

Werner Enterprises, Inc.

Second Quarter 2024 Earnings Conference  
Call

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**CORPORATE PARTICIPANTS**

**Derek Leathers** - *Chairman and CEO*

**Chris Wikoff** - *Executive Vice President, Treasurer and CFO*

**Chris Neil** - *Senior Vice President of Pricing and Strategic Planning*

**Operator**

Good afternoon and welcome to the Werner Enterprises Second Quarter 2024 Earnings Conference Call.

(Operator Instructions) Please note, this event is being recorded. I would now like to turn the conference over to Chris Neil, Senior Vice President of Pricing and Strategic Planning. Please go ahead.

**Chris Neil**

Good afternoon, everyone. Earlier today, we issued our earnings release with our second quarter results. The release and a supplemental presentation are available in the Investors section of our website at [werner.com](http://werner.com). Today's webcast is being recorded and will be available for replay later today.

Please see the disclosure statement on slide two of the presentation as well as the disclaimers in our earnings release related to forward-looking statements. Today's remarks contain forward-looking statements that may involve risks, uncertainties and other factors that could cause actual results to differ materially. The company reports results using non-GAAP measures, which we believe provides 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.

On today's call with me are Derek Leathers, Chairman and CEO, and Chris Wikoff, Executive Vice President, Treasurer and CFO. Derek will provide an overview of our Q2 results and update on our strategic priorities for 2024 and our market outlook. Chris will cover our financial results in more detail and provide an update on our guidance for the year.

I'll now turn the call over to Derek.

**Derek Leathers**

Thank you, Chris and good afternoon, everyone. Hope you're having a nice summer so far and we appreciate you joining us today. Despite an operating environment that remains challenging, we are structurally improving the business with a commitment to delivering customer excellence while driving long-term growth. Our earnings improved sequentially in Q2 and while industry-wide headwinds persist, we are encouraged by early signs that the freight market is progressing towards equilibrium.

Tough times don't last, but tough people do. And thanks to the resilience and professionalism of Werner's over 13,000 talented team members and their continued focus on controlling the controllables, I'm pleased to report that One-Way production increased for the fifth consecutive quarter. Mexico volume is growing. Dedicated revenue per truck was up and we continue to maintain high customer retention. Our Logistics segment returned to positive operating income after a challenging first quarter. We continue to identify and execute structural changes to reduce operating costs and we are increasing our estimated 2024 in year savings to over \$45 million. We generated solid operating cash flow and purchased more than 1.6 million shares during the quarter.

We are executing on our strategy to generate long-term value with a focus on safety, service, operational excellence, and innovation. Overall, market challenges linger, but we continue to strengthen and actively position Werner to capture operating leverage as the freight market improves.

Let's move to slide five and highlight our Q2 results. During the quarter, revenues were 6% lower versus the prior year. Adjusted EPS was \$0.17, adjusted operating margin was 2.8%, and adjusted TTS operating margin was 5% net of fuel surcharges.

Despite a lower for longer freight backdrop, Dedicated has demonstrated resiliency and durability. The prolonged environment combined with our pricing and margin discipline resulted in a lower Dedicated fleet size at the end of the quarter. However, the pipeline of opportunities in Dedicated remain strong.

One-Way truckload demand was stable early in the quarter, then improved during and following Roadcheck, which, as most of you know, is a vehicle inspection and regulatory compliance initiative that is known to sideline some truckers for the week. Spot rates and tender rejects increased during the week, reflecting the tightened environment and a market closer to equilibrium.

One-Way revenue per truck per week increased nearly 8% due to operational excellence and technology tools that have contributed to a favorable production trend. Intentional focus on revenue quality led to sequential gross margin improvement in Logistics and the highest in the last three quarters. In addition, volumes in Truckload Logistics and Intermodal increased sequentially. Power-Only volumes were strong, reporting six straight quarters of sequential volume growth and increasing over 30% year-over-year.

In short, while we are encouraged to see positive signs of an improving market, we need more evidence over a longer period before we can call a definitive inflection from the unprecedented freight downturn. Challenges remain and our results continue to reflect a smaller Dedicated fleet, pressure on One-Way rates as previously negotiated contract renewals become effective and lower gains on the sale of used equipment. That said, we are pleased with the second quarter improvement and anticipate modest sequential improvement moving forward.

Moving to slide six, we continue to push forward with implementing structural improvements that will position Werner for success as rate improves. Our DRIVE framework continues to inform our decisions over the long-term, representing our commitment to durability, results, innovation, values, our associates and the environment.

We recently communicated three overarching priorities to generate earnings power and drive value creation in 2024 and beyond. They are driving growth in core business, driving operational excellence as a core competency and driving capital efficiency.

Relative to our first priority, we are focused on controlling the controllables and implementing changes that position us to maximize leverage when the market inflects. Dedicated trucks represented 65% of our fleet at the end of the quarter. One-Way miles per truck increased for the fifth consecutive quarter. Mexico portfolio volumes increased low teens compared to the prior year period. Our One-Way service offering gained strength in the northeast through our ECM segment that received several new business awards in the quarter.

We remain confident in our ability to bridge the gap from recent results to our long-term target range, although pace and timing remains difficult to predict.

We are making good progress on our second priority of driving operational excellence as a core competency. Measurable progress is being made on safety performance due to our investment in quality professional drivers, evolved training programs and newer equipment. We are starting to realize a new pace of benefit from our technology investment. Our Truckload, Logistics and Intermodal business has now migrated to our EDGE TMS platform and the transition of our One-Way business is progressing as planned.

This is a multi-year journey, and we continue to be encouraged by the results. The synergies and value of a single freight platform will enhance both our customers' experience and our operational capability, as well as provide additional opportunities to grow revenue and reduce costs. Our cost savings initiatives continue to expand, growing to over \$45 million.

And finally, our third priority, driving capital efficiency. We had another strong quarter of operating cash flow from ongoing favorable trends in working capital. We continue with intentionality in our capital allocation, including \$60 million of share repurchases during the quarter. CapEx spend and fleet age remain low. We will continue to update you on our progress against these priorities.

Turning to slide seven to discuss our current view of the market. While it remains too early to call an inflection, we are encouraged by signs of tightening. Freight demand has been steady, but competitive. One-Way freight conditions in particular improved midway through the quarter and continued into July. We experienced a tighter environment during Roadcheck week, which led to improving spot rates, and those gains have held.

While we recognize broader spot indices underperformed Q2 seasonality, our One-Way segment maintained higher spot rates during the last half of the quarter, enabled by strong execution and freight selection tools. We experienced more seasonal freight trends with better demand on the West Coast related to certain projects. We expect typical seasonality leading up to peak season in the fall. Recent conversations with customers are encouraging relative to inventory levels.

Moving to slide eight, before turning it over to Chris to discuss our Q2 results in more detail, I want to take a moment to recognize our Mexico colleagues. July marked the 25th anniversary of our operations in Mexico. Together with our carrier partners, many of whom we have relationships spanning multiple decades, we have built a premium and large-scale Mexico operation with a broad portfolio of services over nearly every crossing location across our southern border.

We have a first-class terminal in Laredo that includes a dry and refrigerated transload facility within our property boundaries, providing a high degree of product integrity and security. Several of our management team members in Mexico have been with us for nearly all of our journey and they manage a workforce of over 200 associates, with over half of them located in numerous offices throughout Mexico, including Mexico City, Guadalajara, Monterrey and Queretaro.

We are uniquely positioned to assist our customers as they expand into Mexico with our 25 years of relevant experience, including cross-border regulatory expertise, expansive footprint and customer specific approach. We were recently honored to celebrate this achievement with

many of our Mexico-based associates, customers and partner carriers at our annual Transportation Forum here in Omaha. We would not be one of the largest and most reliable cross-border transportation companies without their support and we look forward to many, many more years of excellent customer service and growth.

I will now turn it over to Chris.

### **Chris Wikoff**

Thank you, Derek. Let's continue on slide 10. Second quarter revenues totaled \$761 million, 6% lower versus prior year. Adjusted operating income was \$21.3 million and adjusted operating margin was 2.8%, a decrease of 58% and 350 basis points. Adjusted EPS of \$0.17 declined \$0.35, primarily driven by a softer used equipment market and lower gains combined with a rate pressure in One-Way and Logistics.

Turning to slide 11, Truckload Transportation Services total revenue for the second quarter was \$537 million, down 6%. Revenues, net of fuel surcharges fell 5% to \$467 million. TTS adjusted operating income was \$23.3 million, 51% lower versus prior year. Adjusted operating margin, net of fuel was 5%, a decrease of 470 basis points. A decline in equipment gains drove over 40% of the TTS decline in operating income.

Werner fleet sales continues to produce gains by selling low mileage technology loaded equipment. During the quarter, consolidated gains on sale of property and equipment was \$2.7 million, a decline of \$9.2 million, or down over 78% compared to last year. Our view for second half improvement in equipment values has moderated and has been pushed to no earlier than fourth quarter as the weaker freight environment has lingered.

Net of fuel surcharges and equipment gains, TTS operating expenses reflected our intentional commitment to control costs, declining modestly year-over-year and sequentially, but were more than offset by TTS trucking revenue rate per mile decline of 3% versus prior year and a 9% smaller fleet size.

One-Way rate per total mile during the quarter decreased 2.7% year-over-year. Through the first half of the year, rate per total mile was down 4% versus prior year. Several TTS expense categories showed improvement in the quarter.

Insurance and claims expense dropped \$5 million or 13% versus prior year. Operating supplies and maintenance expense was down \$3 million and 5% and non-driver salaries, wages and benefits was down \$2 million or 4%. Despite lower equipment gains, Dedicated remained steady and durable, generating double digit operating margins on a trailing 12-month basis.

Achieving our long-term TTS operating margin range is a key priority and we remain focused on producing higher operating margins. While it remains challenging to forecast, we continue to have confidence in our four key levers that over time will bridge the gap from recent results to our long-term target range. These include: first, rate improvement in One-Way; second, incremental growth for existing fleets in Dedicated at a higher contribution margin as we return to normalized volume; third, normalization in the used equipment market; and fourth, structural improvements through our cost saving initiatives coupled with tech-enabled synergies.

Let's turn to slide 12 to review our fleet metrics. TTS average trucks declined to 7,630 during the quarter. We ended second quarter with the TTS fleet down 2% sequentially and 8% year-

over-year. TTS revenue per truck per week net of fuel increased during the quarter by 3% and has increased year-over-year 21 of the last 26 quarters.

Within TTS for the second quarter, Dedicated revenue net of fuel was \$289 million, down 7%. Dedicated represented 63% of segment revenue compared to 64% a year ago. Dedicated average trucks decreased 7% to 4,901 trucks. At quarter end Dedicated represented 65% of the TTS fleet. Dedicated revenue per truck per week increased slightly year-over-year, growing 25 of the last 26 quarters. While our per truck production is trending well, the impact from certain fleet losses, as a result of maintaining our pricing discipline, drove fewer trucks at the end of the quarter. We will continue to exhibit discipline and value customers who are looking for the reliability, scale, safety and service of our proven Dedicated model.

Although not yet widespread, we have seen demand improvement within some of our existing fleets and with an improving market, we are positioned well to further penetrate new verticals and other hard-to-serve freight opportunities at reinvestable margins.

In our One-Way business for the second quarter, trucking revenue net of fuel was \$169 million, a decrease of 4% versus prior year. Average truck count declined 11% to 2,730 trucks. Revenue per truck per week was up 8% year-over-year.

One-Way bid season is mostly complete. We started to experience improved results in more recent bids, but also recognized that lower contract rates from earlier bid events will become effective during the quarter. However, with better freight choices expected in the second half, we will be methodical and proactive in transitioning our One-Way portfolio to higher rates throughout the end of the year and into 2025.

Regarding production and utility, as expected, we've realized another quarter of production gains, achieving just 2% less total miles versus prior year with 11% fewer trucks. We expect the favorable trend to continue, although year-over-year improvements will moderate.

In addition, our Power Only offering within Logistics segment continues to grow. Our One-Way Truckload miles combined with Power Only miles, are up 4% year-over-year, showing strong growth in our overall One-Way offering, including asset and asset light alternatives. This is unique and in a tighter freight market with better rates, the combination of One-Way production gain plus Power Only volume growth translates to improved ROI and provides for more optionality for our customers.

Turning now to our Logistics segment on slide 13. In the second quarter, Logistics revenue was \$209 million, representing 27% of total second quarter revenues. Revenues were down 7% year-over-year but grew 3% sequentially.

Revenue in Truckload Logistics declined 10% and shipments decreased 8%. Shipments increased 2% sequentially as volumes from new business came on board during the quarter and volumes from the existing customer base were generally steady. As previously mentioned, our Power Only solution again represented a growing portion of the Truckload Logistics volume in the quarter.

Intermodal revenues, which make up approximately 13% of segment revenue, increased 17% year-over-year due to 34% more shipments, partially offset by a 13% decrease in revenue per shipment. Final Mile revenues increased sequentially but decreased 9% year-over-year.

As expected, we produced operating income in Logistics after falling just short of breakeven in the first quarter. Adjusted operating income was \$1.7 million in the second quarter. Adjusted operating margin was 0.8%, down 160 basis points year-over-year, driven by rate and gross margin compression, but increased 140 basis points sequentially due to higher Brokerage and Power Only shipments, improved Brokerage gross margins, improvements in Final Mile and continued cost savings from integration and technology.

It continues to be a very competitive operating environment which is pressuring Logistics margins in the short term. We do expect operating margins to improve modestly later in the year due to our cost savings and technology enhancements. In the meantime, we are controlling what we can, including improving revenue quality, as well as building our infrastructure and technology to continue to provide industry leading service and expertise at greater scale.

Moving to slide 14 to discuss our cost savings program. We have expanded our 2024 savings target from \$40 million previously communicated to in excess of \$45 million. Over \$27 million of savings have already been recognized and we have a clear line of sight on the rest of the program. We are currently focused on developing the next phase of our program for 2025.

Let's review our cash flow on slide 15. We ended the second quarter with \$70 million in cash and cash equivalents. Operating cash flow remained strong at \$109 million for the quarter or 14% of total revenue, very consistent with prior year as we continue to realize efficiency in working capital.

As expected, net CapEx continues to trend down. Second quarter was \$99 million, down \$52 million or 35% year-over-year. As a percent of revenue year-to-date, net CapEx is less than 8% of revenue compared to over 15% for the same period last year. Yet we continue to maintain a low average age of fleet at 2.1 years on trucks and trailers averaging below five years. As a result, free cash flow through the first half of this year was \$79 million or 5% of total revenues, up 350 basis points year-over-year.

Total liquidity at quarter end was \$470 million, including cash and availability on a revolver. During the quarter, a term loan with \$87.5 million outstanding matured and was absorbed into our revolver capacity.

Moving to slide 16. We ended the quarter with \$670 million in debt, up \$73 million or 12% sequentially and up \$30 million or 5% compared to a year earlier. On a net debt basis, year-over-year change was up less than 1%.

Net debt-to-EBITDA was 1.4 times, driven by EBITDA margin compression over the past 12 months. We have a very healthy balance sheet, access to capital, relatively low leverage and no near-term maturities in our debt structure.

On slide 17, let's recap our strategic priorities related to capital allocation. We continue to prioritize strategic reinvestment in the business while also being balanced over the long-term between returning capital to shareholders, reducing debt and funding M&A. For the first half of the year, we generated nearly \$80 million free cash flow. We utilized \$18 million for dividends and \$67 million for share repurchase.

During the quarter, our board approved a new 5 million share repurchase program replacing the prior program. We invested \$60 million towards share repurchases during the quarter at an average share price of \$37.04. We have 3.9 million shares remaining under the Board approved program.

Let's continue on slide 18 and a review of our full year 2024 guidance. Our full year fleet guidance remains down 6% to down 3%. We are down 7% year-to-date. We see potential for net growth in Dedicated in the second half but remain focused on maintaining price and margin discipline across our portfolio.

For 2024, we now expect net CapEx between \$225 million and \$275 million, down from \$250 million to \$300 million previously. As always, the lion share is for trucks and trailing equipment, but we remain focused on investing in technology, terminals and talent.

Dedicated revenue per truck grew year-over-year and is expected to remain within our full year guidance range of 0% to 3%. One-Way Truckload revenue per total mile decreased 2.7% in the second quarter and 4% in the first half, within our guidance range. We expect the year-over-year change in the third quarter to be down 3% to flat as we see increasing opportunity for favorable rate changes going forward.

Equipment and property gains were \$4.6 million in the first half of the year. We now anticipate lower equipment values to remain for longer. As a result, we are lowering our range and now expect gains in the range of \$7 million to \$13 million, down from \$10 million to \$20 million previously.

Our tax rate in the second quarter was 24.2%. Year-to-date is 28%, reflecting certain one-time discrete items in the first quarter. We expect this to level out throughout the year. Our full year guidance range remains between 24.5% to 25.5%. The average age of our truck and trailer fleet at the end of the second quarter was 2.1 and 4.9 years respectively, unchanged from the end of 2023.

I'll now turn it back to Derek.

### **Derek Leathers**

Thank you, Chris. It was another challenging quarter for our industry, but we stayed the course and focused on controlling the controllables. We are encouraged by our higher sequential operating income and are proud of our safety record and low, preventable accident frequency.

We are actively taking steps to enhance our operations and advance competitive strength in the marketplace by strategically investing in our business, reducing costs and optimizing cash flow. We remain focused on providing a high level of service to our valued customers. We improved One-Way miles per truck, and we are growing in total One-Way miles, including Power Only, and we are continuing to grow in Mexico, which is supported by the global secular trend to near shore.

We made further progress on our cost savings initiatives and returned Logistics back to profitability despite ongoing pressures. As a result of the intentional evolution in our business, Werner has never been stronger. We are a more diversified company and better positioned to capitalize on a market turn. We are a cycle-tested team, and our historical results demonstrate our ability to generate earnings power as the market improves and demand accelerates.



With that, let us open it up for questions.

## QUESTION AND ANSWER

### Operator

(Operator Instructions)

The first question comes from Eric Morgan with Barclays. Please go ahead.

### Eric Morgan

Hello, good afternoon. Thanks for taking my question. I guess I wanted to ask, on peak season, Derek, you mentioned expecting normal seasonality leading up to peak. I think you also called out some project opportunities that have materialized around the West Coast. So, just wondering if you could expand a bit on that and what you're hearing from customers? And I guess specifically interested in your comment on modest, sequential improvement. I think, in earnings sequentially, if that's more of a 3Q comment or maybe extending into 4Q as well. I appreciate it.

### Derek Leathers

Sure, Eric, thanks for the question. So, I think it's early for us to be trying to give any kind of definitive prediction on peak season. I think as you picked up in our opening remarks, what you heard was lots of signs that seem to be indicating a return to kind of normal seasonality right now. We've seen things like the stickiness of Roadcheck and it kind of enduring the period post Roadcheck, at least in our network, relative to spot rates. We've seen project opportunities like you talked about, we've seen kind of return to value as it relates to the value of trailer pools and asset-based carriers being favored slightly over brokerage by certain customers.

And frankly, just the overarching theme relative to customer conversations where they're back in the business of wanting to make sure that we're having discussions about being prepared for what their needs may look like, being prepared for what their demand may reflect, and as they start thinking and analyzing more where they're at from an inventory perspective, making sure that we're able and capable to be able to stand up support for their needs.

All of that kind of leads me to believe, although it's still early and we're certainly not predicting an inflection point on the call today, that things are starting to feel back to normal. If I look externally at external data, another thing I would point to is the increased rejection rates as of late, kind of the stickiness of some of those trends, all of which sort of point to an equilibrium or balanced type of market situation. So not one that's yet tight, but one that's certainly more balanced than it's been previously, and something we really haven't seen since kind of mid-summer 2022 was the last time we saw rejection rates at that level.

As far as the modest sequential improvement part of the question, the reality is we are still inheriting rates that were negotiated through this early cycle bid season in Q1 that are now coming to implementation phases or have already been implemented. Those are countered by more recent conversations and bid activity that are reflective of flat to even positive type results. So, when you put those two in the mix, and I think it's only prudent to talk in terms of modest improvement sequentially from Q2 to Q3. We'll still steer clear of Q4 for today's purposes, because I do think we're at a dynamic point in the market.

**Eric Morgan**

Appreciate that. And maybe just a quick clarification on the guidance for tractor count going from down 7% to potentially down 3% to 6%. Did you say that would be coming from Dedicated? Or is the One-Way business potentially where you could add a few tractors if things start to improve?

**Derek Leathers**

Yes, it still would not be our desire to add tractors in One-Way. We've got great optionality in One-Way between our Power Only product, our brokerage capabilities through Logistics, and other ways by which we could step up and serve a customer to include even Intermodal and the growth we've seen there. We're really focused on Dedicated. The pipeline is strong right now. The number of bid opportunities year-over-year is up significantly at this point from where it was a year ago.

It's still a competitive market and we're still going to be disciplined with price. So, modest improvement in terms of Dedicated truck growth. But that's really driven by us taking a disciplined approach to how we're going to think about pricing and making sure whatever we enter into on a multi-year agreement is something that can stand the test of time and is reflective of a customer looking for true high quality, Dedicated service.

**Eric Morgan**

Great, thanks a lot. Appreciate it.

**Derek Leathers**

Thank you.

**Operator**

The next question is from Bruce Chan with Stifel. Please go ahead.

**Bruce Chan**

Hello, good afternoon, gents. Just want to follow-up on some of your comments around the cost savings. I think you mentioned that was going up to north of \$45 million. Maybe just wondering if you can offer a little bit more color into what sorts of incremental changes are involved in that process relative to last year. And then just as we think about some of this persistent softness here, how much additional leverage do you have and what are you kind of watching in terms of, kind of guiding when to make the decision to make the dial-up those cost saves even more or maybe even dial it back?

**Derek Leathers**

Yes, I'll start at the macro and turn it to Chris to kind of follow up with some specifics. But at the macro level, I think the thing that we've been really focused on, or something that's been important in my vision is making sure that we're cutting costs in a structural way, things that are sustainable, that we think can carry forward into future periods, but also making sure that we're not cutting for the short term, from a quarter-to-quarter perspective per se. I think we're close enough to the end that we want to be prepared and ready.

We've been focused on enhancing our operational capabilities, further integrating our acquisitions, making sure that the team is poised to respond very quickly and very efficiently as this market turn plays out. And to do that, you've got to make sure you've got the right players on the field. And so, it's been a prudent approach, it's been a strategic approach, and one

certainly when there's been friction, I've been pushing for the long game, making sure that this business is set up and poised for the turn.

With that, I'll turn it over to Chris with some more commentary on the specifics.

**Chris Wikoff**

Yes, not a ton to add there, Bruce, but just to confirm some of the comments that we had in the prepared remarks. We're making great progress there. Its \$27 million realized year-to-date. We are increasing the 2024 program from \$40 million to \$45 million or more for the year. That gets us to about \$90 million, just shy of \$90 million over two years. And we are already looking at beyond 2024 of the art of the possible there. Being mindful of an up cycle, not cutting to the bone, but really continuing to focus on some of those things Derek mentioned, operation, innovation, productivity gains, leveraging technology and M&A integration, all of which leads to these savings programs being largely structural and sustainable.

**Bruce Chan**

Okay, I appreciate that. And then just quick housekeeping follow-up on the net CapEx reduction. I imagine that's coming from the One-Way fleet comments that Derek made earlier and possibly from Dedicated, but maybe just a little color on what's driving that reduction.

**Derek Leathers**

Yes, I think there's two parts to it, really, Bruce. The first one is really, just as part of any ongoing cost analysis and focused approach to every dollar we spend, you also start making sure that we're re-examining and re-justifying any and all capital projects. But since the bulk of what we do in CapEx, let's be honest, is all in trucks and trailers, the simple reality of some of the disciplined approach we've taken to pricing, which has led to walk away kind of moments for us from opportunities that we feel are not sustainably priced, has led us to fleet guidance that is also down, which has led us to revise what it would take to keep the fleet age, where we wanted to prepare for eventual emission changes, and really have this particular fleet in a great position going forward.

So, I like where we've landed. We're not going to spend money just to spend it. We want to make sure that we're very thoughtful with every dollar of capital allocation. And at this point, we just felt it was prudent to kind of claw that back some because we believe the fleet is exactly where we want it. It's sized appropriately, and the discipline will lead the day as to whether or not that number would ever need to be expanded. But the range gives us room to do so and to operate within between now and the back half.

**Bruce Chan**

Okay, very helpful. Thank you.

**Derek Leathers**

Thank you.

**Operator**

The next question is from Daniel Imbro with Stephens. Please go ahead.

**Daniel Imbro**

Good afternoon, everybody. Derek, want to start a longer term one. Just as we think about the path back towards that long term, 12% to 17% kind of TTS margin, obviously, this year is going to be depressed, and we've locked in a lot of Dedicated business near these rates, but cost

savings are going better. Can you update us, is this going to be a 2025 event where you can get back into that range? Is that going to get pushed out further to the right? Just given kind of how you're seeing the macro today, how are you thinking this kind of progresses over the next year, year and a half, as we move back towards that?

### **Derek Leathers**

Yes, great question. Obviously, it's a very heavy focus here inside this building, it's something we've done a lot of analysis on. It's tough to give you timing without also trying to predict the exact inflection point. And since we can't do that, we're not really signed up at this point to an exact date and time on the return. It's a long-term goal. It's one that we believe we have a bridge to get to. Chris will break that down here in a second.

But what I'm excited about right now is, the positioning we put the organization into, the focus that we've applied and discipline to our pricing so that we don't have a lot of makeup work to do with the organic business inside the building. And what we need to do is to both, improve that, but also be opportunistic relative to Dedicated opportunities that they come to us.

The fleet mix isn't exactly where we'd like it. We'd like to see Dedicated as a larger percentage of the fleet. We know Logistics synergies continue to develop with the Reed acquisition and the tech-enabled investments that we've been making. So, there's a lot of different opportunities in front of us, and Chris will break some of those down for you for now.

### **Chris Wikoff**

Yes. So, Daniel, we talked about some of those levers and the components that make up that bridge getting back to the long-term range. We're still confident in doing that. Obviously, the pace and timing is difficult to predict, but those levers that we mentioned, the rate improvement in One-Way, the demand improvement coming back on Dedicated for existing fleets, but adding more trucks as a result of that at a higher contribution margin, plus just having more value in the back-haul, normalization of the used equipment market, and getting back to some lift in the resale values, and then everything we're doing around those structural changes. Those are the levers. We've got confidence in that.

And I would just point out, you know, in TTS, we've had five consecutive quarters of sequential decline in operating income until second quarter. So, adjusted operating income margin went from 4.1% to 4.3% Q1 to Q2, or net of fuel went from 4.7% to 5%. So that's a modest improvement, but it's an improvement nonetheless. And we expect that to continue, although modestly.

### **Daniel Imbro**

Yes. Appreciate that. And then maybe as a follow-up, Chris. Within the guide, if I can just focus on the Logistics side, I think the slides mentioned the brokerage margins would be down sequentially. Normally, Logistics, OR side has some degradation quarter-over-quarter, but normally you're not running at a 99.7. So, I guess, do you expect Logistics to remain in the black in the third quarter? Could we take a step back or what are some of the puts or takes as we move from 2Q to 3Q on the Logistics OR side? Thanks.

### **Chris Wikoff**

Yes, a good question. We do expect sequential improvement in operating income in Logistics as we move forward. So, we intend to stay in the black there.

**Daniel Imbro**

Thanks so much. Best of luck.

**Derek Leathers**

Thank you.

**Operator**

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

**Scott Group**

Hey, thanks, afternoon. So, I know, just following up on that last question, I think last quarter you talked about modest sequential improvement as well, and the trucking OR improved about 30 basis points. Is that sort of what you're talking about, just directionally? Again, as we think about Q3, I know that's probably a little bit more specific than you guys usually talk on OR, just I don't know, just want to try and help get expectations in the right place.

**Derek Leathers**

Yes, Scott, I was going to start my answer with, that's more specific than we normally talk about OR, so, I appreciate your commentary there. Look, we believe that the opportunity is there, especially based on some recent events and recent customer interactions to improve from Q2 to Q3. You know, as a level set, if you look back over a 10-year history or horizon with Werner, about half the time Q2 to Q3, earnings actually go down, about half the time they go up. Those are kind of rough goalposts to think about.

We are currently of the opinion you will see improvement Q2 to Q3, but it will be modest. And the emphasis is on the word modest. And tying back to the same commentary from Q1 to Q2 gives you some framework to think about.

**Scott Group**

Okay, that's helpful. And then for next year, any thoughts on CapEx? And I know there's talk about a pre-buy, or are you guys, how do you think about the pre-buy? Is that something that makes sense for Werner?

**Derek Leathers**

Yes, I think it's a complicated one right now. I mean, I love our positioning, Scott, meaning that our fleet, as we sit here today, is exactly where we wanted it. It hasn't aged any. It hasn't found itself in a position where we've got to kind of refresh or make up for any aging of the fleet, like others may be in a position to have to do.

So, we're able to go into 2025 in a pretty good place. We'll certainly want to hold serve on our fleet age and make sure, especially if some of this Dedicated pipeline was to come to fruition, you could see CapEx impacted by our need to grow into that Dedicated opportunity, but it's got to be priced right. It's got to be reinvestable. It's got to be the right kind of customer. And so, we're going to make sure and be methodical about all of the above.

We're not putting out 2025 CapEx guidance right now, but it's not our current stance that we're going to be driven heavily by any kind of pre-buy methodology. We're going to come into it as fresh as we can and be thoughtful with how we conclude our final negotiations on truck and trailer purchases for 2025.

The last thing I'll say is with some of the political backdrop going on right now and some of the friction, let's just say that's taking place relative to where some of this emissions stuff ultimately lands and some of the mandates versus regulations versus actual already passed requirements and whether or not there could be a retrenching of some of those, it's just too early to talk too much about it.

And then the final thought on the subject that I do think is relevant is just OEM capacity constraints in general. I think the fear that most would have if I was part of the investor community, is trucking going to go out and make some massive pre-buy in advance of these regulatory changes? And I think the simple reality is the OEM ability to support something like that this time is fundamentally different than it's been in last cycles. There's been numerous reports that talk about sort of a hard cap of around 300, a more likely cap somewhere in the neighbourhood of 285. Either one of those numbers is a lot closer to replacement level than it is any kind of meaningful pre-buy level if you look at it from historical standards, both of which put us in a really good position as an industry, not to repeat some mistakes of the past and end up right back in an overcapacity situation.

### **Scott Group**

Very helpful. Thank you, Derek, for your thoughts.

### **Derek Leathers**

Thank you, Scott.

### **Operator**

The next question is from Ken Hoexter with Bank of America. Please go ahead.

### **Adam Roszkowski**

Hi, this is Adam Roszkowski on for Ken Hoexter. Thanks for taking the question. Maybe, Derek, on that capacity comment, you noted how your view is based on a return to seasonality on the demand side and some project activity. Maybe just an update on the state of capacity exits and what you're seeing here quarter-to-date?

### **Derek Leathers**

Yes. We continue to monitor, and we continue to see, as everyone does, ongoing attrition of capacity. Both the employment data, net attrition of registration data, the pace of that attrition, although not maybe elevating any kind of meaningful uptick, it's still there, it's ever present. We think people are out of the money that they may have accumulated during the COVID years. I think lenders have been lenient to a fault and I think you'll see a change in that behaviour as market conditions improve. So, I think there's still a whole lot of people that are going to not make it out of the other end of this very dark time.

So, as we look and we think about our business, what gives us confidence in that sentiment is the conversations we're having with customers. We recently just held our annual customer forum here in Omaha. We had a billion-and-a-half, roughly of revenue under one roof. Had conversations over a multi-day period with many of our best customers and largest customers. And really, across the board, they still find value in these high quality, well capitalized fleets like Werner.

And I think that positions us also as market conditions tighten, to be on the front end of feeling that impact. And that's why some of our data differs a little bit from some data that may be out there from a macro perspective, like my commentary about spot rates and holding serve post

Roadcheck. That differs from what you might see on a DAT load board, but it doesn't mean that it's not what's happening every day in our network as we speak. So, we're preparing for the turn, we're ready for it. And again, not to be overly repetitive, but we really like our positioning right now and the work we've put into getting prepared.

#### **Adam Roszkowski**

Got it. That's helpful, thanks. And then on Logistics, so expected operating income to kind of improve sequentially. What does that imply for gross margins? I mean, you mentioned pressure, but is that sequential pressure on gross margins? Maybe just any thoughts there?

#### **Chris Wikoff**

Yes. Adam, this is Chris. We've had four quarters of holding around 15% of gross margin within Truckload Brokerage. You know, there's a lot of work underway of refining that portfolio, focusing on higher revenue quality as we go forward in effort to sustain gross margin and mitigate as much of that margin squeeze as we get through the turn. So, we are working on that. There are also other things that can influence favorably, gross margin in Logistics, including as we continue to have strength in the Power Only growth, which is at a higher margin.

We've had six quarters of sequential growth in Power Only, up double-digit percent year-over-year in both revenue and volume. So, if some mix continues to change there, that's positive. So that's the gross margin perspective.

And then we've continued to take out cost in SG&A and operating expenses through technology, through integration. Overall, the operating expenses in Logistics in the second quarter are down 10% year-over-year, so good progress there. All of that put together gives us confidence that we'll continue to see sequential improvement there in operating income, even with some of the margin squeeze with the turn in the cycle.

#### **Derek Leathers**

That was well stated, and I have nothing to add to that part of the answer. What I would say, though, in addition to all of that, the other reality is, as Chris alluded to, some of the synergies we're seeing through the tech enabled investment that we've been making and what we now fully implemented in Logistics, it's my belief that we've got to prepare for a world as we go into the out years of 2025, 2026 and beyond, where 15% is going to be a very competitive number.

And the real goal, the real aspirational expectation is how do you take 15% and turn it into a meaningful improvement in bottom line OI? And that can be done, that will be done through some of the productivity gains that we're picking up over time. So, we're both excited about the opportunity to expand gross margin, but also in a world that will be competitive as far as the eye can see, we've got to make sure we're more and more efficient and that tech is allowing us to do more with less, and we are encouraged by early signs.

#### **Adam Roszkowski**

Thank you.

#### **Operator**

The next question is from Jason Seidl with TD Cowen. Please go ahead.

#### **Jason Seidl**

Thank you, Operator. Hey, Derek and Chris and team. I wanted to touch a little bit on your outlook. If you look at some of the news out there for the low-end consumer, it seems that

there's some pressure out there, whether you listen to McDonald's or Pepsi, and you guys have always had a little bit more outsized exposure. Are you forecasting maybe a little bit of a change in some of your end markets? Are you seeing something different?

### **Derek Leathers**

Yes, great question. I think there's a multi-part answer there. I'll try to be brief. First off, yes, we are expanding verticals in which we participate. As we look at our Dedicated fleet exposure, we are continuing to expand and our bandwidth and our ability to serve, looking for like kind of opportunities, meaning very hard to serve, driver involved, defensible positions. But it doesn't have to be in that retail segment.

In addition, on One-Way, same thing. We've been expanding the engineered portion of our fleet, some of the cross-border Mexico, which is not nearly as retail focused as the rest of our portfolio, and then expanding into growing verticals that are part of Werner Premium services, and the work we're doing there with really kind of higher value, harder to serve, higher expectations, and more difficult transit.

All of the above is one of those things that's taking place as we look forward, but then back to the original part of the question around the consumer. We're certainly not planning the next several quarters based on any kind of sudden uptick in consumer strength. Instead, it's our belief that, that consumer has been more resilient than we would have originally expected. They are staying stronger for longer, but we are very exposed into the discount retail space. They're doing really well. They tend to do really well during these times. And even across our Dedicated portfolio, we're growing across the majority of all of our discount retailers because their business is growing, and their needs become more complex as that growth takes place. So, it's not a demand driven or consumer driven kind of model as we think about building this bridge back to our long-term operating margins. It's more execution, analysis, engineering, and then lining up with the right type of customer.

### **Jason Seidl**

That's great color, Derek. And a follow-up, you talked about how your spot is a little bit different than sort of the generic spot that we see posted out there from some of the providers. And you're not the first large trucking company that has told us that. What's the sort of the difference between the spot rate that you guys see versus that sort of load board spot rate?

### **Chris Neil**

Thanks for the question, Jason. This is Chris Neil. I think there's a number of reasons for it. We saw a spot that increased with Roadcheck week, and it continued into the July 4th holiday and we were able to retain a good chunk of those gains. I think as a carrier with some scale and an ability to execute, we have access to customer load boards and other places of opportunity there that are less commoditized than the traditional live load, live unload part of spot.

And so, I think it's just as a bigger carrier, we've got a better opportunity there to serve other customers. In addition to that, we have several tools that consider network balance. And so those tools have helped us to identify, provide good recommendations on freight selection. Freight optionality and freight selection then will help drive improved spot rates. And then in addition, although not widespread yet, we have had opportunities to participate in some projects with some customers. And I think you've got to have scale and capability in order to be considered for some of those projects. So, all those things, I think, together enable us to maybe



play in a little different place in terms of the spot market than some of the more commoditized parts of that piece of the network.

### **Derek Leathers**

The one thing I would add to that as well is some of the very intensive work we've been doing over the last several weeks is analyzing our network, understanding where we have that optionality that Chris refers to. And what that network leverage might look like as it relates to an improving freight market. Traditionally, Werner has been very conservative in the spot market.

We're still, as we sit here today, very, very minimally exposed to spot. But we have done the analysis, and we are comfortable that as we sit here today, roughly 20% of our One-Way network, One-Way fleet, would be available to participate in spot market opportunities, project opportunities, and/or other ways by which we could influence the end rate per mile within the network. We're prepared to do so. We will be doing so as opportunities present itself. Whether it gets to 20% is really up to our customer base and those interactions that we have in the interim, because we're going to make sure that we get that One-Way network back to a re-investable level.

### **Jason Seidl**

That makes sense. And you mentioned projects, are you anticipating project work to tick up here in the back half of the year noticeably?

### **Derek Leathers**

I think it's too early to say noticeably, but if you go all the way back to Q4 commentary a year ago, we talked about volume of project opportunities was actually pretty strong. The problem was, it didn't come along with the appropriate rates and premiums that that kind of volume requires from us, from an ability to serve it.

And so, this year, if we were to look and plan towards normal seasonality, I think it will be an opportunity for rates to be reflective of the complexity of doing that work. It's too early to tell how strong that volume will be, but even in late Q2 and into Q3, we have some project work underway as we speak, and that's certainly something that's been a couple of years since we've been able to see, take place.

### **Jason Seidl**

Appreciate the time, gentlemen.

### **Derek Leathers**

Thank you.

### **Operator**

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

### **Tom Wadewitz**

Yes, good afternoon. Apologize if I missed this, but I wanted to get a little more perspective just on how we ought to model the Dedicated truck count looking forward. I think you had kind of telegraphed that there'd be some reductions in second quarter, and we saw that in fleet.

But how do you think about Dedicated fleet size in 3Q and 4Q and what's the risk that you kind of see further competitive pressures cause that to decline, or you feel pretty comfortable that, you're kind of stable with that fleet level?

**Derek Leathers**

Yes. Tom, I mean, nothing's certain until the ink is dry. But clearly if you look at fleet size overall right now and you look at end of year or back half fleet guidance, it implies some stabilization. We also commented, and I'll reiterate that the Dedicated pipeline is very strong.

Where the rubber meets the road, though, is pricing discipline versus customer expectation. And so, we're enthused about the number of opportunities, the number of biddable events, the amounts of trucks right now in the queue. And the year-over-year difference is significant in terms of Dedicated demand and trucks currently either being bid or already out to bid.

The question will become how many of those land? Our bend, if there is one, is toward truck growth in Dedicated in the back half, but time will tell. The important factor right now at this point in the cycle is maintaining discipline, doing what's right for our shareholders, and making sure that whatever trucks we're putting into service, I can turn around and buy one to replace it when it's time to do so.

**Tom Wadewitz**

What do you think is driving that pipeline to be stronger? Because that sounds more optimistic, like I think some of the competitive commentary earlier in the year was a lot more cautious about increased pressure. But if you're seeing that pipeline stronger, that seems constructive. So, what do you think is behind that?

**Derek Leathers**

Yes, I don't know if there's a difference between the early and the later commentary. The pipeline has been pretty strong throughout. It's the competitive pressure part, meaning the number of bidders, how low will somebody go, whether they understand the business well enough at the time they're pricing it. There's always a bit of a disadvantage of incumbency in Dedicated. We know the business, we're operating the business, and we realize the differences between the RFP and the real world. And so, at times, you know that could be a headwind.

And so, we did telegraph that we thought it might be in a couple of cases and as it turned out, it was. We don't see similar headwinds right now as we look forward on any kind of significant fleet losses. Yes, there's going to be some work to still be done, but we're more encouraged by the quality of those bids that are in-house, the quality of the underlying customer, and the fact that they view their supply chain as a strategic advantage. Those kinds of customers understand the importance of best-in-class Dedicated, not just somebody that's slapped a logo on the side of the door. And so, we're going to continue to differentiate through the work that we do every day. And I think the opportunity for us to get back on a growth trajectory in Dedicated is in front of us.

**Chris Wikoff**

Hey, Tom, I would just add one quick statistic to that. Where we sit right now in the third quarter, we see more net wins being implemented in the Dedicated fleet than losses being realized for the quarter. We obviously still have a couple more months to go, but in terms of that net growth in Dedicated in the second half relative to the first in order to get back into that guidance given where we're at, mid-year, we're on our way.

**Tom Wadewitz**

Okay. So, you think even in 3Q, we ought to see that truck count move up a bit.

**Chris Wikoff**

Given what we're seeing at this time.

**Tom Wadewitz**

Yes. Okay. Thanks for the time. Appreciate it.

**Derek Leathers**

Thank you.

**Operator**

The next question is from Bascome Majors with Susquehanna. Please go ahead.

**Bascome Majors**

Derek, you talked yourself about the kind of mixed seasonality you typically see in 3Q. And if we look back historically, though, 4Q is typically up. I think it's 11 out of the last 12 years. And I was just curious if you could frame a little more granularly, what it is you're seeing in July that gives you confidence that this will be on the better side of that historic seasonality. And what gives you so much pause about really talking in any way, shape or form about the fourth quarter, given how consistent that is other than, I guess last year was the one year out of those 12 years that you didn't grow sequentially. Thank you.

**Derek Leathers**

Yes, thank you for the question. So, a few things, when I was talking earlier about Q2 to Q3, that seasonality is the one that is, or that earnings trend is one that's a bit of a coin toss over a decade plus period in terms of whether it goes up or goes down. Obviously, Q3 to Q4 almost always goes up. The granular look that you ask for would be things like, as I sit here today, what gives me optimism?

Rejection rates that have continued to kind of hold steady at and around 5%. That tends to be a line in the sand relative to the market being at equilibrium, spot projects coming up and being implemented and ran over a more extended period, projects that start and then get extended further than originally anticipated, all of those things give me optimism. The pause about trying to predict Q4 is everything from the election to the war in Ukraine, to the reality of the stressed consumer, all of the geopolitical issues that are going on with the Suez Canal and labor issues at the ports. There are so many unknowns between now and Q4 that I just think it would be inappropriate for me to get too granular at this point.

I'd rather focus on the reality of the work we're doing to reposition this network, the work we're doing to understand the optionality within One-Way to be able to flex up in a stronger market. The work that's already taken place, and as Chris mentioned, is resulting in Dedicated fleets being implemented in the short term, that is outpacing any losses due to price differences. Those are the things that I think drive long-term value, and those need to be done and we need to be prepared and ready to execute. So that's where our efforts are going to be.

I can't predict the future any better than anybody else, but there is a lot of positivity afoot that it's going to take time to play out and come to the bottom line. I want to be clear about that because we still have inherent headwinds on gains on sale and that equipment market being under duress. We still have headwinds from bids that were negotiated in Q1 that are

implemented, and we're still living with some of those rates, although we held the line on rate better than most, as seen through our rate per mile reduction, year-over-year being lesser than almost anyone's. So, we like our positioning. We're ready and prepared to improve from here, but it is going to be modest. It's going to be slow going, but we're going to work to maximize its potential.

### **Bascome Majors**

Thank you for that thoughtful answer. And just to maybe put an emphasis on the 4Q piece, in an earlier question, you talked about last year having plenty of project demand, but not appropriate project pricing to support the cost structure of that work that you and other carriers did. When would we be far enough into the third quarter where you kind of know whether or not you're going to get the kind of pricing that typically supports that 4Q lift for the project work at Werner?

### **Derek Leathers**

Yes, I think it's going to become evident over the next 45 days. I think it could become evident even sooner than that as we continue to watch and monitor both attrition on the carrier side, employment data, rejection rates, all of the above, not to mention, the retailers response to current inventory levels being at in balance or in many cases below balance, and what that destocking activity starts looking like. Unfortunately, it's just not this day that we have that total visibility, and so we're going to be cautious in our guidance so that just to try to paint the clearest picture as we can. But certainly, over the coming weeks, it'll become much more clear.

### **Bascome Majors**

Thank you.

### **Operator**

And the final question today is from Chris Wetherbee with Wells Fargo. Please go ahead.

### **Chris Wetherbee**

Hey, thanks. Good afternoon, guys. Maybe along a similar line, just thinking about the Dedicated fleet count and you got asked a bunch of questions about this, but I guess I'm curious what would sort of get you to the upper band of the additions in the back half of the year? Does it go sort of into this dynamic of sort of improving fundamentals in the space as we get into the fourth quarter?

Just want to get some sense of kind of how you're building that bridge. It sounds like the pipeline is pretty visible. Is it just simply sort of getting more out of the pipeline or does it also include some macro uplift as well?

### **Derek Leathers**

No, I think it really comes down to win rate. I mean, if I was to fully expose our current Dedicated pipeline, and this may be true for others as well in the industry, I think most people would be shocked at how many trucks are in that pipeline at any given time, both in number of bids, number of customers, and also total truck count. So, it really comes down to kind of what that win rate looks like and whether we use a traditional win rate over a 10-year period or we use a more depressed win rate that's been the case maybe over the last 18 months.

We know that when the market is loose, that win rate goes down. We know when the market gets to equilibrium, we get to a long term run rate, and we know when it's tight, the win rate is even higher than that. I think we're relatively speaking at equilibrium today. So, the win rate

starts to tick up from where it's been but isn't at a level that we're yet able to give any kind of overly bullish commentary or exact truck counts. There's a lot of decisions that will be made in the next 30 days. We'll be making our case as to why we're the best choice and best able to serve that customer. And we'll know more as we get further in the quarter. I wish, I could tell you more than that, but the pipeline and the activity is strong. It's a matter of win rate from here.

**Chris Wetherbee**

And then one quick follow-up just on the One-Way Truckload side. I guess I'm curious about the opportunities for utilization as we get into the second half of the year. Assuming we do see some improvement in overall activity, you get more of the project business. How much can utilization sort of add to the One-Way Truckload business?

**Derek Leathers**

Yes, great question. We're really proud of the progress our One-Way team has made with utilization. It's kind of the ultimate control the controllables. You can't do much about rate in a fragmented market like the one that One-Way division finds itself in. But you can go out and efficiently utilize the assets and you can do everything in your power to make sure that every one of those assets is producing as much as it possibly can. And to have double digit year-over-year increases in production is not easy to come by, but it's intentional.

The comps get tougher as we go forward. There's no doubt about that. It's our belief that we're going to hold serve and make incremental improvements from here. But where we're at from a production standpoint is kind of best-in-class and we're going to work to push that envelope further. It also ties into some of my opening comments about our 25th anniversary in Mexico. We're seeing growth in Mexico. We're participating in the nearshoring. We have a dominant position there. Those typically are longer length of haul, more efficient loads. They're difficult to do. It takes expertise to pull it off and do it effectively, but we're well positioned to do all of the above.

So, all of that gives me confidence in our ability to continue to put up great production numbers. But it will be incremental from here and the comps will get tougher. That's just a reality of the project that started about a year ago in great earnest.

**Chris Wetherbee**

Okay, that's very helpful. Thanks so much. Appreciate it.

**Derek Leathers**

Thank you.

**Operator**

This concludes our question-and-answer session. I would like to turn the conference back over to Derek Leathers for any closing remarks.

## CONCLUSION

### Derek Leathers

Thanks, Gary. I want to thank everybody for being with us today. As we've discussed on several earnings calls, this has been the worst freight environment I've seen in 30 plus years in the industry. That said, we are focused on preparing for the coming inflection. We're focusing on controlling what we can and improving execution throughout the business. We've taken actions to improve the operations across the portfolio and drive structural cost savings that will position us better, for better operating leverage as things improve.

While it's difficult to forecast exact timing of market tightness, we have a long history of performance when market dynamics normalize, and we're prepared to deliver on that promise once again. While fleet reductions are a reality, so is the pricing discipline that drove the decrease. We remain committed to our customers, but we must achieve reinvestable margins to justify longer term capital commitments.

In short, we're taking actions now that have better positioned the business for an improving freight market. I'll close by thanking our over 13,000 associates for their dedication and commitment to our customers and each other as we keep America moving. While it's been tougher for longer over the past couple of years, Werner is a structurally stronger company today with a lot to be excited about as this down cycle nears its natural end. As we transition from the current environment into a more normalized one, we are poised to capitalize and deliver shareholder value.

I'd like to thank you all for your interest in Werner. And I hope you all enjoy the rest of your day.

### Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.