much higher capacity costs in the second half of 2020. Our adjusted earnings per share were \$0.89, which was a \$0.22 improvement or 33% increase over fourth quarter a year ago.

On Slide 8 are our full-year results. In 2020, revenues declined 4%, primarily due to lower fuel surcharge revenues. We increased TTS revenues per truck per week by 3.7% with 2.7% fewer trucks. Our adjusted operating income grew 7% due to a 100-basis point increase in our adjusted operating margin. This margin expansion enabled us to achieve an 8% increase in adjusted EPS to \$2.59 per share.

Beginning on Slide 9, let's look specifically at results for our Truckload Transportation Services segment. In the fourth quarter, TTS revenues decreased \$11.5 million, or 2%, due to lower fuel surcharges and partially offset by 5.3% higher revenues per truck. Adjusted operating income was \$79.9 million, an increase of 32% due to a 420-basis point expansion of our operating margin percentage, net of fuel. Our adjusted operating ratio, net of fuel, continued its favorable decline to 81.8%.

Turning to TTS fleet metrics on Slide 10. For Dedicated, we grew fourth-quarter trucking revenues, net of fuel, by 9% to \$258 million. Dedicated average trucks increased 4% and revenues per truck per week increased 4.8%. Our Dedicated customer bid pipeline remains strong. One-Way Truckload fourth quarter trucking revenues, net of fuel, decreased 7% to \$176 million. Average trucks decreased 13% due to the challenging driver market as well as trucks and drivers that moved from One-Way Truckload to Dedicated. Revenues per truck per week increased 7.2%, due to the combined effect of a revenues per total mile increase of 6.9% and a miles per truck increase of 0.3%.

Moving to Werner Logistics results on Slide 11. In the fourth quarter, Logistics revenues grew 8% to \$130 million. Truckload Logistics revenues increased 2% due to a 12% volume decline and a 16% increase in revenues per load. Intermodal revenues grew 23% due to a 21% volume increase and a 1% increase in revenues per load. Our Logistics gross margin percentage decreased 280 basis points year-over-year, due to the much higher cost to truckload capacity for contractual brokerage. We made good progress improving contractual rates from third quarter to fourth quarter, as our gross margin percentage improved sequentially by 170 basis points, and our operating margin percentage improved sequentially by 270 basis points. In 2021, we expect further Logistics margin improvement.

Last week we announced the sale of our global logistics freight forwarding business, which had revenues for \$53 million in 2020. The sale is expected to close later this month and will result in a gain of \$0.01 per share in first quarter 2021. Going forward, we are focused on enhancing our North American logistics capabilities in truck brokerage, freight management, intermodal and final mile.

On Slide 12 is a summary of our cash flow from operations. Net capital expenditures and the resulting free cash flow over the past five years, expanding operating margins and less variable net CapEx has enabled us to improve our free cash flow during the last four years, rising to a record \$180 million in 2020. For 2021, we expect net CapEx to be comparable to the last two years in a range of \$275 million to \$300 million. This guidance range assumes, we maintain our new truck and trailer fleet, modestly grow our truck fleet, primarily in Dedicated and we continue to invest in Werner Edge by building out our technology platform with solutions that are more advanced, faster and with enhanced security.

On Slide 13, is our disciplined strategy for capital allocation. First and foremost, we will continue to reinvest in our fleet, with new feature-rich equipment with the latest sustainability features for safety, driver amenities and fuel efficiency. Over the last three years, \$899 million was invested in the 5 T's plus S, or 64% of our total capital allocation. Our 2021 capex plan includes the near completion of two full-service terminals in Lake City, Florida and Lehigh Valley, Pennsylvania, that will replace our existing lease facilities in those markets.

Werner Edge, our digital initiative continues to develop as we strengthen our information technology with systems that are better, faster, less expensive and more secure. During fourth quarter, we repurchased \$1.2 million shares or 1.7% of our shares outstanding, for \$48 million. Over the last three years, we repurchased 4.9 million shares, totaling \$171 million, or an average share price of just over \$35 per share. Over that same three-year period, we paid dividends of \$334 million.

Our capital allocation plans may include continued share repurchases and increasing our quarterly dividend, to enhance total shareholder return. At the same time, we remain committed to maintaining a strong and flexible financial position. Our long-term goal is to maintain a net debt to annual EBITDA ratio range of between 0.5 and 1 turn. During this period of COVID uncertainty in 2020, we intentionally maintained a lower net debt to annual EBITDA ratio and ended the year at 0.3 times.

I'll now turn the final portion of our prepared remarks back to Derek. Derek?

**Derek J. Leathers** -- Vice Chairman, President, and Chief Executive Officer

Thank you, John. Moving to Slide 15. I will update you on our 5 T's plus S strategy. Over the past five years, Werner implemented structural and sustainable upgrades to our TTS segment with a modern and more efficient fleet, with the latest safety technology, raising our hiring and retention standards for high quality, safe professional drivers and further strengthening our service product to our customers. Our first two T's, newer trucks and trailers, have young average fleet ages of two and four years, respectively. All Werner trucks are equipped with advanced collision mitigation safety systems, automated manual transmissions, forward-facing cameras and an untethered, tablet-based, telematics solution for our professional drivers.

The tight driver market remained very challenging in the fourth quarter. Since the onset of COVID last March, social distancing and other safety requirements, combined with state licensing cutbacks, have reduced the number of driver training school graduates nationally by an estimated 40%. Despite these challenges, Werner's industry leading driver training school network continues to be a significant resource for highly trained new drivers. Driver recruiting, safety and equipment maintenance will be further enhanced by the opening of our two state-of-the-art terminals in the next few months.

We are making major strides upgrading and modernizing our IT infrastructure and data security. In November, we announced our partnership and investment with Mastery Logistics Systems. Over the next four years, we will replace our existing transportation management systems with Mastery's cloud-based MasterMind TMS to improve functionality and visibility in one integrated trucking and logistics system.

During our third quarter earnings presentation, we unveiled the addition of sustainability as a core component of our strategy. In November, we issued a comprehensive ESG presentation, "Building on a Strong Foundation to Drive Greater Sustainability at Werner", which is available at [werner.com](http://werner.com). In that report, we announced three significant ESG milestone goals.

On Slide 16. Our three sustainability goals are shown with fourth quarter milestone updates for each. I'll provide more clarity for the updates. We will reduce our carbon emissions by 55% by 2035. We previously announced, we are pilot program testing an electric-powered Peterbilt truck and we will be testing a prototype hydrogen fuel-cell truck with Cummins and Navistar.

Last month, we announced an equity investment in TuSimple, an autonomous trucking technology company. Staying on the leading edge with emerging technologies helps us remain focused on improving our drivers lives, keeping them safer, providing our drivers with best-in-class equipment and helping them achieve long-term careers in the trucking industry. We're adding three additional associated resource groups by the end of 2021. We're in the process of establishing a new ARG for associates, who are military veterans or veteran spouses. And we formed a DEI council to oversee the development of additional ARG's going forward.

We said we would establish a formal diversity leadership position in first quarter. In January, Kathy Peissig, an experienced and talented Werner leader, became our Associate Vice President for Diversity, Inclusion and Learning. Kathy has already developed a comprehensive and thorough diversity, equity and inclusion implementation plan for 2021. This plan will encourage diversity of thought and promote corporate engagement through events geared toward education and networking.

In November, Carmen Tapio joined our Board of Directors. Carmen is President and CEO of North End Teleservices. Carmen's business leadership knowledge and experience, as well as her extensive experience with diversity matters, will provide valuable perspective

and guidance for our company. During 2021, we will publish our inaugural Corporate Social Responsibility Report to demonstrate our ongoing commitment to sustainability.

Moving to Slide 17. We have a comparison of the guidance metrics we provided last quarter against our actual results. Additionally, we are providing 2021 guidance metrics and assumptions. During the fourth quarter, we grew our truck fleet sequentially by 120 trucks, with 230 truck growth in Dedicated and a 110 truck decline in One-Way Truckload. We ended the full-year 2020, with 2% fewer TTS trucks than year-end 2019, in the middle of our guidance range.

For 2021, we intend to modestly grow our truck fleet in the range of 1% to 3% and, consistent with our strategy, we expect most of this growth will be in Dedicated. The rise in the used truck and trailer sales market continued to strengthen in fourth quarter amid higher demand, which resulted in sequentially improved equipment gains of \$4 million, ahead of our fourth quarter guidance range of \$2 million to \$3 million. For 2021, we anticipate equipment gains in the range of \$12 million to \$15 million, as we expect continued strength in the used markets along with the benefit of our strategy to continue to increase our sales mix of retail versus wholesale.

Net capital expenditures for fourth quarter were \$79 million, slightly below our anticipated guidance range, because we sold significantly more trucks in fourth quarter than originally anticipated. 2021 net CapEx are expected to be similar to the last two years in the range of \$275 million to \$300 million, as we maintain our current fleet age, open two terminals and expand our Werner Edge digital initiatives.

We're introducing a new guidance metric for Dedicated. We expect Dedicated revenue per truck per week growth of 3% to 5% in 2021, consistent with our performance improvement for this metric in the last 12 quarters.

One-Way Truckload revenues per total mile for fourth quarter increased 6.9%, which exceeded our guidance range of 3% to 5%, due to superior execution and a stronger than expected peak season. For the first half of 2021 compared to the first half of 2020, we expect One-Way Truckload revenues per total mile to increase in a range of 7% to 10%, assuming high single-digit to low double-digit rate increases during the 2021 contract bid season.

Our effective tax rate in fourth quarter was 25.4%, in line with our guidance range, and we expect our effective tax rate for 2021 to be in a range of 24.5% to 25.5%. The average age of our truck and trailer fleet held constant in fourth quarter and we expect to keep our fleet new in 2021.

In the first five weeks of 2021 freight demand trends in our One-Way Truckload unit have continued to be stronger than normal compared to typical January and early February.

In January, we implemented driver pay increases in our One-Way Truckload fleet, that exceeds \$10 million annualized, or plus 6%. We are implementing driver pay increases

as needed in Dedicated and expect our total TTS driver pay increases will be at least \$16 million to \$18 million for the year.

While we will continue to aggressively manage controllable costs, we also expect that as the vaccine is widely distributed and the economy strengthens, there will likely be some cost increases, notably in the areas of health care, travel, driver recruiting, and insurance premiums. We believe there are several factors that will limit the growth in truckload supply for the foreseeable future. These factors include fewer new drivers entering the industry due to COVID safety issues, that limit driver school training, and state CDL licensing, fewer eligible drivers as the Drug and Alcohol Clearinghouse database continues to build, aging truck driver demographics, and an extremely challenging truck liability insurance market.

Werner remains well-positioned with a superior team and an active talent pipeline that will continue to yield strong and sustainable results. We continue to believe the runway for freight demand looks very good for '21. Inventory restocking will likely continue to occur for at least the next several quarters and we also expect the economy to gradually strengthen as the national vaccine program expands. We expect strong contract pricing opportunities in this bid season.

With that, at this time, I'd like to turn the call over to the operator, to begin our Q&A.

## **Questions and Answers:**

### **Operator**

We will now begin the question-and-answer session. [Operator Instructions] As a reminder, please direct your attention to the disclosure statement on slide 2 of the presentation, as well as the disclaimers on page 6 of the earnings release related to forward-looking statements. Today's remarks contain forward-looking statements, including those related to COVID-19, that may involve risks, uncertainties, and other factors that could cause actual results to differ materially.

Additionally, the company reports results using non-GAAP measures, which it believes provide additional information for investors to help facilitate the comparison of past and present performance. A reconciliation to the most directly comparable GAAP measures is included in the tables attached to the earnings release and in the appendix of the slide presentation.

Our first question comes from Todd Fowler with KeyBanc Capital. Please go ahead.

### **Zachary Haggerty -- KeyBanc Capital Markets -- Analyst**

Hey. Evening, guys. This is Zach on for Todd. Just wanted to dive a little bit deeper into the One-Way guidance here for the first half. I guess what is incorporated in terms of seasonality for the first half of the year? And then if you could just kind of touch on what does this assume for maybe project freight in maybe the second quarter? Thanks.

**Derek J. Leathers** -- Vice Chairman, President, and Chief Executive Officer

So, this is, Derek. Thanks for the question. On the seasonality, I'm not sure I understand exactly what you're asking. What I'll -- so I'll just speak to how seasonalities developed, thus far. I mean, right now, as January, February, as we mentioned in our prepared remarks, have been seasonally stronger than normal. All the channel checks that we're having with customers and as we have dialogues about the progress of freight and current inventory levels would suggest, that will continue. We would expect based on those conversations current inventory levels and the overriding capacity constraints that are more structural and systemic than they are fleeting in their nature, that second quarter should be set up for project opportunities. Obviously, that's a long time from now and we'll get better clarity as the quarter develops. But in a normal year, the second quarter -- the -- especially the end of the second quarter, does set it's up of -- set itself up well for project freight, we would be expecting, at this point, that to be the same this year.

**Zachary Haggerty** -- KeyBanc Capital Markets -- Analyst

Okay, thanks, helpful. Yes. I understand with your prepared remarks indicating some greater seasonality there as more looking for -- into -- to the second quarter, I guess. But I guess, just in terms of fleet growth -- I understand its focused more toward Dedicated, but what is -- what are your thoughts on just kind of the One-Way fleet as we move through '21? Does that, I guess, stay flat from current levels and more so focused on Dedicated? Or is it kind of a continued shift from the One-Way into Dedicated? Thanks.

**Derek J. Leathers** -- Vice Chairman, President, and Chief Executive Officer

Sure. So, I think the way to think about it would be -- right now the Dedicated pipeline is very, very strong. And so just known business that's either in implementation or soon to be forthcoming, means that in this driver market when it's difficult to obtain and bring on board new drivers, we just know that what's the end of fact is that we're going to see more growth in Dedicated as a percent of the total. But we do expect that total fleet growth has some opportunity to move north from where it is today. We price all of those Dedicated opportunities based on the premise that we have to be margin enhancing, and we're looking for sustainable structural alignment with winning customers. That is the case with these opportunities that we're looking at now, with both those in implementation or soon to be in implementation. So, it's not so much, at this point, that we're looking to limit One-Way truck growth. It's more a matter of the tight driver market, a robust pipeline in Dedicated, and strong margin opportunities to be able to sustain ourselves through the cycle, which is what we've been committing to the investor community for some time.

**Zachary Haggerty** -- KeyBanc Capital Markets -- Analyst

Appreciate the detail. Thanks, guys.

**John J. Steele** -- Executive Vice President, Treasurer and Chief Financial Officer

Thank you, Zach.

## **Operator**

The next question is from Scott Group with Wolfe Research. Please go ahead.

**Scott Group -- Wolfe Research -- Analyst**

Hey, thanks, afternoon, guys. So, I want to ask Derek about margins. Last quarter you talked about margins getting as good as 16%. Any reason why we shouldn't be assuming 16% this year? And given that you just did, I think 18% in the fourth quarter, is there upside potential to that 16% in your mind?

**Derek J. Leathers -- Vice Chairman, President, and Chief Executive Officer**

You know we're always going to kind of work to exceed expectations wherever we can, Scott. It's a great question. Our guidance is our guidance, which is we think we're going to be on the high end of the range. I mean I think that's something we're comfortable with at this point. We think the setup is as good or better right now than it was the last time we spoke. And so, we feel better about the overall market dynamics, the capacity constraints that are out there and where we're at in the bid cycle and how those conversations are going. So, the potential's there, yes. But I'd rather not stray from the structure of the guidance that we've previously given. But what I'll tell you and I think the fourth quarter with the 81.8% that you referenced demonstrates that if the market is there, we're going to make sure and try to maximize margins for our shareholders while also taking care of our customers.

**Scott Group -- Wolfe Research -- Analyst**

Okay. And then, just a second question. The guidance implies a little bit of a deceleration in Dedicated revenue per truck, any thoughts there? And then just any color on the power-only business? We're hearing more and more about that from carriers and just curious about that. Thank you, guys.

**John J. Steele -- Executive Vice President, Treasurer and Chief Financial Officer**

Yes. The Dedicated revenue per truck, we were I think 4.8% this most recent quarter. It does fluctuate some from quarter-to-quarter, but in the environment, where we had some pretty solid increases in rates in 2020, we think that a 3% to 5% range is reasonable for 2021 based on the current market conditions. And I'll let Derek answer the power-only question.

**Derek J. Leathers -- Vice Chairman, President, and Chief Executive Officer**

Yes, on the power-only question, Scott, I would say that it is a topic in this building. It's something we're working on as well. We do quite a bit more of it than perhaps we've communicated. We're going to continue to grow it from here. It's something that we think has a lot of upside for an asset-backed player like Werner. When you think about brokerage and being able to combine the best of assets and non-assets, power-only is a great place to do that. We have a glide path right now toward significant growth in that

area. And in particular, we have a strong power-only operation in our cross-border mix. And so, when you think about our business to and from Mexico, where we're a large player, we've got the large facility on the southern border. We've just built a new an even larger cross-dock. We're doing a lot more power-only to and from the border and will continue to grow that going forward.

**Scott Group** -- Wolfe Research -- Analyst

Thank you, guys.

**Derek J. Leathers** -- Vice Chairman, President, and Chief Executive Officer

Thank you.

**Operator**

The next question is from Amit Mehrotra with Deutsche Bank. Please go ahead.

**Amit Mehrotra** -- Deutsche Bank -- Analyst

Hey. Thanks, operator. Hi, Derek, hi, John. Congrats on the great results. I guess first question, the 81.8% OR in the quarter was kind of -- it was eye watering in terms of how strong it was. And obviously over 60% of your fleet is in Dedicated. So, I -- and 7% yield growth is strong, but it's -- there's obviously something else there that's allowing you to report those types of margins. Can you just talk about the freight selection opportunity in the quarter and was that what really allowed you to kind of achieve those types of really, really great margins in the quarter?

**Derek J. Leathers** -- Vice Chairman, President, and Chief Executive Officer

Yes, Amit, great question. I guess the first thing I'd say is, yes, the 81.8%'s something we're really proud of. We're also proud of how clean it is. I mean it's a solid 81.8% across the board with really a lot of blocking and tackling involved. So through, or up and down the P&L, it's execution at the level that we've talked about getting to for a long time. It's a lot of focus and work by the team and so I'm proud of what they did. It also points to why only one metric, which could be rate per total mile or any other one metric, production or any other one, it's not always the secret sauce, right? So, we look at it more holistically than that. We think about it on how the parts fit together. And we've had a vision for a long time around here and I've had a vision around -- if we give -- if we have the right equipment, the right customer mix, the right quality drivers, and the right folks internally that are dedicated to excellence, we can get there. And it doesn't have to be just through raising rate or with only focusing on production, maybe at the expense of service. We've got to be able to execute across all of those facets simultaneously.

And I think that's why if you look at the quarter, it's not just the 81.8% that I'm proud about, it's the fact that the 81.8% is driven across multiple different product offerings. It's with Dedicated representing 63% of the truck count and still being able to achieve a result that looks like that. It shows the cycle proof nature of the business that it's not held back in a

strong market, and yet is uniquely prepared for any potential cycle turn that may be coming. We think that cycle's not yet here. We think we're still -- have a lot of runway, when you think about the systemic capacity constraints that exist. But when that day comes, this portfolio is better built than it's ever been to be able to execute strongly. And so, we're excited about it as we look forward.

**Amit Mehrotra** -- Deutsche Bank -- Analyst

Yes, and that's helpful. Just to be maybe devil's advocate little bit, maybe the fourth quarter also represented just a perfect storm of good things. You guys haven't really done the driver -- big driver pay increases. I think that's coming this year or already has come, maybe it started this year and the demand sort of inflected. So, as we think about all the moving parts into 2021, you've got maybe \$15 million to \$20 million of headwind on driver pay. You've got probably some headwind on claims expense as congestion rises. You've got tailwinds on gains of sales. And then I guess maybe the X-factor is it's the freight selection opportunities, just the demand environment stays as strong as it is. But you have a 13% long-term target there. Do you think that no one's expecting 81.8% again but -- for the entire year 2021? But you kind of split the difference between the long-term target in 81.81% -- 81.8% and that kind of gets you to what you guys think you can do this year just given some of the puts and takes on the cost structure?

**Derek J. Leathers** -- Vice Chairman, President, and Chief Executive Officer

Yes. So, I think it's obviously -- it's early in the year and there's a lot of unknowns. We're still dealing in a world where COVID does exist and vaccine rollout is somewhat problematic. But strides we've made on injury rate, accident rate, yes, some of that is aided by congestion and we called that out in the remarks. But a lot of that a systemic, it's the deep-dive revamping that we've done through our driver training programs from the very first day we start recruiting through the day they are assigned their first truck. It's the utilization of technology and simulators and other driver-focused training initiatives that have been launched, that are paying dividends in ways that we thought they would, and now we've got results to show that it's true. The freight market is still a tailwind. The freight market looks to stay that way for several quarters as people look to restock inventories.

On the driver pay side, I wouldn't expect to hear some huge announcement from Werner. Because we were paying competitive wages going into this cycle and as the market continued to tighten, we continued to focus on bettering the lifestyle on life that our drivers had, giving them the right equipment and paying them the right wage. Our turnover results have continued to improve. And I think it shows where morale is in the fleet. And so, yes, there's headwinds, but those will be offset by the needed and necessary rate negotiations that we'll be having throughout this bid season. And so, yes, I like the setup, the opportunity for us to continue to make, as I mentioned earlier, sort of up and down the P&L improvements, while making sure that we're paid based on the service levels were offering at market competitive rates. And then treating our drivers through more than just

pay, to a lifestyle that they want to stay, and they want to be a part of. That's where we're sitting today.

As we look forward, certainly, there's always upside to guidance that we may give. But the first call out of the gate in January is usually not what I'm going to start changing that guidance. So, our goal will be to continue to achieve at the top level. We've given metrics that I think are -- and guidance that's aggressive. It's stuff that we plan on fulfilling. And that'll be our go-forward strategy, to continue to focus on quality above all else throughout the range of everything from service to driver quality to alignment with winners to the quality of our equipment. And now even the expansion of our terminal network to include best-in-class terminals in a couple of places where we had gaps previously.

**Amit Mehrotra** -- Deutsche Bank -- Analyst

Okay, OK. That helps. Thank you, Derek, thank you, John. Appreciate it.

**Derek J. Leathers** -- Vice Chairman, President, and Chief Executive Officer

Thank you.

**Operator**

The next question is from Jack Atkins with Stephens. Please go ahead.

**Jack Atkins** -- Stephens, Inc. -- Analyst

Okay, great. Thanks so much for the time guys. Really appreciate it. I guess maybe taking a step back and thinking about more of the longer-term strategic partnerships and investments that you announced this quarter. There can -- can you talk for a moment about both the partnership with Mastery and that you gave a little bit of color on that in your prepared comments. But, how should we think about the timeline before that starts to really bear fruit for Werner from a profitability perspective and what exactly are you looking to sort of get out of that partnership over the next couple of years?

**Derek J. Leathers** -- Vice Chairman, President, and Chief Executive Officer

Yes, sure, Jack. Thanks for calling. The partnership with Mastery is in our view, the best way for us to accelerate our sort of cloud-first, cloud-now strategy. It's a way for us to accelerate the integration of what is today, still more than I would like to see, separate systems across logistics and our asset base. It's an ability to lean into and leverage some industry expertise that has proven a knowledge base in this area that is strong. And frankly, we like the fact that it is a start-up or new entrant anyway with deep industry roots. But a new entrant because it's unencumbered by legacy systems and legacy obstacles and things that would otherwise be present. In the meantime, we're still investing and still have a robust IT group here at Werner. We're going to continue to build and develop what we believe to be the secret sauce. Things that for instance lead us to industry-leading revenue per truck per week and our Werner -- in the Werner One-Way network for the fourth quarter across the entire industry.

So, we're going to continue to optimize and build some of the back-end functionalities, if you will -- or I should say the execution functionalities. But then buy some of the core TMS and the cloud-based TMS that allows us to integrate more rapidly, allows us to be more -- have more mode-neutrality over time. And really frankly be able to bear the fruits of our overall portfolio more easily with -- to our customers, and provide them with a more seamless solution across multiple parts of the portfolio. So, we're excited about it. Now as far as how long does it take, these things are not easy. They certainly aren't overnight, but we do expect that we will have certain aspects of the Mastery platform integrated and functioning within our building this year for sure. The current plans would be -- some of those would be launching late second quarter and starting to bear fruit at that time. But it's really -- it's going to be a back-half traction that you will start to really see more progress on that front.

**Jack Atkins** -- Stephens, Inc. -- Analyst

Okay, that makes sense. And then I guess maybe for my follow-up question. When we think about the asset-based carriers this quarter and their logistics operations, we saw a fairly wide range of outcomes. Some folks had very aggressive topline growth and pretty healthy margins, and then I guess you guys weren't able to sort of see that same level of performance. And that definitely presents an opportunity in 2021, but I guess when you think about Logistics -- maybe -- what prevented you guys from being able to really capitalize on the strong spot market that we saw in the fourth quarter? And how do we think about the action plan to get that on track in 2021?

**Derek J. Leathers** -- Vice Chairman, President, and Chief Executive Officer

Yes, great question. So, I'll start with the obvious. You're right, Logistics is an opportunity in 2021. Simply stated, it didn't perform the way that I'd like to see it performing. We've got work to do there, but I'll tell you that there's some very good foundational progress happening. We made a lot of -- we did a lot of work on legacy agreements and legacy contracts. We talked about it in the third quarter with an eye toward fourth quarter profitability. We had things, we needed to clean up structurally with more on the contract side of Logistics than anywhere else. And we've done that work. We had to continue to staff up and to continue to add personnel for some of the volume that we have in the pipeline and that's more difficult in COVID. And perhaps an area that we didn't have as much success as we would have liked.

But we've got plans now, to your real point, in '21 to attack that. We're actively engaged right now on, on onboarding business, onboarding personnel to better manage that business, and frankly some of the relief of the tech that we've been building out, both ourselves as well as the Mastery journey we referenced earlier, will bear fruit as the year progresses. So, while I'm unhappy with the fourth quarter results and how we ended the year, I'm very happy with the sequential improvement from Q3 to Q4. And I think directionally that gives you a sense of where we're headed as we go into Q1 and forward. I do believe that there's opportunity for margin expansion there. I do believe that we've

got volume growth going the right direction, but it's going to be less of the headline, but still more of an opportunity story for Q1 and Q2. And then, I'm confident that in the back half, you start to see that performance be reflective of the overall performance that you've seen from Werner in the last couple of quarters.

**Jack Atkins** -- Stephens, Inc. -- Analyst

Okay, great, makes sense. Thanks, Derek, take care.

**Derek J. Leathers** -- Vice Chairman, President, and Chief Executive Officer

Thank you.

**Operator**

The next question is from David Ross with Stifel. Please go ahead.

**David Ross** -- Stifel Financial Corp. -- Analyst

Mr. T and the Man of Steel. Good afternoon.

**Derek J. Leathers** -- Vice Chairman, President, and Chief Executive Officer

Good afternoon.

**John J. Steele** -- Executive Vice President, Treasurer and Chief Financial Officer

Hi, Dave.

**David Ross** -- Stifel Financial Corp. -- Analyst

You mentioned -- keeping on the asset-light theme that you want to grow brokerage, freight management, intermodal and final mile. Final mile's an interesting one right now, getting a lot of attention. Can you talk about what Werner's capabilities are there today, in which you want them to be?

**Derek J. Leathers** -- Vice Chairman, President, and Chief Executive Officer

Yes, sure. So, our capabilities today as -- we have a national network. We've got a strong, big and heavy presence and sort of two men and a truck. We're building out and have built out now more of the one-man model regionally, and that is still going to need further expansion to get more of the national presence. Volumes have continued to grow and grow steadily in that area, our final mile area overall that is. Margins have continued to perform well and the tech on that side is also performing well. So, I'm excited about the core structure there, that's a part of the growth story within Logistics. It's something that we are excited about, it was part of the decision to divest from WGL and really focus on our North American footprint, which is where we think that our strength is. One of my goals is to make sure whatever we do, we do to win. And that if we're going to put time and effort against it, it needs to have the return profile to justify doing so. I think this new -- renewed focus on North American logistics provides us an ability to improve those

results. The final mile footprint that we currently have, provides the foundation to build upon. And so, I'm pretty bullish on it as I think about it looking forward.

**David Ross** -- Stifel Financial Corp. -- Analyst

You said the margins are performing well, which is interesting because one of your big competitors exited the business because the margins were poor and others that are in it, aren't reporting good margins. Is there anything unique you're doing on the cost side, whether it's using ICEs or company drivers or is it more of a pricing issue?

**Derek J. Leathers** -- Vice Chairman, President, and Chief Executive Officer

I think there's several things, but probably the most -- the least surprising one to you is that we're taking our conservative approach, meaning we aren't building out or going full speed ahead until we felt we were ready. So, we haven't led with a lot of final mile commentary on these calls, we haven't spoken about it, and let our rhetoric get out in front of our reality. The time now is to start focusing more on how we speak to it and communicate it. But I think our -- the methodical nature of our launch is a big part. I think we've got some strong leaders and execution partners in it. We did steer clear of going asset heavy into something before we understood it or knew it, and we are still predominantly a non-asset play in that space. But we also spent a ton of time in our final mile launch listening to our customers and trying to build what they want, versus building out what we thought they needed. And I think that does pay dividends.

And so, it takes longer to do it that way, it takes a lot more R&D before you start having revenue and profits. But by doing it that way, we know once we launch and once we start having those conversations, it's a product that they're looking for. And that was really heavy systems, heavy communications, visibility, claims, resolution processes and other things that were -- there's still gaps in that final mile space really across the board in terms of the customer experience and we're all working hard, both here and at other organizations to address it. And I like our chances.

**David Ross** -- Stifel Financial Corp. -- Analyst

Excellent. Thank you.

**Derek J. Leathers** -- Vice Chairman, President, and Chief Executive Officer

Thank you.

**Operator**

The next question is from Ken Hoexter with Banc of America Merrill Lynch. Please go ahead.

**Ken Hoexter** -- Bank of America (Merrill Lynch) -- Analyst

Hey, Derek, John. Good afternoon. So, congrats on a solid quarter and good luck in the Lehigh Valley, it's a great place.

But others are seeing some rising capex. The industry is moving to lower the age, it seems like of their fleet, they kind of let it age a little bit recently. You're standing still in the market. Is that a sign just the driver market is too tough, kind of as you mentioned to expand the fleet or take advantage of that, kind of others focused on just the fleet renewal at this point with the capex targets?

**Derek J. Leathers** -- Vice Chairman, President, and Chief Executive Officer

Well, I think the capex target, first and foremost is driven by the fact that we already have a young fleet, and we're going to keep it that way. I mean there are others that have more of a sudden increase in their capex this year, but it's driven by wanting to renew or refresh their fleet and trying to bring the age down. We like our fleet age where it is, it's one of the newest fleets out there and so we don't have to do -- we don't have to fight that particular battlefield. So, it just comes down to how do we feel about fleet growth.

On fleet growth, if it's a long-term relationship, long-term contract, cycle-proof defensible type freight at our margin expectations or better, we're going to add it and we're going to go out and use the driver school network that we've built and invested in and we're going to have access to high quality drivers. We're going to continue to fight the fight in the experienced driver side and through the combination of lifestyle equipment and compensation. We're going to win that fight more often than some, and if that provides upside through the profile of freight that I just talked about, to exceed that TTS growth target, then we'll do so. But at that growth target and -- that growth target corresponds to that capex range and it's consistent with that 11% to 13% of revenue target, that we've talked about for several years around here because we finally got our house where we want it as it relates to age and quality. Both terminal infrastructure, as well as fleet infrastructure, and these last two terminals kind of finished the set in that table.

**Ken Hoexter** -- Bank of America (Merrill Lynch) -- Analyst

Wonderful. Just coming back to the Dedicated. You talked about rates up 3% to 5%, yet talking about rate pressure of 6%. Maybe you were talking about that on over the road, but you threw out a number for Dedicated kind of rate pressure as well. Do you see that margin pressure, when you step back and look at your outlook, because of those that increased driver pay?

**Derek J. Leathers** -- Vice Chairman, President, and Chief Executive Officer

No, I do not. So, we will have driver pay pressure, make no mistake about it. We talked about that right now, targeted to be in that the driver pay rate would be up 6%. We came -- we finished the year very strong on driver turnover, driver retention overall and fleet morale. And so, we're going to pay our drivers appropriately, but the ability for rates to outpace driver increases is one thing I'm very confident in right now with the market that we're in.

On the Dedicated side we talk about 3% to 5% driver pay is often a stand-alone separate line from that all together. Meaning, either driver pay is already far out in front of where

One-Way Truckload pay is to begin with because of the work style -- of the type of work it is. And if for some reason it was to come under pressure, we have that conversation with our customer. We make that decision together and if we need to raise pay to shore up that fleet, we'll have that dialogue. But our Dedicated driver pay is some of the best W2 earnings out there in the trucking market, because we expect the high quality 99.5% or better service, and it's often tough driver work, but the compensation is commensurate with the work that they do. So, driver pay will be offset and I don't but -- but that is not an area where margin erosion will take place in my view.

**Ken Hoexter** -- Bank of America (Merrill Lynch) -- Analyst

All right. Wonderful. Thanks, Derek. Thanks John.

**Operator**

The next question is from Ravi Shanker with Morgan Stanley. Please go ahead.

**Ravi Shanker** -- Morgan Stanley -- Analyst

Thanks again, gentlemen. Can you give us little more color on the forwarding business sale and kind of what the logic was behind that, apart from obviously taking advantage of a multi-generation peak in the cycle? And what is the kind of portfolio of businesses look like, are there anything else there that you think you can kind of monetize or will be non-core at this point?

**Derek J. Leathers** -- Vice Chairman, President, and Chief Executive Officer

Sure, Ravi. So, good question. So, when you think about the WGL sell, to be very direct to benefit, the fundamental premise was, I want this to be an organization focused on being best-in-class in everything they do. That wakes up every day and leverages our strengths to enhance shareholder value. Now to do that -- that means if we have any businesses that are a little too far afield or a little bit outside of the integrated core North American footprint or purpose of what we're trying to provide for our customers, I think we had to call it into question. So, we did that and as we went through that it is -- I want to be clear, was a -- it was a business that was profitable, it was a business that was actually growing some. But I believe that the time, energy, effort and investment was -- will be better spent with us focusing on our core business in North -- here in North America.

At the same time, it's obviously dependent on finding a buyer that we think highly of, and a company that we think there's synergies with. Where we can still provide a solution to our customers in this new arrangement that provides them with real economic value for them to be able to still get their needs met. While we, the reciprocal's also true, provide that value to their customers, where it makes sense. And so, there was just a lot of synergies in this particular deal, in my view, for us to continue to focus on our core business and improving our execution, while still opening up potentially even new markets, new opportunities via this --- the buyer's avenues with their customer base. And so, we're happy with the outcome. I think, as to the second part of your question, no, it

isn't like we're going through the inventory list of products or businesses looking for other things to sell. It really gives us an opportunity to put more focus on the rest of the portfolio versus looking to divest from other items.

**Ravi Shanker** -- Morgan Stanley -- Analyst

Got it. John, I think you mentioned the two facilities that you're switching from lease to owned in the first quarter. Is that going to have an impact on numbers at all?

**John J. Steele** -- Executive Vice President, Treasurer and Chief Financial Officer

That's part of the cost that we'll be dealing with in 2021, but I wouldn't consider it a major cost. I mean, from a personnel standpoint, the costs are comparable. From a facility standpoint, what we're going to have now is a state-of-the-art facility that is top shelf from a driver recruiting, from an equipment maintenance standpoint, from a design standpoint for the people who work there. So, we think it ultimately will be a benefit rather than a meaningful cost item. It'll probably have a slight cost increase, but not anything significant.

**Derek J. Leathers** -- Vice Chairman, President, and Chief Executive Officer

Yes, I think....

**Ravi Shanker** -- Morgan Stanley -- Analyst

And just lastly, Derek, your balance sheet's in great shape. Your nearly net cash, you're doing a great OR with a lot of the cycle still ahead of you. You have a great story to tell with sustainability and digital and everything else. Is there a case to be made that you should probably be a little more aggressive with cash return and buyback if the market is not giving you the full credit for everything you're doing right now?

**Derek J. Leathers** -- Vice Chairman, President, and Chief Executive Officer

I mean, sure. I mean, there's a case to be made for sure. The question is how far from our roots will we stray as we think about this doubling down on -- of our efforts on excellence. We've guided to the reality that we are -- we have an appetite for a net debt-to-EBITDA ratio that's higher than we've traditionally been. In the fourth quarter, you saw us actively in the market and repurchasing shares. We have talked about needing to get our house in order and show both externally and internally to give everyone the confidence that this type of execution is possible. And we've done that in the fourth quarter and gotten the house in order and shown what's possible here at Werner.

As you do all of those things you generate increasing free cash flow, which we've done for four consecutive years and our expectation is to have free -- to generate free cash flow as we move forward as well, and to continue to grow that from here. All of the above leads to shareholder return opportunities, right? So, we're going to look at share repurchase, we'll look at dividends, both regular and other. And we also will look opportunistically at M&A. That's going to have to be the right opportunity that we think is going to be accretive and it's going to be something that is material enough for us to move

the needle. But all of that is on the table. And I think you would get a sense for more aggressiveness as we -- we just celebrated our 65th-anniversary and I can tell you that we think the best is yet to come. And we're looking to accelerate as we drive forward.

**Ravi Shanker** -- Morgan Stanley -- Analyst

Awesome. Thank you.

**Derek J. Leathers** -- Vice Chairman, President, and Chief Executive Officer

Thank you.

**Operator**

The next question is from Tom Wadewitz with UBS. Please go ahead.

**Michael Triano** -- UBS Securities, LLC -- Analyst

Hey, guys. This is Mike Triano on for Tom. So, wanted to ask about the truck adds for '21. With the strong pipeline in Dedicated and the tightness in the driver market, is it fair to assume that the Dedicated split of the fleet could drift up a bit from the 63% by the end of the year?

**Derek J. Leathers** -- Vice Chairman, President, and Chief Executive Officer

Yes, I think that's fair. Right now the Dedicated pipeline is strong enough and the driver market is tight enough that it -- although, we have line of sight as to how we're going to fill and feed the pipeline that's necessary as it relates to dedicated deals that are coming through, that are meeting our hurdle rate and as well as those that are replacing potentially other fleets that are not meeting sort of those return expectations. But to try to project something further than that would be difficult. The driver market is tough. We are adding four schools to our school network. We still believe that we have an advantaged situation as it relates having one of the largest school networks in America producing high-quality drivers. If the market continues, as we believe it will continue on the freight side, we're going to be scratching and clawing like everybody else to do our best to bring on drivers. But I can assure you they'll only be brought on if they are of that highest quality. And so with all that said, I -- if I'm looking out at the future -- and that's kind of why we guided the way we did in our -- in the prepared remarks, it would be a fair expectation to think about Dedicated getting a slightly larger percentage than even where it is today. It also sets us up to be that much more resilient at what -- at whatever point the cycle does turn, in my view, sometime at the earliest in '22.

**Michael Triano** -- UBS Securities, LLC -- Analyst

Got it. And then for the truck adds. In terms of the cadence for throughout the year, will they be back-half, first-half loaded, second-half loaded, or do you think they come on kind of gradually throughout the year?

**Derek J. Leathers** -- Vice Chairman, President, and Chief Executive Officer

Now, at this point, I think it's better to assume, or it's safer to assume they're front-half loaded than back half. Again, it is about a rollout there right now for drivers. We're all working very hard on it. Step one obviously is always just continue to retain better than you ever have, and make sure you hold on to the ones you have, and we're working every day for that. But yes, the goal at this point would be front-half loaded, and that would be consistent with the Dedicated implementation. It's already sort of known and right in front of us.

**Michael Triano** -- UBS Securities, LLC -- Analyst

Okay, great. Thank you.

**Operator**

The next question is from Jordan Alliger with Goldman Sachs. Please go ahead.

**Jordan Alliger** -- Goldman Sachs -- Analyst

Yes. Hi. Question, so can you talk a little bit about your thoughts on miles per truck as we go up from here on productivity? I think in the past you've mentioned there might have been some impact, some difficulty with team driving situations. I'm just sort of curious; do you expect that to stabilize and see some improvement over the coming quarters? Thanks.

**Derek J. Leathers** -- Vice Chairman, President, and Chief Executive Officer

Yes, so that -- it's a bit tough, because right now, I think as COVID continues -- as vaccine rollout continues and as you start to see more and more comfort with people being in closer proximity, that should bode well for both teams as well as our leader program, where we bring in new drivers into the industry and they go out with the leader for a period of weeks, etc. And all other team-like capacity formats that we have here, and we have quite a few different variations. Downside is, as the vaccine rolls out and everybody starts to feel more comfortable, you're going to see an increase in congestion and you're going to start to see that cede back in to transit times in the overall mile per hour or so. I think it'd be premature at this point for me to tell you which end of the rope wins that tug-of-war. And a better way to think about it is probably utilization fairly flat. The leverage that matters right now, are going to be rate and retention and driver hires more than most everything else. And so, we've got to make sure and get the rate that's commensurate with the service we're providing, we're going to make sure and retain the quality drivers we have. And we've got to go out and attract new drivers to Werner as the employer of choice. And I think the set up again is very good on those three fronts, and now it's time to go execute.

**Jordan Alliger** -- Goldman Sachs -- Analyst

Got it. Thank you very much. That's it.

**Derek J. Leathers** -- Vice Chairman, President, and Chief Executive Officer

Thank you.

**John J. Steele** -- Executive Vice President, Treasurer and Chief Financial Officer

Thanks, Jordan.

**Operator**

I'll now turn the call over to Mr. Derek Leathers, who will provide closing comments. Please go ahead.

**Derek J. Leathers** -- Vice Chairman, President, and Chief Executive Officer

Yes. Thank you. So, I just want to thank everybody for being with us again today. You've trusted us and been with us over this journey over the last several years. I think you've seen our consistent executing against the focus that we've had relative to quality, above all else. It's translated clearly in recent quarters into improved service. It's translated to a stronger driver base with more tenure, with higher morale and a better seated truck count than many in our industry.

Our associates have been stellar throughout the year and I want to thank them once again. And all of that has led us to the results that we just talked about. Those are results that we expect around here. Those are results that we knew were attainable, but only with that laser focus and so it's a proud quarter for us.

We're still in an ongoing evolution of our portfolio, but the goals behind it are to make us more cycle-resistant than ever before. We're better positioned for the ups and downs of the trucking cycles that we're all too familiar with. We've generated four consecutive years of growing free cash flow and we expect to continue that trend as we move forward. We're going to continue to grow with winners.

So, our alignment with winning customers, with winning management teams, with winning models is something that we're going to continue as we move forward. And all of that's leading to record earnings in 2020 during the middle of the pandemic, record fourth quarter earnings during the time of great uncertainty, both socially as well as on the health front. It's led to some record customer retention and we're proud of how we acted during that fourth quarter to support our customers and the professionalism we tried to show them.

I mentioned it earlier and I'll close with this one more time. It's our 65th anniversary. We're celebrating our founder C. L. Werner. We're celebrating all that he's handed us as he gave -- as he has stepped-taken a step back and turned those keys over. But I'll tell you the story isn't over. We're only beginning to right the next chapters, and in fact, I think as we look forward, we're excited about the acceleration in front of us.

So, thanks for spending your time with us this afternoon and thanks for believing in Werner.