

Werner Enterprises, Inc.

Second Quarter 2025 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 2025 Earnings Conference Call.

(Operator Instructions) Please note, that 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. 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.

I will now turn the call over to Derek.

**Derek Leathers**

Thank you, Chris, and good afternoon, everyone. We appreciate you joining us today. We generated solid results during the second quarter and are encouraged by the sequential improvement in financial performance relative to Q1. The freight market faces ongoing uncertainty related to shifting global trade policy and regulatory issues. We remain focused on providing superior and diversified solutions to our customers by investing in our future through technology and structurally improving our business with a commitment to delivering value.

The key priorities we have been focusing on have started to bear fruit as evidenced by numerous positive operating metrics in the quarter, including year-over-year growth in revenue, net of fuel surcharge, for the first time in six quarters, a return to profitability driven by decisive action and execution and sequential growth in various forms, including revenue, TTS fleet, One-Way revenue per total mile, gains from sale of used equipment, TTS operating income and logistics gross margin.

As a reminder, on slide five, there are three priorities that underpin our DRIVE strategy, which we execute day in and day out. First, driving growth in core business. In TTS, our fleet is up year-to-date. Our Dedicated solution is winning in the marketplace, One-Way rates are increasing, and we realized year-over-year growth in overall combined miles across our One-Way tractor assets and PowerLink trailer-only offering. Within Logistics, we are back to mid-single digit growth driven by Truckload Brokerage and Intermodal volumes. Our customers are voting with their freight as we notched several new business awards with strategic customers across our portfolio.

Second, driving operational excellence as a core competency. Our focus on creating and fostering a culture around safety never changes. Our DOT preventable accident per million miles continues to trend favourably as we hire quality professional drivers and invest in new technology latent equipment.

We are pleased the Texas Supreme Court has ruled on the accident that occurred in 2014, reversing the \$90 million jury verdict from 2018. The court's decision provided much needed clarity in the state of Texas, but legal reform is still needed in many states across the country. We will continue to work at the state level and with others in and outside our industry for fairness and reasonableness regarding these types of claims and lawsuits. This marks the end of a decade-long and difficult chapter. While we are grateful for the clarity this decision brings, we will not lose sight of the tragic loss for the Blake family.

Our focus on safety improvement is shown through our investments in technology, an increasing part of our operational strategy, and we are progressing on this front as well. Volume on our EDGE TMS platform is growing. Nearly two-thirds of One-Way trucking volume is now on EDGE and over half of the Dedicated volume.

Logistics has largely been on EDGE TMS for several quarters, leading to 20% productivity improvement in brokerage loads per full-time employee. We are seeing more top and bottom line tech-enabled synergies such as growing no-touch fully automated load bookings and back-office efficiencies like carrier payment automation. We are driving efficiency by scaling the use of conversational AI calling and notifications for reminders and communication with new hires, associates and brokerage carriers.

Our professional drivers have greater technology tools, improving their situational awareness while on the road and providing mobile ease of access to important information when off the road. I'm proud of the efforts of our technology team and the willingness of our associates to lean into change and transformation. These changes are benefiting all of our stakeholders, including our customers, while further securing our IT infrastructure and cloud environments.

And finally, our reliability and commitment to excellence was recently recognized as Werner was named a 2025 Top 3PL and Cold Storage Provider for Food Logistics for the ninth consecutive year.

Our final priority is driving capital efficiency. We are generating positive cash flow, and supporting this, we are maximizing value on the sale of used equipment, tightening our full year guide on equipment gains to the upper end of the prior range. Regarding CapEx, we will continue to invest in the five Ts; trucks, trailers, terminals, technology and talent.

This year, however, we decided to moderate our equipment spend. With a modern and low age fleet, we have assets in place to support growth through the rest of this year. With a strong balance sheet, inclusive of low leverage, we are focused on disciplined return-oriented investments. This quarter, we flexed our share repurchase authorization and bought back \$55 million of shares at an exceptional value. When it comes to evaluating the impact of tariffs on our equipment cost, our strong balance sheet yields optionality.

Let's turn to slide six and discuss our second quarter results. During the quarter, revenues decreased 1% versus the prior year. Revenues net of fuel increased 1%. Adjusted EPS was \$0.11, adjusted operating margin was 2.2% and adjusted TTS operating margin was 2.8% net of fuel surcharges.

Results in the quarter benefited from a growing fleet size due to Dedicated start-ups and pop-up truck opportunities in One-Way, One-Way revenue per total mile growth, cost containment discipline and action, higher volumes in Truckload Logistics, particularly in brokerage, at stable gross margins and increased gains on equipment both sequentially and year-over-year.

In Dedicated, retention remains strong and shipper conversations are constructive as customers look for reliable and flexible transportation partners who offer creative solutions, high service and scale. The implementation of new Dedicated fleets signed last quarter is progressing well and continuing to ramp into Q3 as we hire drivers and build fleets to targeted levels. Additional fleets were awarded in the quarter, and the opportunity pipeline remains strong. Our Dedicated expertise is a competitive advantage that has and will continue to drive growth over the long run.

In One-Way Truckload, revenue per total mile increased sequentially and was up year-over-year for the fourth consecutive quarter as recent contractual rate changes became effective and deadhead improved sequentially. Our One-Way fleet size increased sequentially, driven in part from engineered pop-up solutions in response to customer requests. This demonstrates our flexibility and adaptability in meeting customer needs in an improving market, all while implementing new fleets in Dedicated and supporting brokerage growth in Logistics.

We are pleased with our Q2 trends in Logistics, showing double-digit growth sequentially and mid-single-digit growth year-over-year. We expect continued growth driven by our track record and reputation with large shippers needing additional capacity. In addition to sequential and year-over-year top line growth, expenses were down and operating margin improved.

Turning to slide seven, our comprehensive Logistics portfolio is a key component of our diversified solution-focused strategy. Werner's mix of large complex shippers requires a combination of multimodal solutions that are coordinated, reliable and cost-effective. Our solution-oriented Logistics service provides expertise that benefits larger customers while also expanding our reach to small and midsized shippers.

Truckload Brokerage complements our Truckload division, offering customers additional capacity and flexibility through creative and competitive solutions. We offer tailored solutions that are mode agnostic, combining the strengths of all Werner services to solve customer challenges. Our large trailer pools provide capacity, simplify shipper operations, improve efficiency and minimize the need for costly labor to live load and unload trailers. Brokerage also enables new customers to be introduced to Werner in a low-risk setting, often leading to expanded business relationships in One-Way Truckload or Dedicated.

Our Intermodal business is a high-service product that provides lower cost options to customers. We have partnerships with all of the major railroads for nationwide rail access and capacity through a combination of private containers and rail-owned equipment to provide high service levels across the United States and Mexico cross-border.

Finally, our Dedicated Final Mile division moves big and bulky goods nationwide directly to homes and B-to-B in verticals such as furniture, appliances, auto parts and health care. Our technological advancements are fuelling Logistics growth, including running on our Edge TMS platform and other tools like Werner Bridge, which makes us a preferred user-friendly choice for third-party carriers and more automation in load booking and back-office processes, keeping us agile and cost effective.

Moving on to slide eight to summarize our market outlook for the remainder of the year. Although there could be fits and starts, we expect stable truckload fundamentals throughout the rest of the year. Supply and demand in our industry has continued to work towards equilibrium in recent years. As the current challenging environment lingers, we anticipate ongoing capacity attrition.

Long-haul truckload employment is below the prior peak in 2019 and additional exits could accelerate with greater ELP and B-1 enforcement, class 8 truck orders on the decline and lenders driving out capacity through growing repossessions given resale values are on the rise.

Consumers have remained resilient as they search for value and trade down, resulting in relatively stable nondiscretionary spending. The One Big Beautiful Bill could stimulate consumer demand and industrial investment over time, both of which would benefit freight volumes. Tariff and interest rate impacts remain uncertain for both shippers and consumers.

Retail inventories have mostly normalized. While some inventory was pulled forward from the tariff pause, nondiscretionary goods have had more consistent replenishment cycles.

Volumes from our value and discount retailers were steady in Q2 and into July. Spot rates have weakened since the July 4th holiday, and we expect spot rates to follow normal seasonal patterns for the remainder of the year. Used truck and trailer values have accelerated since March, benefiting from tariff and other macro uncertainty.

With that, I'll turn it over to Chris to discuss our second quarter results in more detail.

**Chris Wikoff**

Thank you, Derek. Let's continue on slide 10.

All performance comparisons here are year-over-year unless otherwise noted.

Second quarter revenues totalled \$753 million, down 1%. Adjusted operating income was \$16.6 million and adjusted operating margin was 2.2%. Adjusted EPS of \$0.11 was down \$0.06. We are pleased with the improved adjusted results in the core business. We also benefited from a handful of non-GAAP adjustments during the quarter.

First, the Texas Supreme Court's ruling in Werner's favor reversing and dismissing the landmark \$90 million truck accident verdict from 2018. This ruling led to the reversal of a \$45.7 million net liability, including interest and benefiting GAAP operating income. Our consolidated insurance and claims expense for the quarter, excluding this benefit, was \$38.9 million.

In addition, our acquisition of Baylor Trucking in October 2022 included an earn-out provision based on a range of outcomes. During the quarter, we settled on a final payout, resulting in the reversal of \$7.9 million from previously accrued amounts. Although the accrued earn-out has been included in GAAP results since the date of the acquisition, the reversal was classified as a non-GAAP adjustment in the quarter due to the large onetime nature of the reversal. This benefit was included in other expense.

Last, severance expense of \$1.3 million from recent cost actions was also treated as a non-GAAP adjustment. Severance is included in the salaries, wages and benefits.

Turning to slide 11. Truckload Transportation Services total revenue for the quarter was \$518 million, down 4%. Revenues, net of fuel surcharges, decreased 1% to \$462 million. TTS adjusted operating income was \$12.8 million. Adjusted operating margin, net of fuel was 2.8%, a decrease of 220 basis points, of which 150 basis points of the decrease is attributed to higher insurance and claims expense, excluding the \$45.7 million reversal. During the quarter, consolidated gains on sale of property and equipment totalled \$5.9 million.

Let's turn to slide 12 to review our fleet metrics. TTS average trucks were 7,489 during the quarter. The TTS fleet ended the quarter up 1% year-over-year and up over 100 trucks or 1.4% sequentially. TTS revenue per truck per week, net of fuel, increased 0.3%, primarily due to higher One-Way revenue per total mile mitigated by lower One-Way miles.

Within TTS, Dedicated revenue, net of fuel was \$287 million, down 0.7%. Dedicated represented 64% of TTS trucking revenues, up from 63% a year ago. Dedicated average trucks decreased 0.9% year-over-year, but increased sequentially by 1.6% to 4,855 trucks. At quarter end, the Dedicated fleet was up 50 trucks or 1% from year-end and represented 65% of the TTS fleet. Dedicated revenue per truck per week grew 0.2% and has increased 28 of the last 30 quarters. It often takes 90 days or more before new fleets meet targeted utility as drivers are hired and integrated into the fleet, equipment is positioned and routes are optimized. Lower utility in the start-up fleets negatively impacted revenue per truck per week by 60 basis points in the quarter.

Higher insurance costs versus the prior year period, on an adjusted basis, excluding the Texas Supreme Court reversal, was nearly a 200-basis point drag on operating income. Startup costs for new Dedicated fleets was a headwind as well, totalling approximately \$1 million. We expect some additional startup costs to linger into the third quarter. Excluding the elevated insurance and claims costs, Dedicated operating income margin improved 50 basis points.

In our One-Way business for the second quarter, trucking revenue, net of fuel was \$164 million, a decrease of 3%. Average truck count of 2,634 declined 3.5% year-over-year, but grew slightly on a sequential basis. Revenue per truck per week increased 0.4% due to 2.7% higher rates, mitigated by a 2.3% lower miles per truck per week. Revenue per loaded mile increased 3.7% year-over-year. Deadhead improved sequentially but was still elevated year-over-year, resulting in a 2.7% increase in revenue per total mile.

One-Way freight conditions were steady throughout the quarter. We experienced tighter conditions around Road check week in May and stable volumes throughout June, which have largely continued into the early stages of the third quarter. We were able to flex the fleet and provide One-Way capacity for select customers who had temporary needs. This work is ongoing.

The total One-Way miles decreased 6% versus prior year with 3.5% fewer average trucks. However, increased miles in PowerLink offset the decline in One-Way Truckload miles, ultimately resulting in combined miles that increased 1%.

Now turning to Logistics on slide 13. In the second quarter, Logistics revenue was \$221 million, representing 30% of total second quarter revenues. Revenues increased 6% year-over-year and 13% sequentially. Revenue in Truckload Logistics increased 9% and shipments increased 7% with gross margin expansion.

Revenue from our PowerLink offering was up 17%, while traditional Brokerage recorded mid-single digit revenue growth. Higher volume was the driving factor with modest rate improvement.

Intermodal revenues, which make up approximately 13% of Logistics revenue increased 3% due to 7% more shipments, partially offset by a 4% decrease in revenue per shipment. Q2 was our highest operating income quarter in 2 years for Intermodal.

Final Mile revenues decreased 10% year-over-year, but increased 7% sequentially. Logistics adjusted operating margin of 2.7% improved 190 basis points, driven by volume growth and double-digit percent reduction in operating expenses.

Moving to slide 14 and our cost savings program. As we execute our cost savings strategy, we are slightly increasing our 2025 savings target to greater than \$45 million from our prior \$40 million estimate. In the first half of the year, we achieved \$20 million savings towards that goal.

Actions to achieve the full \$45 million have largely already been taken, giving high assurance of achieving the remaining \$25 million in the second half of the year. The majority of our cost savings actions are structural and should result in enhanced operating leverage as demand returns.

Let's review our cash flow and liquidity on slide 15. Operating cash flow was \$46 million for the quarter or 6% of total revenue. Net CapEx was \$66 million or nearly 9% of revenue. Year-to-date net CapEx is 4% of revenue. Free cash flow year-to-date is \$17.3 million or 1.2% of total revenues.

We ended the quarter with \$725 million of debt. Our net debt to adjusted EBITDA as of June 30<sup>th</sup> was 1.7 times. We have a strong balance sheet, access to capital, relatively low leverage and no near-term maturities in our debt structure.

Total liquidity at quarter end was \$695 million, including \$51 million of cash on hand and \$644 million of combined availability on our revolver and receivable securitization facility, which we closed in the first quarter.

Let's turn to slide 16. While we have been focused on cost discipline, strategic reinvestment in the business to support future growth remains a top priority, ranging from trucks to technology. When it comes to broad capital allocation decisions, we will remain balanced over the long term, strategically reinvesting in the business, returning capital to shareholders, maintaining appropriate leverage and remaining disciplined and opportunistic with share repurchase and M&A.

During the second quarter, we deployed \$55 million of capital to repurchase more than 2.1 million shares at an average price of \$26.05, including fees, providing accretive value to shareholders in the future as earnings improve. We have 1.8 million shares remaining under our board-approved share repurchase authorization.

Let's review our guidance for the year on slide 17. We are narrowing our full year fleet guidance range from up 1% to 5%, to up 1% to 4%. The TTS fleet is up 1.1% year-to-date. Implementations of new fleets in Dedicated remain ongoing. And over the course of the year, as new Dedicated fleets are seated, growth is expected to be driven more by Dedicated versus One-Way.

We are adjusting our full year net CapEx guidance from a range of \$185 million to \$235 million, to a range of \$145 million to \$185 million. Given our strong balance sheet and proactive fleet management, we entered the year with a higher-than-normal inventory of new trucks ready to support growth. CapEx for this year is below our historical range given lower in-year needs and a deliberate shift to a more asset-light mix.

Dedicated revenue per truck per week increased 0.2% year-over-year, but is down 0.1% for the first 6 months of the year versus prior year. New fleet start-ups were a limiting factor this quarter in revenue per truck. Excluding inefficiencies from startups, this metric would have been up by 80 basis points instead of 20 basis points. We expect this metric to remain within our full year guidance range of 0% to 3%.

One-Way Truckload revenue per total mile increased 2.7%, near the upper end of our flat to up 3% guidance range for the second quarter. We are reissuing the same revenue per total mile guide of flat to up 3% for the third quarter compared to the prior year period.

Our effective tax rate was 26.2% in the second quarter. Our 2025 guidance range of 25% to 26% remains unchanged, and we expect a lower effective tax rate in future quarters.

The average age of our truck and trailer fleet at the end of second quarter was 2.4 and 5.5 years, respectively.

Regarding other modelling assumptions, after decreasing on a year-over-year basis for nine straight quarters, equipment gains more than doubled sequentially and year-over-year to \$5.9 million in the second quarter despite the number of units sold being less than half compared to prior year.

Used tractor values have been elevated largely due to trade policy. We are adjusting our full year guidance range for equipment gains from a range of \$8 million to \$18 million to a range of \$12 million to \$18 million.

In the first half of the year, net interest expense increased \$600,000 year-over-year. We expect the inverse in the second half and for net interest expense to be down year-over-year. With that, I'll turn it back to Derek.

### **Derek Leathers**

Thank you, Chris. In summary, our strategy is working as proven by our second quarter growth. That said, more work remains, and we'll continue to take near-term decisive action to position Werner for success. We are a large-scale, award-winning, reliable partner with diverse and agile solutions to support customers' transportation and logistics needs. We've been making considerable operational improvements and building a leaner, but more powerful organization.

Our nearly 13,000 hard-working, talented team members are committed to moving this company forward. And while our hard work has started to pay off, we have a line of sight to accelerated earnings power. As the trucking environment shows signs of improving, we've got tailwinds forming at a macro level and specific to Werner.

Our fleet is new and modern due to the investments made in the last few years. We're progressing through our transformational technology journey and our balance sheet is strong, enabling flexibility in our capital allocation strategy. As the economy grows and transportation helps deliver that growth, we expect our earnings to improve, leverage to decrease and our investments to begin showcasing their value. With that, let's open it up for questions.

## QUESTION AND ANSWER

### Operator

(Operator Instructions)

Our first question today is from Eric Morgan with Barclays. Please go ahead.

### Eric Morgan

Good afternoon. Thanks for taking my question. Derek, I guess I just wanted to ask for some thoughts on the cycle. You're calling for stable fundamentals and normal spot rate cadence in the back half. And you listed some favorable trends for capacity. It sounds like maybe demand kind of stable, with some tariff uncertainty.

So, when you think about the shape of the up cycle when it eventually arrives, can we get something resembling kind of a "normal" up cycle if we don't really get much demand help? Like if we see more of the same trends on capacity and no real demand help to note, what does the shape of the up cycle look like? And what does that mean for your TTS margins?

### Derek Leathers

Yes, Eric, thanks for that question. Obviously, this cycle has been longer and more painful than any prior cycle any of us have been through. So, I'm a little hesitant to try to predict the future here. But as we think about where we're at and you look at sort of the ongoing attrition, you look at BLS data now back to pre-COVID or even below pre-COVID levels, you look at ongoing attrition, both in downsizing of fleets, but also just bankruptcies.

Even today, there was an announcement about a 400-truck carrier going under or closing their doors down in the Southeast. I think we're going to continue to see that given the tough rate environment that everybody is living in. We've said all along, we think it's going to be supply-driven up cycle, if you will, more than demand.

But with that said, if I take a step back and look at the consumer and think about the tariff noise and everything else they've been kind of dealt and they've been dealing with. And yet their ongoing resiliency, if I compare that to our book of business, which is heavily nondiscretionary goods and discount retail, we think the backdrop sets up pretty well for where that consumer will migrate to if they are looking to be a little more cautious in the coming quarters, as well as those consumers that are already in that bucket, kind of hanging in there and staying resilient and really living in that more nondiscretionary kind of ordering pattern.

With all that, we have ongoing customer conversations. We just came through our annual customer forum where we bring in well over \$1 billion of revenue under one roof for a multi-day event; gives me the opportunity to spend time and talk to them about their outlooks. And I think with the tariff noise settling, with some of the white noise in general kind of calming down, a lot of their outlooks are positive.

And so, we're not banking on big demand improvement, but we do think the supply story will continue to play out. Demand assumptions are basically for stability. And then peak season is still peak season. So, we've seen over the last couple of years kind of a return to normal seasonality. We think that is really the expectation at this point going into the latter half of the year. If all of that plays out, I think it does set the stage for an up cycle that starts to kind of look like prior normal up cycles, not COVID.

The last thing I would just say is if you think about it from an OEM perspective and how curtailed orders have been, and well below replacement levels, and now actions being taken at the OEM level that are hard to bounce back from as that demand comes back, I think we've got a little bit of a capacity lid over several quarters, if not really throughout 2026 just as they rebuild their capacity. And that also helps extend that up cycle and kind of more than anything, probably causes a better inflection of the slope.

### **Eric Morgan**

Appreciate that. And I was also hoping you could elaborate a bit on the temporary elevated demand from certain customers. Would you say that's a sign of things to come like later and when you traditionally see peak? Or was that a function of some of the surge in imports and something that we shouldn't really expect to see in the back half?

### **Derek Leathers**

I think it's a little bit of both, to be frank. But I think the biggest sign that it represents to me, and we see this often at this point in the inflection, where there's a flight to quality. And so, when a customer has, whether it's driven by a surge of imports or it's driven by a sudden increase in demand or any other reason, any other external factor, the question is where do they go for that support? And where we find them going to for that support when you're closer to this sort of inflection point and you're kind of at that equilibrium level, is to quality, diverse portfolio companies, that are well capitalized and able to respond.

And so, we think that's really the indication. Most of that activity took place in our One-Way network where we were able to step up and engineer solutions on a short-term basis, but that short-term can often extend into a long-term extended relationship. So right now, many of those sort of short-term activities continue as we sit here today. Some will wind down throughout Q3. Others may extend well into Q4. It's really too early to tell.

I'm most excited about the fact that these are great examples where customers vote with their freight. They look for quality, and they tend to aggregate their attention around that quality provider, and we're happy to serve them in that capacity.

### **Operator**

The next question is from Brian Ossenbeck with JPMorgan. Please go ahead.

### **Brian Ossenbeck**

So, Derek, just wanted to ask you a little bit more on the capacity side now that we're, a month or so into ELP greater enforcement, at least the standardization and focus on it and non-domiciled drivers focused there as well. So, I know you've made some comments on that in the past, and you've got a cross-border business who might see some of these impacts, maybe not on your fleet, but others. So, if you can give a little bit of color what you're seeing and how you expect this to progress throughout the rest of the year?

### **Derek Leathers**

Yes, Brian, I'll give it my best shot. Starting with this, you're right, we don't expect any impact on our fleet. We've always kept our English language proficiency test in place throughout the time that it wasn't being enforced. We continue to do that as we bring drivers into our fleet. We think it's important from a safety perspective. And so, it's something we've never taken our eye off the ball.

On the enforcement side, a month, month and a half in government time is like 1.5 minutes in everybody else's life, meaning it just goes slower than we'd like to see. We have seen enforcement starting to ramp up. It's kind of a state-by-state thing, and it's certainly being enforced differently in different states.

I think as we sit here today, we've seen over 1,500 out-of-service violations where not just that ELP was an issue, but it actually resulted in an out-of-service violation. That number does continue to ramp, but obviously, at a slower rate than we would have expected or that maybe we would have wished for. I think that enforcement will only continue to gain traction from here.

It's just too early to tell what level across all states, ultimately, we will see it enforced by. I'd also call everyone's attention to the reality that the enforcement date is only one part of the equation because what we do know relative to scales, inspections and general enforcement over the road in trucking is as enforcement elevates, people deviate, or they move out of the business altogether or they simply avoid enforcement points.

So those bad actors that may be out there that may not be in compliance may, in fact, be exiting. They may, in fact, be returning to other occupations. It's hard to know any numbers around that. But I think over time, we'll be able to get a better view on that.

### **Brian Ossenbeck**

Understood. Thanks for all the clarification there, Derek. Just in terms of the broader market, obviously, we've seen a lot of choppiness and uncertainty, and that's probably set to continue for at least a little while longer. What are you hearing from some of your customers as you gave some commentary on peak season, but just broadly speaking, bigger shift to Dedicated, pulling away from Dedicated? I know there's probably a mix of different outcomes and opinions you're hearing. But are you seeing any shift between moving back into Dedicated, moving more into One-Way, moving more into Brokerage? Like what's the general sense in terms of how they're going about procuring or at least thinking about getting more capacity into the end of this year and into next?

### **Derek Leathers**

Yes, Brian, it's a great question. Again, when we're at this sort of inflection point or close to it, what we hear a lot of is, again, that flight to quality. So part of that flight to quality is One-Way to Dedicated, but we don't want to bring Dedicated into our business that isn't truly Dedicated. So if it's just a capacity solution, that's really the commoditized end of Dedicated, and we're pretty averse to that. We'll support that same customer with a One-Way solution, an engineered solution, but that won't reside within our Dedicated numbers because we want pure-play Dedicated in those numbers. But we see some of that.

What I would tell you, we see probably more of as of late is customers looking for that sort of portfolio approach. So coming out of our recent forum, the conversations I've had with customers is sort of a higher level of excitement that they can come to somebody like Werner and they can work with us on their One-Way needs. They can, in that same relationship, work across Truckload Brokerage and specifically PowerLink, which is our power-only solution. They often have intermodal needs, and we're able to step up and meet those needs and give them some diversity in their solution set. So across all of that, I think that's really kind of the movement that we're seeing.

As it relates to their overall Dedicated needs, one thing I would say is a bit of a theme is a lot less enthusiasm for private fleet growth than what we saw during sort of the COVID years. I think a lot of that was a defensive play on their part because absent other capacity solutions, they went out and kind of tried to address it themselves.

I think now that they've been in this trucking business for a while, they also realize that even when they have the pick of the freight and they can work it through their own network, it's a little harder than they might have forecasted. So not a lot of conversations going on about them growing their private fleet in any significant way and in some cases, even shrinking or exiting. So that sets up well for our Dedicated pipeline. So I covered a lot of ground there, but hopefully, that answers the bulk of your question.

### **Operator**

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

### **Ravi Shanker**

So I guess congratulations on the case reversal. I know it's something that you guys have been pushing for a while. Do you think that this is the start, the light of the beginning of the tunnel, if you will, for kind of tort reform and kind of maybe insurance numbers coming back in check for the industry?

### **Derek Leathers**

Ravi, I'd love to believe that it's a start of a tidal wave of similar decisions, but I think that would be a bit optimistic at this point. What we do believe is it was the right decision. We do believe that the Supreme Court of Texas affirmed irrefutably the facts of the case as we had stated them all along, which is we were hit head on in our own lane of travel by a vehicle that lost control, crossed the median and traveled across lanes of traffic prior to even impacting us in our own lane of travel. We think it's a great win for us financially. We also think it's great for our drivers to kind of affirmatively be supported by the Supreme Court.

We think we've got a lot of work to do still as an industry and as a company on tort reform. We got to do that at a state-by-state level. It's difficult work, but work that needs to be done. All we're looking for is an even and equitable playing field. We're not looking for any special advantages or anything else. We've always stood by the reality that if we have a mistake, we're going to stand up to it, learn from it, try to improve and try to do what's right. But with that said, egregious verdicts like this do nothing but leak into cost inflation, ultimately into real inflation at the consumer level, and it's not ultimately good for the U.S. consumer.

There's some remedies out there, as you indicated from the tort side, I think playing a more active role relative to states where judges are elected versus appointed, and making sure that we're not asleep at the wheel on that is important.

Ultimately, the most important thing is lowering our accident rate. We're committed to doing that. We've been on a multiyear trend of continuing to push lower and lower our DOT reportables, which are sort of the larger accidents, and that's what really, really matters. And then on the injury side, doing the same thing, really leaning in on better and better injury prevention, better driver training, better post-injury care to try to get drivers back in the seat and back driving again quicker so that they can get back with their lives.

So it's an all of the above strategy. Ideally, both the industry will have some success at moving things from a state level into federal court because we believe that's where they ultimately belong, but that's going to be a long fight, but one worth fighting. And as it relates to the insurance line, the problem there with any kind of prediction is that you're one moment away from another day in court where you've got to kind of fight for what's right and you don't really know the outcome. So yes, we are expecting over time to flatten that curve. We're making progress on doing so, but we still don't love the elevated reality of where insurance sits as a percent of revenue today.

### **Ravi Shanker**

Understood. That's really helpful. And maybe as a follow-up, you did note your high consumer nondiscretionary exposure. But I think there has been some view that in this cycle, it's nondiscretionary that's under pressure more. I think you've seen some of the CPG companies say that, and UPS sort of hinted that in their call this morning. Do you feel like you guys have been a little more pressured macro-wise from a demand perspective? And does that potentially give you a little more upside when the up cycle comes?

### **Derek Leathers**

Look, I think the consumer has been more frugal perhaps than they have in prior cycles. And what I mean by that, especially since you mentioned CPG companies, I'll stay away from names. But we know that private label, white label type products have become more in vogue and people are willing not just to trade down in what store they shop at, but trade down the product mix within that store.

But in both of those types of cases, the places that we work and who we haul for, they play in those arenas. And so we have not seen that kind of duress within our customer mix. As a matter of fact, several of our customers, as indicated by some of these pop-up kind of opportunities and project opportunities that we commented on are actually seeing some increased volumes that needed a special solution to be able to solve for.

Now that doesn't mean I can predict that that's what it looks like two quarters out or even into the fall. But right now, it appears as though that discount retail, nondiscretionary arena is holding up pretty well overall, and we're heavily exposed in that part. And we do a really good job and a very unique job for those customers. So that would be the other part of it. I would just remind everybody of is that the work we do for them is not as much just that commoditized you call, we haul, type end of the spectrum.

It's more dedicated, it's more engineered. It's a lot of cross-border. And as they benefit through this upside, and as they attract customers, what we've seen in prior cycles is they tend to hold on to them pretty well. Customers are exposed to a product mix that maybe they didn't realize was as strong as it was. And that's where we see them usually take a step up in store growth, in same-store sales and we're along for the ride with them, supporting them in every way.

### **Operator**

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

### **Ken Hoexter**

Good afternoon, Derek and Chris. Utilization seems to be improving, debt had improved sequentially. Is that better asset focus on your part? Is that selling more equipment and a sign of excess capacity coming out? I guess just maybe positioning that into your thoughts on what's normal for TTS margin gain from 2Q to 3Q?

**Derek Leathers**

Yes, great question, Ken. It's interesting, so I'll start with this. The utilization gains we've been making, especially across the One-Way network is really engineered in nature. It's structural and strategic changes that we're making to be able to sweat the assets more, and we're pretty excited about it, especially because right now, those increased miles don't really give you much leverage to the upside until you start to see rate move, but when it does, it's a real earning opportunity with those excess miles.

Actually, in Q2, what's interesting is they were down slightly, but that's more reflective of some of the outsized Dedicated wins that we had and our need to move some of those high quality One-Way drivers in some of those engineered solutions over to Dedicated, reseat those trucks in One-Way. And so we had a bit of a utilization impact from our own success, if you will, in Dedicated.

So that passes here shortly. Like as we continue to see Dedicated growth but maybe not quite as lumpy as what it's been in Q2 and then into Q3, we'll have an opportunity to kind of get our arms back around that network on the One-Way side and we think there's gains to be made from a productivity perspective.

But you only have to go back a couple of years to see a miles per truck gain from a couple of years ago that's double-digit higher today than where we used to reside, and that's part of what led to in a very tough market, with rates that are still pressured, the highest revenue per truck per week we've seen in One-Way in our history.

Now what we need to do is continue to focus on the cost side of the equation, which we've been diligent about and very methodical about, and we're going to continue to do that, so that that then translates as rates start to improve to expanded margins, which is the first step toward that march back to double-digit operating margins in TTS.

**Ken Hoexter**

And I'm sorry, your thoughts on what that means for kind of normal seasonality for third quarter operating margin in TTS?

**Chris Wikoff**

Sure, Ken. I can give you some insight on that. Overall, it's been a good start to Q3. Revenue is positive, the outlook is positive, and I think points to a sequential improvement in revenue, in part from Dedicated within TTS, where we'll continue to ramp up with new fleets and continue to benefit from the streak of wins that we signed last quarter.

I know your question was specifically on TTS. But broadly, Q2 to Q3, we're also seeing very positive momentum in Logistics and we expect that to continue. So from a TTS perspective, we expect some ongoing improvement in operating income and as Derek mentioned, we continue to be confident in the pathway back to double-digit margins.

**Ken Hoexter**

Okay. But I guess you're not talking a historical average or anything moving from a 2Q, I don't know if there's a 130-basis-point or any kind of a normal improvement from 2Q?

**Derek Leathers**

I think the difficult thing there is, Ken, is we could look at the averages, but they wouldn't tell much of a story, because about half the time from Q2 to Q3, operating income increases and about half the time it decreases. So it's really dependent on the year you are in. I think Chris' comments give you a decent direction that we think we're going to see some incremental gains from Q2 to Q3.

We're not talking about monumental gains. We're going to have to continue to plug away and work at the work we're doing today to see some small incremental gains as we continue to climb this mountain, because the starting point, unfortunately, for us, is at the base of the mountain, which is where we found ourselves entering into Q2 and we're going to start that slow climb out.

**Ken Hoexter**

Totally understand. Can I just squeeze one more in on the age of the fleet? You went up to 2.4 years. Derek. Is that anything on moderating, you mentioned moderating equipment spend. Is that a trade-off of buying back the stock versus a deliberate move to age the fleet. I just want to understand if there was a signal there.

**Derek Leathers**

It definitely wasn't a trade-off in order to buy back stock. Our balance sheet is strong enough. We could have done both. It's more reflective of the ongoing uncertainty around tariffs and a little bit of the uncertainty that was wrapped up in some of the EPA things that are still going on right now in DC. We feel like we're in a really good position.

It's a little bit also, just to be frank, a reflection of as our fleet gets more and more engineered, as our fleet gets, it's 65% of the trucks in Dedicated, 35% in One-Way, challenging kind of some assumptions as to what is the right fleet age.

So I'm not saying long-term, we've determined 2.4 years is perfect, but 2.4 years doesn't worry me a whole lot compared to our more recent range that was a little lower than that. And we think we're better positioned and still have the optionality if we can get some things done with some of our OEM partners, that fleet age could go slightly up or slightly down from here as we look forward through the remainder of the year.

But we're going to be flexible but opportunistic as it relates to the fleet age, but we feel very good about the utilization in our terminals to do on-site maintenance versus over the road and the ability to expand that even further, as well as the ability to allocate these trucks in the right fleets, dependent on their age to be able to still do the work perfectly fine with no impact on service or the driver.

**Operator**

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

**Tom Wadewitz**

Good afternoon. Derek, how do I think about, or Chris, I guess, your kind of underlying inflation and kind of how much rate you need? Because it does seem like you're getting some traction in revenue per tractor, ex-fuel, and traction in rate on One-Way and then a variety of factors in Dedicated, that's moving in a favorable way, but it's like 2% or 3% gain in, revenue per truck per week is not enough to get you there.

I guess, would you think, is inflation going to come down as you look maybe out beyond a couple of quarters? Do you think we are more optimistic about that or do you say, look, what we've got today continues and we just really to make margin progress, we really need like 5%, 6%, 7% rate? I don't know if you have any thoughts on that broader equation. I know you've had some number of questions related, but I don't know, how much rate do you need or is inflation likely to come down if you look out into '26 or out a couple of quarters?

**Chris Wikoff**

Hello, Tom. This is Chris. So, yes, we certainly need rate recovery in One-Way. I mean, as you know, we've had multiple years of significant rate reduction. I think we've held in well relative to the overall industry. But broadly, it's been a couple of years of rate reduction, while other expense items have been on an inflationary trend, as you said. So we certainly need more in the range of mid-single-digit improvement in rate, but it's not only about, particularly One-Way rates, really to get back to the low double-digit TTS kind of mid-cycle adjusted OI margins that we've talked about. It's rate, but also continued growth in Dedicated, in addition to ongoing cost discipline, leveraging our technology investments and a sustained recovery in the used equipment market.

Those are really the levers that we've talked about. We continue to pressure test within our own walls here, those levers. And it continues to give us confidence that those in combination is the pathway back to low double digits, 10% to 12% or more. The good news is in the second quarter, all of those areas and levers are progressing positively for the first time in two years. So we have a ways to go, but we're encouraged with the recent momentum and we remain confident in our gradual progression.

**Tom Wadewitz**

Okay. Thank you. And on VAS (Logistics), it's a lot better year-over-year, cost takeout supportive for that operating income. Is that kind of the right run rate, assuming you don't have big shifts in truckload market backdrop that you're kind of 6 million a quarter operating income in VAS or how do you think about the run rate there because it's a pretty big improvement?

And it sounds like if it's cost driven, that maybe you can kind of keep that going for the next three quarters before you lap it. Just any more thoughts on the kind of VAS operating income that showed good improvement?

**Derek Leathers**

Yes, Tom. First off, I'll congratulate you for wearing your throwback analyst jacket today by calling it VAS. It's Werner Logistics now.

**Tom Wadewitz**

Yes, sorry about that, I don't know. Our model has been in use for a long time, sorry.

**Derek Leathers**

But, yes, so the structural improvements made there are reflective of some of these tech investments we've been talking about. We're very excited about the ongoing integration that is now basically complete between ReedTMS and Werner Logistics. That team has really found its stride structurally. We believe that, yes, on the horizon, we need to all realize that at some point with this inflection comes buy rate pressure and that pressure will be managed as well here as anywhere.

At the same time, that will come with our ability to reset sell rates with our customers, but there's always a timing issue. So absent of that timing issue, as you stated in your question, yes, we do believe that we have a structurally different logistics group now. They're operating at a high level of performance. We're proud of the Q2 performance. And as we look forward, we've got momentum into Q3 that continues to give us optimism.

So I don't know if that fully answers, but I'm not going to guide you to an actual number, obviously, but, now I'm doing it. Werner Logistics is on the right path and it's really the output of what's been a very arduous integration effort as well as the output of the one place where we have Werner EDGE fully integrated and fully committed minus the small Final Mile piece of the business.

### **Tom Wadewitz**

Okay. Well, it's good to see the improvement in Logistics, so thank you.

### **Operator**

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

### **Scott Group**

Hi, thanks, afternoon. Just to follow up on one of the earlier questions about Q3. If I just look Q1 to Q2, trucking margins got about two points better. Is that sort of like the magnitude of improvement we can continue to expect sequentially or is it, gains on sale got better, Q1 was really bad and so maybe that's too much improvement to expect on a quarter-to-quarter basis? Any thoughts?

### **Derek Leathers**

Yes, I'm not going to guide to a number, Scott, but I will obviously restate what you just stated, which is Q1 was that bad. And so some of the improvement is just based on the starting point. We need to recognize that. Gains on a per unit basis have been much improved and really at two-year highs. It does come down to what's the number of units that we're going to be able to move and what's that gain line is going to look like.

I would just think about it as, it's up and down the P&L. It's the ongoing cost takeout. It's the execution that we've been talking about relative to One-Way and One-Way improvements, all of that in the soup and we're going to see sort of small incremental gains from Q2 to Q3 would be our expectation.

Now we've got to go and execute on that. But things that make that optimism kind of resonate with me is the pipeline looks strong, both Dedicated and One-Way. The stuff in what we refer to as BI, business implementation, is strong, especially for this time of year. So that's already secured and going through the final implementation stages and launch. With the Dedicated side, that does include headwinds still that come with launching a new Dedicated fleet.

But the bigger part of those headwinds is behind us. We still have some to come with some of the implementations still yet to be finalized. We don't guide quarterly, we don't guide annually. So I want to stick to that for now. But hopefully, that gives you some color or some way to think about it.

**Chris Wikoff**

And, Scott, maybe just to add to that. The cost savings program, we've been very focused on that. Part of that goal is holding the line as much as we can, particularly on the fixed cost and even some of the variable as we continue to see more volume, particularly on the Dedicated side, where as we're adding trucks to existing fleets, that comes with a higher contribution margin.

And as we're turning on, and it takes a while to ramp up these new fleets, we did experience some start-up cost as well as some headwind just in kind of the efficiency on a revenue per truck per week basis in Dedicated. Some of that will continue into Q3. But when we get past kind of the maturity stage of these new fleets, the contribution margin really starts to take effect, and we see the benefit, not only the technology that Derek mentioned, but also just becoming a more agile and lean organization.

**Scott Group**

That's helpful. And then maybe just a big picture question. It's a big day in the broad transport landscape with the UP NS merger. I'm just curious, Derek, if you've had a chance to think about what this means for your business? Is this good for Intermodal, I don't know, channel partners with rails? And does this have any impact in any way, do you think on your trucking business with the transcon merger? Just big picture thoughts.

**Derek Leathers**

Yes, Scott, I'll be a bit careful here about getting too much into the weeds with their respective companies. But I will just tell you this, from our viewpoint today, as we are digesting and continuing to do so, good news for us is our two partners right now, predominant partners in the West and the East are UP and NS, respectively. We've seen outsized growth in Intermodal, although from a smaller base than some of the major players, but continue to grow and make headroads. We think this does create a more competitive product.

As it relates to threatening the truckload business that we currently are in, if you look at our length of haul and if you look at what our One-Way business looks like and how it's sort of divided between engineered lanes, cross-border Mexico and expedited freight, those are, in each way for different reasons, much tougher to tackle and much tougher to convert. I'm not naive enough not to believe that there won't be some freight out there that's convertible, and that's why we have an Intermodal product, and that's why we've had some good success converting it ourselves.

So all things being equal, if there was going to be a merger West and East from our point of view, we like this particular option. We think it bodes well for Werner. And we think our 65% Dedicated exposure, as an example, is completely insulated from any kind of rail merger. And then within our One-Way, the predominance of what we do is nowhere near in the crosshairs of what the kind of work that would be rail convertible.

It doesn't mean there isn't opportunities around the edges, and we're constantly already working with our customers on some of those opportunities because if it's going to go Intermodal, I'd rather go Intermodal here than somewhere else.

**Operator**

The next question is from Richa Harnain with Deutsche Bank. Please go ahead.

**Richa Harnain**

Hi, good afternoon, gentlemen. Thank you. So Chris, you and I have talked a lot about how like the gains on sale, just the trend that's out there right now as maybe a double positive, and that it obviously provides a nice uplift to earnings, but it also means that the secondary market is improving and maybe the banks, therefore, have more options when they repossess assets from carriers that are delinquent. They would be more inclined to do that because they can go on and sell those fleets.

So maybe you can talk about kind of the other side of the coin, which is not just what's impacting your financials, but just how this is impacting the supply side of the equation? And if we should expect into 2026, these gains on sales to be a continued feature of earnings or if you could give us any guidance as far as like the longevity of this trend?

**Chris Wikoff**

Yes, sure, Richa. From a supply side standpoint, yes, your point is 100% valid. Bankruptcies are up and lenders, with the rise in resale values, lenders just have more options besides what they've been doing more so over, call it, the last 18 months or so of just being more accommodative as smaller fleets continue to be under pressure. So lenders having options can drive out some additional capacity, in addition to other things like the ELP and the B-1 enforcement and other things that would drive out capacity.

From a gain standpoint overall for us, second quarter, great to see nearly six million over 2x prior year, really the best gains on used equipment that we've had in six quarters and resale values really being at the core of that. Actually, our unit sales were down a little bit in terms of the actual units that we're selling from one quarter to the next, it can vary. And so, primarily all of that driven from just higher resale values that are at more than two-year highs.

In terms of its sustainability, obviously, it depends on the supply of used equipment, tariffs and OEM demand. So I think it's a bit early for us to go out on a limb and say how sustainable this is. But as a result of Q2, we've moved our guide on gains for the full year to the upper end of where we originally started that guide first of the year. We are expecting Q3 to be a bit lower than Q2. But overall for the year, it still looks like we're heading in the right direction.

**Richa Harnain**

Okay. And if I can ask one more clarification one. You talked about the impact from some of these Dedicated and the start-up costs on revenue per truck per week. Can you talk about the impact on margins? I'm just trying to understand maybe what's a clean margin as we sort of work through the start-up costs, what you're delivering today versus what the potential is on the current book of business?

**Derek Leathers**

Yes, Richa, I'll start and then Chris might follow up with some additional color. But when you start-up Dedicated accounts, and especially, I think what's unique here that we need to explain is these are Dedicated accounts in new verticals that we have strategically decided to pursue. They have additional complexities to them, but we think there's also the appropriate upside over time.

As such, as you start them, you have an impact on utilization in that fleet until drivers start to find their rhythm and understand the routes. You have impact as it relates to the training and development and sort of R&D that goes into making sure you perform at the level and expectations of the customers. And so there's a lot of just headwind noise, both from a margin perspective as well as just overall mind share that it takes to pull one of these off.

When you're in new verticals, you absolutely want to pull it off and you want to pull it off at the highest level, which we are doing because that then, of course, is the gift that keeps on giving and you continue to grow deeper into them. So these have some unique characteristics. We are largely through the headwinds on the ones we've implemented thus far. We do have additional headwinds coming as we look forward with further implementation.

But along with those implementations comes fleet add-backs into existing Dedicated accounts, which is much more streamlined, much simpler and higher contribution margin. And so all of the above allows us to sort of affirm some of the fleet growth guidance and affirm the reality that it will be largely in Dedicated as we go into the back half of the year.

### **Chris Wikoff**

And Richa, just to give you a little bit of size and scope on the startup costs for the new fleets. We're estimating around \$1 million of expense in the quarter related to repositioning and travel and hiring. So just true incremental expense. In addition to that \$1 million, we're also estimating that there was a headwind on revenue per truck per week.

We reported that being up about 20 basis points, we think it would be closer to about 80 basis points, so 60 basis points higher once those fleets get into what we would consider to be settle in and get mature and more efficient and start hitting our expectations on revenue per truck per week, that overall, if we fast forward to that point that we would have seen more of an 80 basis point increase.

That translates also to about another \$1 million or over \$1 million of revenue, net of fuel in TTS. The sum of those, so the pure incremental cost as well as just some of the revenue inefficiency, I would say, our estimate would be around 40 basis points of headwind to TTS adjusted OI margin.

### **Operator**

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

### **Chris Wetherbee**

Hi, thanks, guys. Thanks for squeezing me in here at the end. I wanted to hit on the tractor age and just get a sense of how you think about what sort of optimal is. I guess it sounds like maybe the opportunity to age this up a little bit. Not sure if I'm reading that correctly. I just want to get a sense of how you think about optimal tractor age and what you have from an equipment perspective right now?

### **Derek Leathers**

Yes, Chris. This is Derek. I think if the backdrop was different, if we were in a different part of the cycle, optimal might take on a slightly different form, if I'm being frank. But I'll answer it differently and say we feel good about the tractor age where we're at today. We feel good about our ability to allocate those assets appropriately because of the type of work and the line of work that they're in and their ability to get to and through a terminal for us to be able to support them. So we don't believe that we have any kind of equipment debt, if you will, that's just sort of pending in the background that we're going to have to make up for and make some sudden shift.

At the same time, regardless of what optimal may or may not be, we don't feel good about pricing fluctuations or changes that were unanticipated or overpaying for a piece of equipment or worse, buying into equipment that may or may not, in fact, be the standard post regulatory changes that are still ongoing in D.C. right now relative to the EPA.

So I do believe we're making the optimal decision right now to sit back, be patient, purchase appropriately, keep the fleet appropriately young, to be able to do the work we do for our customers every day without any impact on service, as well as put our drivers in a piece of equipment they can be proud of.

So we like our positioning. I'd say plus or minus two-tenths is a range that I think we can live within from where we're at today. And we'll continue to be nimble and agile as some of this tariff noise and other things play itself out.

**Chris Wetherbee**

Okay. That's helpful. And then just one follow-up. Chris, I just wanted to make sure I was following kind of what you were saying about the impact of the startups on the operating income margin, I think in 2Q, can you just give a sense of what that is, maybe what the clean run rate is in your opinion as we enter the third quarter?

**Chris Wikoff**

Yes, sure. The run rate on TTS adjusted OI, Chris, overall?

**Chris Wetherbee**

Yes, please.

**Chris Wikoff**

So net of fuel adjusted OI was 2.8%. And what we just went through of the approximately, what we would estimate of \$1 million in startup costs and then some of the additional headwind on the revenue side of an additional \$1 million, that would get to about 40 basis points. The net fuel impact was also more meaningful in the quarter. We would estimate that was about 70 basis points of TTS adjusted OI impact.

Just that net impact on fuel just being the simple math of our revenue fuel surcharges minus the fuel expense and comparing that year-over-year. So that was an additional 70 basis points. All of that in total would get us closer to 4%, about 3.9% if you were to put all of that math together in terms of what would have been more normalized.

**Operator**

This concludes our question-and-answer session. I would like to turn the conference back over to Mr. Derek Leathers, who will provide closing comments.

**Derek Leathers**

Thank you, Gary. I just want to thank everybody for taking the time to be with us today. While the macro environment has some uncertainty related to the tariffs, the health of the consumer and ongoing capacity attrition, we remain committed to our self-help path towards increased profitability and controlling the controllables. The structural improvements to our cost structure, combined with increased focus on operational productivity measures put us in a solid footing to leverage the upside as the market comes further into balance.

We have a resilient and diverse portfolio to support our customers' transportation and logistics needs, and our pipeline of recent wins demonstrates the value they see in Werner. I'll close by thanking our customers and our nearly 13,000 associates for their dedication as we keep America moving. Thanks for your time today, everyone.

**Operator**

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