

Barclays 43rd Annual Industrial Select Conference
Werner Enterprises (WERN) February 18, 2026, 3:35 pm ET
Barclays Analyst: Eric Morgan
Werner Enterprises: Derek Leathers, Chairman and CEO and
Chris Neil, SVP, Pricing and Strategic Planning

Eric Morgan

All right. Good afternoon, everyone. I'm Eric Morgan, the Transport team here at Barclays covering trucking. Very excited to have Werner Enterprises here, joined by Derek Leathers, Chairman and CEO; Chris Neil, Senior Vice President, Pricing and Strategic Planning.

So, thanks a lot for being here. And I think we'll kick it off with our audience response questions. If you wouldn't mind queuing up the first question.

For those in the audience, do you currently own the stock? Yes; overweight; market-weight; or underweight; or no.

Question #2, please. What is your general bias towards the stock right now? Positive; negative; or neutral?

And question # 3. In your opinion, through cycle EPS growth for Werner will be above, in line or below peers?

All right. Well, thanks again for being here. Really appreciate it. Derek, maybe we can kind of set the stage with what's happening in the market right now. I think spot rates are up 20%, 30% from last year. We're over three weeks removed from Storm Fern at this point. So, it feels like that's kind of behind us. But what's your perspective on whether or not this is the long-awaited turn in the market?

Derek Leathers

I think spot rates being elevated and remaining elevated starting mid-December all the way through present, especially three weeks post Fern is certainly a positive indicator. I think rejection rates, daily rejects hovering in that 14%, 13% range three weeks post Fern is probably another really positive sign. I've said for some time, I think it's been supply driven to get to this point. It took a lot longer than we thought. The difference is we finally have some enforcement and regulatory lift by going out and enforcing the rules of the road. And I think that's really what's driven it over this last, call it, four or five months to get us to this sort of equilibrium, or even a little tighter than that level.

I think what I'm most encouraged by is that the enforcement is still, relatively speaking, early innings. There's a lot more of the non-domiciled CDL stuff to be cleansed out of the network. We're seeing ELD enforcement starting to ramp. We're seeing the ELP continuing to ramp. I mean, this far into it, you're still seeing more elevated out-of-service violations on a weekly basis. So, I think all that stuff has taken supply out, and that's really got us to where we are. Now the question is, some of it obviously was storm-related. But even if you take the edge off and you remove a couple of percentage points on that rejection rate, and you get down to, call it, 10%, 11%, 12%, that's still extremely elevated and especially in the lowest volume month of the year, which is February. So, all of those things to me seem to point to, yes, we're finally here. And the question is where does it go from this point?

Eric Morgan

Right. Could you elaborate a bit on the supply side? I mean you have a lot of good context on this. And I think the final rule came out for the non-domiciled CDL with the five-year, kind of, attrition expectation relative to the prior, I think, two years. So, do you have kind of a base case for what's happening with supply this year?

Derek Leathers

Yes. I think the five-year attrition thing, when the ruling came out, spooked some people thinking that it was going to be linear between now and the next five years. And we don't think that's the case at all. Like if you look at when these things were issued, the big spike in issuances was late '21 and then throughout '22. Those things are going to expire well before five years. So, the way the rule is written is that either/or your work authorization paperwork expires or your CDL expires. And in either case, less than about 5% of the people will be able to renew. So, you're going to see it be very front-end loaded.

We've already seen that with the current data and what's happened already. I think that's going to continue in '26. By the time you're in the middle of '27, the bulk of that will have already been removed. And there'll be a few stragglers on the tail like you would always see that might still be there. And none of that counts the fact that there are some of these that were issued actually legally, like driver went to a real school, got a real education, was hired under the right circumstances. And some of those are voluntarily just exiting the market, just given the overall climate right now.

Eric Morgan

Right. Okay. I definitely want to get more into the market fundamentals, but Werner also did just complete a pretty sizable transaction with the FirstFleet acquisition. So, I was wondering if you could just give us your perspective on what's most exciting to you about the deal? And then also, typically in truckload, when we see acquisitions, you tend to think revenue attrition risk - what's your level of confidence that you can kind of hold on to a lot of that business?

Derek Leathers

Yes. I mean you never can be 100% confident that you're going to hold onto all the business. But there is a lot to like about FirstFleet, and that's why we were so attracted to it. First of all, it's pure-play Dedicated. So Dedicated is much more difficult to turn a fleet over and especially in a tightening market. So timing is really good, we believe. When the market is tightening, most of these shippers are going to have their hands full dealing with their One-Way needs and their One-Way issues and managing price. The last thing you want to do in a market like that is to unseat a Dedicated provider.

You couple that with the longevity of their customers. Three of their top four customers have been with them for greater than 25 years. The average of their top 10 customers is over 17 years. So, these people have been embedded in their business for a long, long time. And what we bring to the table is - lots of times, a merger causes uncertainty. What we're able to bring is if you have a pure-play Dedicated provider that's been in existence for 40 years with customer tenure of 25 years. But for 25 years, you've had one product to offer them and one product only, and that's Dedicated. Overnight, you still have your Dedicated exposure with that customer, but now you can bring to bear the entire portfolio of Werner. So, customer reaction has been very positive. They like the fact that now it's an expanded version of a product they already like. Management of those Dedicated accounts is staying on board.

Drivers are staying on board, and we're keeping the core of it intact. But we're able to augment what they provide that customer today with everything from Intermodal to Brokerage to the ability to surge during peak periods. Things that FirstFleet, it was very hard for them to do; now it becomes more readily available.

Eric Morgan

Okay.

Chris Neil

I'd just say from a financial perspective, we also like it because it's accretive immediately. And that's before the synergies that we've identified. We talked about that on our call, about \$18 million of synergies that have been identified in the diligence period. We feel confident in our ability to execute on those over the next 18 or so months. Over the \$600 million or so of revenue, that's about a 300-basis point improvement to operating income just from executing on those mostly cost synergies. And as Derek mentioned, certainly some revenue opportunities there as well.

Eric Morgan

Yes. I appreciate that. So, I think the deal, coupled with the One-Way restructuring, which we'll get into a bit, probably takes you around 75%. So yes, I think you're probably running about 75% Dedicated maybe post the restructuring. And I know you've been outspoken that Dedicated definitely will benefit from a tighter market and an up cycle, which has been a big question that you've gotten.

But maybe you can, kind of, elaborate on the mechanics of that. I know you've pointed to prior up cycles where your earnings have kept pace with others. But just, kind of, from a bottoms-up perspective, what happens in the Dedicated business when things get tight?

Derek Leathers

Yes. So, post-acquisition, it's closer to 70%, and that's inclusive of the One-Way restructuring that we just have worked ourselves through. But yes, we think Dedicated is anything but an anchor during an upmarket. We do point to the last upmarket as just an anecdotal example. We performed very well in the most recent up cycle. And that was even at that time, Dedicated was over roughly 60% of the portfolio. But how you do it is pretty straightforward. I mean, as the market tightens, all of these Dedicated fleets, both ours and theirs, end up picking up incremental units of capacity. Those added capacity units come at a larger margin contribution because you've already got some cost into the fleet that pre-existed, prior to adding those four, five, six extra trucks.

You immediately get spot lift on all your Dedicated backhaul. So, all of the Dedicated backhaul, you're already performing, you do at a higher rate because that's predominantly spot freight that's filling those Dedicated backhaul lanes. You get more of that Dedicated backhaul because in a loose market, it's really hard to get your hands on some of it, even though you know it's there. In a tight market, you have much better opportunity to add more backhaul in, which obviously also benefits the customer through revenue sharing. So that's a positive.

And then new, both retention of existing and acquisition of new customers, becomes more readily available in a market that's tight. And so all of the above kind of excites us. We think that through this turn, we'll be well positioned to be able to expand.

To put some color on that, like past cycles, we've seen 200 to 400 basis points of improvement in OR within Dedicated. And this cycle, because of the \$50 million a year for the last three years of costs we've taken out, we think the stage is set to see more like 300 to 500 basis points. And the starting point in that Dedicated portion of our portfolio is currently already in the high single-digit range. And so that's kind of underappreciated because we reported at TTS. It's kind of, call it, roughly high single digits. You put 300 to 500 basis points of improvement on that, and you're right back on the Dedicated part of the portfolio in our long-term range that we've guided to. And so that's some of the ways we get there.

Eric Morgan

Okay. Can you elaborate a bit on the One-Way restructuring and maybe just kind of focus on these areas that you are focused on kind of targeting – Expedited, Mexico. Are those areas that you want to grow?

Derek Leathers

Yes, sure. I mean, look, technology is continuing to be brought to bear in our industry. One-Way was already the most commoditized portion of trucking, Truckload One-Way in particular. And as you think about that, that's only going to be more true as we go forward. Dedicated has outperformed One-Way 8 out of 10 years over any 10-year period that we look back over. And so that's why we like Dedicated so much.

But within One-Way, there are niches that are less commoditized, where it takes more expertise. And so cross-border Mexico is a great example of that. We've celebrated 27 years now in Mexico, and we're excited about what the future holds. We think nearshoring is real. You see it in the foreign direct investment numbers. And so, we're pretty bullish on our capability set there, but also bullish on the select number of credible competitors to the product that we offer. Instead of hundreds of thousands, you're talking about five or so that can do what we do in Mexico. And so that's a good place to be.

Team Expedited and some of the work we're doing there, especially in sort of high-value or more difficult to serve markets, high service level markets is something that we're growing more and more into. Again, very few competitors that do that very well. And the rest of One-Way, frankly, we're going to continue to serve our customers, but in an asset-light format.

Our PowerLink solution has grown over the last several years where it's more and more integrated within our One-Way service product, if you will. It reports up through Logistics because that's what it is, but it's integrated operationally within One-Way. And so, the miles are going to drop far less than the truck count. Our ability to serve our customers will still be there, but it's going to be a blended solution between our assets and third-party assets.

And then on our assets, because of the restructuring, we're anticipating the ability to increase miles per truck, kind of materially as we go forward, and we're seeing the early returns of that already. So more to play out. It's going to take a while to show through to the bottom line. We've talked about a Q2 inflection point for that One-Way restructure to really bear fruit. We're on plan and on pace to do exactly that.

Eric Morgan

Okay. Can you speak to the demand outlook this year? We've gotten some signs of optimism here in January, but what are you seeing here on the ground and what's your base case?

Derek Leathers

Yes. I mean so the base case right now is I think demand has been stable. It was pretty solid late in the year and has stayed solid through the first quarter, which is traditionally a seasonal drop-off period. That's encouraging. I think it's very encouraging that inventory levels are now back at or below pre-COVID levels pretty much across the board. So, replenishment is real and the need to replenish as you sell is real and it's here. So that's encouraging.

We saw a positive inflection in ISM data. So, as we see manufacturing start to gain some momentum, that's pointing up and to the right. And then more speculative would be what may or may not happen with interest rates. If we see some help there and some return of residential, that bodes well for truckload. We don't necessarily participate in that market, but it does increase overall demand, and so we think about that positively.

But right now, we don't need future-looking optimism. We just need present market conditions to hold, enforcement to continue to ramp, and if we get any of these things, tax refund or otherwise, a little bit of stimulus into the economy, that just sort of adds fuel to the fire.

Eric Morgan

Right. Okay. A question, Brandon?

Brandon Oglenski

Derek, I appreciate you coming to the conference. It sounds like maybe you're a little bit more enthusiastic on demand here, maybe not just all supply that we are seeing in the market. Is that fair?

Derek Leathers

Yes. I mean, look, I want to put the caveat out there that everything I just mentioned is sort of forward-looking. And so, we think there's a lot of different things that could happen on the demand side. You don't need all of them, but the stimulus checks are going to be real. Those are coming as it relates to the tax refund. The pockets that those will land in are people that shop at the kind of retailers that we do business with. Yes, we're heavily retail exposed, but it's heavily on the discount retail side, and those folks spend money in those stores. And so, we think that's something that's probably a more confident positive that we see coming. And that's both what we believe and what we hear directly from our customers. And so yes, there's lots to be positive about.

Brandon

I guess with that as context, now that you're much more into Dedicated than maybe in the past, how do investors think about the recovery in earnings? Is it going to be as rapid as we've seen in the past? Or is it going to take longer now for margins to recover to levels that you want them to be sustainably at?

Chris Neil

Yes. I think we feel good about the ability to get back into the double-digit margin range. Derek talked about earlier that Dedicated right now is already in the upper singles. And with the additional lift we're getting from the market with the ability to go and get rate increases in our organic Dedicated business, we guided to contract renewals in the lower to mid-single digits. And so, that along with some efficiencies will help us get Dedicated back up into, by

the end of the year, the plan would be to get closer, if not above that double-digit territory range.

So that, along with bringing on FirstFleet, the synergies that we talked about would certainly be helpful as we continue to execute on that. And then I think part of the pace of improvement will just depend on the One-Way side, the restructuring that we're doing, again, the inflection there in the second quarter. But there's room to improve, obviously, on the Dedicated side, given where our TTS margins are. They are a bit more depressed than certainly we would like. But with the restructuring, we feel like the timing is right, the opportunity is right to be more productive, to sweat the assets more, to use PowerLink more asset-light footprint combined with Dedicated. And then we have our Logistics group that is a very sizable product now, over \$900 million in Logistics. We feel really good about that business. We've been leaning into technology now for a while over this course of this downturn, and we feel like that will also enable us to improve margins and efficiencies as we go.

Eric Morgan

Kind of along similar lines, you brought up the 2Q margin inflection a couple of times. I don't think you have kind of specific guidance on what that could look like. But can you help us kind of calibrate - is there kind of a normal 1Q to 2Q change that you expect to outperform? Or what are the kind of the puts and takes on how investors should expect that to play out?

Derek Leathers

Yes. I mean I probably won't guide on Q1 to Q2 when we're still halfway through Q1. But Q1, one of the reasons we want to lean into and emphasize the Q2 inflection is, as much as we don't believe that the current tightness is related to the storm, certainly part of it is, but more importantly, the storm existed. And so, the storm was a right cross to the jaw in Q1.

We've talked in other settings. But at one point in the storm, we had over 50% of the fleet parked. That is a historically high level. We've never seen a number near that level. But that was a reality of how widespread the storm was, how vast it was, and where it was with predominance being, across the south and up the East Coast, and that's where our footprint is. And so, the storm had negative effects on Q1. Q1 will still bear some of the brunt of the final pieces of the restructure, and then as we get into Q2, some of the early returns on rate increases.

So, we guided to mid-single digits in One-Way. Early returns look pretty good there. We guided to low to mid-single digits in Dedicated. Early returns look pretty good there. But it takes a while for those to implement and then to flow through. And so even something that was done in January probably at best has a March 1st implementation, but more likely March 15 or so. So, you don't see a lot of it in the quarter. And so, we were just trying to be as objective as we could with the guidance that we talked about, knowing that the first quarter is the seasonally weakest quarter of the year, combined with a storm that really was unprecedented in many respects.

Eric Morgan

Okay. A couple of questions on the guidance. I think in One-Way, it's 0% to 3% yield improvement, which is on mid-single-digit renewals. So, you have some mix with length of haul. I guess, sitting here today relative to a few weeks ago, how do you feel about upside kind of in the back half as you can kind of leverage this improvement that you're seeing in the market, and how that flows through later in the year?

Chris Neil

Well, I think there's definitely opportunity to improve as the year progresses. I think the most important point in our guidance was that it was a first half guide. And to your point that Derek just mentioned in terms of how the rate increases flow through and how that works itself out.

So we certainly anticipate that with spot rates being elevated, if that continues, along with these mid-single-digit contractual rate increases that come to bear throughout the course of second quarter into third quarter, that there would be some good momentum into the back half of the year.

Eric Morgan

Okay. And then on the Dedicated side, down 1% to up 2%, I know that's mixed with FirstFleet coming on. But just wondering how, kind of locked in you are in that range for the year, just given the nature of Dedicated, or if you could see upside there as well?

Derek Leathers

Yes. I mean I'll start by saying that is entirely mix related. Like we just need to be clear, you take 2,400 Dedicated trucks that have a different operating profile and therefore, a different revenue per truck per week profile, and you mix it into our Dedicated fleet, and that's what mutes the up low to mid-single-digit guidance on Dedicated increases. Both on the FirstFleet side and the Werner side, we're going to actively be working to achieve that same low to mid-single-digit increases across both fleets.

The market setup is good for that. The need is apparent and in front of the customers. We're going to have to work through it. It's going to be some arm wrestling to get there. But when you mix it all together, it still lowers the overall revenue per truck per week impact. But some of the fleets that they have, the reason the revenue per truck per week is lower is it just has fundamentally different characteristics. If you have a low mileage fleet, a low production fleet by design and high driver involved fleet, you might end up with a lower revenue per truck per week because the truck part isn't doing as much work, but the margin opportunity is still the same.

And so, we'll have a year of kind of wonky comps that we're going to have to deal with, and we're having internal debates about how we might think about breaking that out a little bit to give people color. But in general, we're rolling FirstFleet into Dedicated, and it's going to be a Dedicated guide.

Eric Morgan

Okay. Appreciate that. How do you think about the supply reaction to what we're seeing in the spot market? I mean we've had a couple of months of elevated Class 8 orders. There's talk of a prebuy ahead of EPA. So, how does that typically look? And how would you expect that to play out this time around?

Derek Leathers

Yes. I mean there's a few things going on there that will keep some lids, I think, on supply. Enforcement is still in the early innings. It may be middle innings at best. So, there's a lot more to still leave to be purged that needs to happen, and I believe will happen.

The part of the enforcement that we haven't talked about yet is they're also swimming upstream and they're looking at enforcement at the driver school level. There's 17,000 schools in the U.S., or there was. 7,000 of them have been put on notice to either correct their curriculum or close. And so that puts an external lid on supply growth that hasn't been in place for many, many years. So that will be a natural kind of cap on too much of a supply response to the spot market.

The third thing is at the OEM level. Yes, there's talk about prebuy. I'm not sure how much of one can take place. If you look at what they've been through and the amount of layoffs and downsizing of production capabilities at the OEM level, you can have two elevated ordering months, but it doesn't really mean anything relative to production months, until it turns into actual units built. If you look at their own stated production expectations for the year, I would argue that it's still replacement or even a little bit below replacement level. We'll see how it plays out.

But we saw post-COVID, when they withdrew during early COVID and then trying to build back that production capability, it took 18 months or so to really hit the stride. I don't see a reason this will be any different because this time, you're not only trying to hit that stride, you're also adapting it to a new engine at the same time. And you're trying to make sure and keep both your old supplier and new supplier in the mix. And so, I'll let them speak to their business. I don't want to speak on their behalf, but I think they've got some real obstacles ahead of them relative to anything that could lead to excess capacity coming into the market over the next couple of years.

Eric Morgan

Okay. Let's talk about the Logistics side. How long does this squeeze last, kind of, in the short term? And then what's kind of the strategy there, once we get on the other side of the margin headwinds?

Derek Leathers

Yes. There's certainly going to be a squeeze in Q1. Everybody saw it in Q4 across our portfolio and everyone else's. The Logistics squeeze is real, and it's always an early inning indicator of what's happening out there. So, buy rates are under pressure for us and everyone. Sell rates are being reset, but it takes longer for that to happen. That's actively being worked as we speak. There'll be a focus, at least in our organization on margin over growth in the short term. We're not going to look to grow into a market that's moving as quickly. We got to go out and work on sell rate resets to get that margin back where it belongs. And we got to continue to lower our OpEx as it relates to our ability to serve, or our cost to serve.

I'm really proud last year that in Logistics, the margins may not have been where we wanted them to be long term, but we were consistently lowering OpEx throughout the year while growing volume. That's hard to do, but that's the result of the tech investments we've been making. That's the result of the implementation of AI across multiple facets of our Logistics operation. We're going to continue to lean into that as we go forward. And so that we can

prepare ourselves for a more competitive Logistics landscape, which I think is a reality as tech continues to develop.

Eric Morgan

And within Logistics, I think you guys are leaning into PowerLink as part of the restructuring. How has that offering performed during the downturn and what's the strategy for that?

Derek Leathers

Yes. That offering has performed very well during the downturn within the overall Logistics bucket. Obviously, that offering, like any brokerage offering, is under pressure right now, trying to keep people in the network and happy, and hauling the freight. But that is better than a pure brokerage type solution. It doesn't have the same variability, but that's not to say it doesn't have any. And so, growing our PowerLink capacity is a critical component of the '26 plan.

Right now, that's harder to do early in the year than it is once the market stabilizes. And as we get more prices reset, you can start to grow that more, but that will be under some short-term pressure. I suspect by Q2, again, that's something that you've now got enough opportunity to reset your sell rates, to put you in an even better position to be more attractive on the buy side and to grow that PowerLink fleet further.

Eric Morgan

Right. Okay. Can we queue up the remaining audience questions, please?

Number four. In your opinion, what should Werner do with excess cash? First, do M&A; buyback; dividend; debt paydown; or internal investment?

Eric Morgan

I think you guys have said debt paydown, post the deal, will be a priority, but maybe you can just discuss your capital priorities more broadly.

Chris Neil

Yes. After the acquisition, our leverage will still be in the low 2s. So, we feel good about that from a leverage perspective. At the same time, understanding that we've taken on a little bit more debt here with that acquisition, I think that will likely be a priority as we head throughout the course of the year. At the same time, we want to be open to M&A and open to other opportunities as long as it fits our long-term strategic plan. And obviously, reinvestment in the business will continue to be a chunk of our CapEx. So, we'll keep a flexible and fluid capital allocation strategy as we move throughout the year, but probably with an emphasis toward, or lean at least initially, towards some debt paydown.

Eric Morgan

Okay.

Question # 5, please. In your opinion, on what multiple 2026 earnings should Werner trade?

And then the last one. What do you see as the most significant share price headwind facing Werner - core growth? Margin performance; capital deployment: execution strategy?

Derek, you brought up tech and AI. I guess you've been on this AI journey for several years now. So maybe you could just give us your perspective on what you've accomplished and what AI really brings to the table and how you're pursuing that?

Derek Leathers

Yes. I mean, I guess it's important to start with the bigger journey we were on was moving our entire tech stack to the cloud, getting everything in a digital space, cleaning up the data lake within the business so that it's as usable, and functional and accessible as it possibly can be. We're three years into the guts of that journey. This year is sort of the final innings of the journey. Logistics is completely converted. Dedicated and One-Way are at various maturities in that conversion. We've got almost all of the freight now in the new platform, in the new system. Some of the execution is still having to take place in the old system. There's not a week that goes by that we don't have milestones being hit, continuing to move towards full conversion.

That's all important as a backdrop because that conversion is a limiting factor in then the overlay or the application of AI in certain aspects of the business. It doesn't mean we can't use AI and start doing more and more work with call center operations, more and more outbound calling, more processing of things, and we're doing that very aggressively. It no longer precludes us at all in Logistics and Brokerage from being able to do sort of human-less ingestion of freight, rating of freight, matching of freight and even billing of freight, or the booking and collection. So that number is rising in our network and Logistics all the time. That's why OpEx keeps going down, particularly the salary, wages and benefit line. And we're going to continue to lean into that as we go forward.

I think the real exciting stuff is when you get 100% of the freight in one network, one platform because then you start to be able to do much more optimization using AI tools to be able to make sure that we're as mode agnostic as we should be on behalf of our customers, but also as efficient in our execution as we can possibly deliver. The bulk of that work will start to show dividends as we get through the final stage of this conversion in 2026. And so that's pretty exciting.

Eric Morgan

All right. Great. Well, with that, I think we're out of time. So, we'll leave it there. Thanks so much for being here.

Derek Leathers

Yes. Thanks for having us. We appreciate it.