

**Citi's 2026 Global Industrial Tech and Mobility Conference
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Citi Analyst: Ari Rosa
Werner Enterprises: Derek Leathers, Chairman and CEO and
Chris Neil, SVP, Pricing and Strategic Planning**

Ari Rosa

We have CEO, Derek Leathers and Chris Neil, SVP of pricing and also head of IR. Thank you for joining us; thrilled to have you guys.

Just to start, everyone's thinking a lot about the broader macro environment, the uplift that could come. A lot of people have been excited about what we're seeing here from spot rates here early in the year. Talk to us about how you're interpreting the spot rate trend here at the start of the year. How durable do you think it is? How much of it is weather-related versus real confirmation of a structural shift?

Derek Leathers

Sure. I'll start us off here, but clearly spot rates have been the headline in the news really kind of starting in December. I would say it was out-sized seasonal performance in December. As we got into January, it held pretty well. Obviously, the storms hit. The storms do play some role in it, but I think when you look at rejection rates nationally and you see what's been happening to and through the storm and especially the few weeks after the storm, that is not all storm-related. Some portion of it I think would be smart or prudent to take the top off a little bit. When you think about 14.5% rejection rates 14.75%, I think for a couple of days, could 4% or 5% of that be storm-related in the early days post-storm? Sure.

That still puts you at double-digit rejections. It still puts spot rates at elevated, outside of seasonality levels and I think it makes sense. It's been pretty significant regulatory enforcement over the last several months. I think you're finally starting to see a cleansing of some of the capacity out there that needed to be addressed. I think it's been mostly supply-driven up until now. With some signs now of a little bit of demand spark coupled with that, it puts us in a pretty optimistic position.

Ari Rosa

There's clearly the demand component and the supply component. Just thinking about the demand component, that's been probably the bigger area of concern for a lot of folks. We were in Phoenix talking to one of your big competitors. I don't know, trucking market is so fragmented. I don't know if you guys even think of it as direct competitors like that, but one of the big national carriers was saying they haven't really seen the demand flow through in a meaningful way just yet. What's your view on that? With the understanding, of course you're more Dedicated, but obviously a rising tide lifts all boats. Have you seen that demand flow through? Have you seen a pick-up in customer conversations on the back of whether it's the stronger ISM or maybe some optimism around the Big Beautiful Bill tax legislation coming through? Has there been any optimism there?

Derek Leathers

Yes, I mean, look, I think there's optimism there and I think it's hard when we're asked these types of questions. For instance, have you seen the demand flowing through? Well, it's tough to see it flowing through when you're overbooked at the levels you are, just dealing with the aftermath of a normal peak season for the first time in several years, followed by some of the storm activity like we talked about. The network can only haul so much freight. I think everybody's been pretty oversubscribed and it's trying to filter through all of that and more into the conversational or anecdotal customer interactions.

When you do that, what I look at today and as I think about what's demand likely to look like in the coming months, you see inventory levels at or below long-term run rates, so replenishment needs ahead of us. You see tax incentives or the big rebate moment kind of right in front of us. You see ISM inflecting positively. You see the possibility, probably the least likely of all of these I've said so far, but certainly the possibility of one, if not two rate cuts this year maybe sparking a little bit of residential demand.

I guess, my main point is all of the arrows are pointing in various degrees of up but up and to the right at a time, which is bid season. You need that to happen early enough in the year to be part of the conversation during bids. Customers are not going to start off bid season by saying, "Look, I think I'm going to have a ton of demand and I'm more than willing to pay you more money." That's not usually the starting point. It would be really nice if it were, but that's not where we're at. We're just having that dialogue and I think expectations are set that we need rate relief as an industry and at Werner we're being pretty clear about that, and those dialogues are going, I would say, as expected at this point.

Ari Rosa

There's been an interesting evolution shifting to the supply side a little bit where the Department of Transportation came out and talked about some of these enforcement actions that they were taking. First, it was English language proficiency and then it was targeted at non-domiciled CDL issuance and some of the issues around that. It was really interesting, especially from an analyst standpoint where it was like for a long time people didn't really believe that these things were going to have a real impact on the market and then kind of in call it mid-November, we started to really see evidence of that and it started to show up in spot rates really taking off. I'm curious, what's your view on some of these government enforcement actions? How real are they? What kind of impact are they having in the market or have they had so far and is there still further impact to come? How tight could things get from a supply standpoint?

Derek Leathers

Yes, my view is they were absolutely necessary. We absolutely needed to do something about what was going on in the roads of America. I'm glad that they're doing them. You're right. They kind of stair stepped into it. English language proficiency being the first step. Then a lot of conversation and dialogue about non-domiciled CDLs and some of the cleanup that's going on there.

Now, it's ramped into upstream impacts like the school networks around the country with 17,000 schools in the country, and about 7,000 of them have been put on notice already for either immediate improvement or closure. We're proud to report, we had three of our own schools audited. I was super excited they did that because we came through with flying colors and got what they called basically a perfect score. That's fantastic for us, so we know our

vertically integrated school network now is even more valuable than maybe we realized until you see some of these other schools being closed.

Then the last, and I think most powerful leg of the stool of all is they're now focused on electronic logging, which is needed. We have a thousand plus electronic logging companies in America. Canada by contrast has like nine, and so there's no reason for this. We have self certification, which is absurd. In my view, there's no way you should be able to self-certify the legality of your logging device and now one in three of those thousand have been shut down. I think there's more to come that need to be shut down and put out. I think self-certification I mean third-party certification, sorry, will be a fantastic step. That'll take a little bit more work. It's beyond regulatory though. You'll need some legislative lift there, but I think that's the direction it's headed and you put all these things together and I think we're only in the early innings of some of this regulatory constraint on capacity, but it needs to be done because it's all in the eye towards safety.

I'll close with this. We recently kind of went through all of our competitors and our own safety stats and looked over the last several years, and really every one of the publicly traded groups is either at a 20 or a 25 or all-time low in accidents. Yet as a nation, we've had four consecutive years of increased truck related fatalities or major injury accidents in America. If every one of the large carriers is at 20, 25-year lows and yet the number is still able to be moved up, that's not okay. The question is why? I think the answer is those things we just talked about.

Ari Rosa

Yes. One of the things that was truly remarkable to me is just the number of driver schools that were put on notice. I mean, it was almost 50% of the driver schools were basically told you're not meeting standards, which just tells you something remarkable about the difference, I guess, in standards across the industry.

Derek Leathers

Well, and by the way, you'd be really concerned if you looked into some of the standards that weren't met. For instance, I'm a driving school and I don't own a truck, that seems problematic. I'm a driving school and I don't have a physical yard for a practice facility. I'm a driving school and have no capability for testing because I don't have a yard to test on. I mean, there's really fundamental misses here. This is not working around the edges. This is the very premise of are you training or not?

If you have people that are able to go from the front door of a school out the back door with a diploma in 72 hours when real legitimate schools, that's a five-to-eight-week curriculum, there is absolutely no way that was done properly. If they're in the cab three days after that versus a fleet like ours, which would put them with a leader for another four to six weeks depending on their capability set before they ever got the keys to their own truck to go out solo. You're talking about 10 weeks versus four days, five days. That's the difference in qualification that's taking place out there.

Chris Neil

Maybe circling back to the question of are we seeing the evidence of that? If you go back to the previous discussion around demand being stable, but relatively low levels, not seeing an inflection in demand, but yet seeing spot rates elevated, seeing rejection rates elevated. I mean, I think that's clearly an indication that this is, at this moment, mostly supply-driven and

additional demand, whether it be from tax cut stimulus or other things, would obviously just create a tighter environment heading into the rest of the year.

Ari Rosa

Yes, double-digit tender rejection rates in January, February certainly are surprising. There have been a lot of numbers thrown out about how impactful it could be on the industry. A lot of people talk about five to 10% of industry capacity. I'm curious, what's your latest thought on what that could look like or how much of industry capacity could be impacted by some of these actions?

Derek Leathers

Yes, I mean, I think you have to bifurcate the industry into different areas, first off, and so you've got truckload, but then take within truckload, I think the majority of this activity we're talking about is in over-the-road trucking, less so in dedicated, less so in local and regional, but it's in the over-the-road segment. Why? Because that's sort of the easiest A-to-B segment, the most commoditized end of the spectrum anyway.

That segment, when you remove dedicated, you remove private fleet, you remove a lot of things, you get down to a number that's pretty close to a million, about a million trucks. All of the estimates are 250,000 or greater is the collective impact of this non-domiciled CDL issue, ELP, et cetera. Many think it's closer to 400, but let's just use 250. That's 25% of the market right there. Now, they haven't eliminated 25% of the market yet, so they've got a ways to go, but everybody's on notice that they're going to be on this. They're going to continue to stay on this, and so there's significant over-the-road capacity, leaving that one-way market which has secondary and third-level benefits in dedicated and in all these other markets because those markets are harder to serve to begin with. Those are generally better capitalized, well-run organizations serving those markets.

But shippers are going to have their hands full, I think dealing with the one-way impact and chaos. And so, the likelihood of wanting to make dedicated transitions or not wanting more dedicated, they're going to want more and more of that type of service because they know that's at least a portion of their portfolio that they can count on.

Ari Rosa

There's been a lot of talk about affordability, the affordability crisis. Inflation obviously has been a widow-maker for a lot of politicians. Everyone in the industry is of course in favor of safety and it's going to be hard to find somebody who's against safety. I do worry at the same time that if we start to see higher trucking rates flow through to some inflationary pressure on the cost of goods that the Trump administration could say quietly back off some of these enforcement actions. Do you think that's a legitimate concern at all? That the Department of Transportation says, look, we did this, it had this effect, we succeeded. Now we're going to step away?

Derek Leathers

So, I think recent history would be the best place to look to alleviate that concern. If you're willing to go out with 25, 35, 45, 55% tariffs, which is a much more direct impact to cost of goods potentially, now they've mitigated it extremely well. I think the global economy has digested it in ways that probably surprised most if not all economists, but that is a very linear potential impact and yet they stayed the course because they believed it was the right thing to do.

I think when you think about supply chain, total supply chain costs, call it 8%, transportation is probably half of that, call it four, over the road is probably more like two and a half. So, two and a half going up by 10% is a heck of a lot easier pill to swallow in the interest of safety than what they've already proven an appetite to take on directly like what they've done with tariffs and other things.

So, they seem to have an appetite for this. And I've talked earlier in several of the private meetings about whether they would stay the course and I would just tell you, it seems to me this is a hand-in-glove policy right down the middle of the fairway of the things that they have shown an interest in caring about. And so, I don't think they're going to take their eye off that ball.

Ari Rosa

Yes, it aligns with a lot of administration objectives certainly. I think we can agree on that.

Derek Leathers

Yes.

Ari Rosa

So, we've spent the first 10 minutes of the conversation or so talking about all these favorable things, the favorable setup for the trucking industry, and I think we've seen that reflected in the stock prices. And yet you gave a guide for One-Way Truckload revenue per mile or per total mile to be flat to up about 3%, and that was specifically for first half '26. So, recognize it could strengthen into second half, but talk about that number in the context of this conversation that we've just been having.

Because it seems like the stars are aligned for Werner to go out and capture rate to start to see more supportive rate environment and yet that flat to 3%, I think raised some eyebrows or got people a little bit concerned. To what extent should we see that as conservative? How should we think about what upside could look like to that number, whether first half or into second half of '26 or even into '27?

Chris Neil

Well, we think the backdrop is good. I think it is important to highlight the fact that it is just a first half guidance metric that we guided on. So, there could certainly be some uplift in the second half. You think about how contracts are implemented throughout the course of the first half of the year, there's very little that's gone in. Here we are halfway through the first quarter there's very little new business that has an updated price on it.

The way the bid season works is you start this in November or December. Most of the effective dates, when these things actually go into place, are second half of the first quarter into the second quarter. So, everything that's in place now, we're using pricing that's been baked in over the course of the last several months. That's what we've been utilizing here through the first part of the first quarter. But that'll build as we go. But understand that the first almost quarter probably is less influenced by the bid season in terms of the rates.

So that was the guide, but we also mentioned that we expected our contract rate renewals in One-Way to be closer to mid-single digit type increases. And so that's our expectation. That's certainly needed obviously as you think back over the last couple of years and the duress that One-Way environment has been under mid-single digit increases, if not higher, are certainly

needed to get that rate and to get the margins back to a sustainable place. So that's what we're moving toward.

We talked a little bit about a One-Way restructure in our call. A lot of that happened in the fourth quarter. Some of it continues to happen in the first quarter. All that was done with an eye toward profitability. And so, we're leaning into some even more specialized areas of One-Way that are less commoditized. Some of that has longer lengths of haul. We mentioned Expedited, we mentioned the work that we do with cross-border Mexico. Those tend to have longer length of haul movements and some of that carries a little bit lower rate per mile. And so, some of the answer to your question is also mix related.

But a lot of moving parts in the first half of the year with bid season. There could be more churn as we continue to emphasize the need for higher margins. If there is more churn, then we're going to lean into what is profitable and that could lead to some significant upside as well. But we certainly did not intend, I think with the first half guide, the second half is where we would expect to see more of the inflection with what we're working on now.

Derek Leathers

If I just add a couple. Just to summarize all that, right, because that's a lot there, but timing and mix, those are the two big pillars you just got to think about. The restructure changed the mix significantly. A lot of what is being restructured out is some short haul geographic areas where rate is very high, but it's not high enough and there's really no way to get there from here. So, it has an impact on your rate per mile when you exit that business. And it's with an eye towards efficiency and productivity, so, the miles will drop far less than the truck count that we did as part of this restructure.

And then timing is just what it is. And so, deals that are being done right now, that's why we don't always issue a second guide on a standalone basis of what are contracts renewing at. In One-Way we did this time because we want to be clear that that expectation is mid-single digits, but there's some timing and some mix issues that play into it.

Ari Rosa

So I want to circle back to the One-Way restructuring, but before we do that, let's talk about the Dedicated side because there also there was the guide for revenue per truck per week to be down 1% to up 2%, which again feels conservative in the context of a more supportive environment. Talk about that guide, how do you develop it and what's the lag that we should be thinking about in terms of when a more supportive spot rate environment flows through to Dedicated.

Derek Leathers

Much easier answer. That's all mix. That's FirstFleet. That's mixing FirstFleet's revenue per truck per week into our revenue per truck per week and FirstFleet being a meaningful sized acquisition. And it's just simply what happens when you remix the soup. Don't read anything more than that. Both FirstFleet on a standalone basis and Werner on a standalone basis will be taking rate in their networks, but they have a different type of network than what we had in terms of how that is structured and what those miles per week look like.

Therefore, the revenue per truck per week is different, but they're still profitable in their current form and we have 300 basis points or \$18 million of cost energy that we can bring to bear, which gets them closer. Not all the way, but pretty close to our Dedicated margins. And then

from there, both ours and theirs increase as we take rate. But the guide is very confusing because of the difference in the two networks and it is near exclusively a mix issue and nothing more. So don't over read it.

Ari Rosa

So, if we were to take the mix issue out, is there a good way to think about what that would look like?

Chris Neil

Absolutely. I think from a contract renewal perspective, so let's just frame it around as contracts are coming up for renewal, both in our organic Dedicated business and in the FirstFleet business, I think the expectation there would be up low to mid-single digit type increases. Remembering that our Dedicated margins have been relatively solid, have hung in there relatively well, even in the course of this downturn. Our organic business has had our revenue per truck per week number increase 11 out of the last 12 years. So, your baseline obviously is different than the One-Way side.

But in spite of that, there has been inflation in that business and margins have been lower than what they typically are given the elongated down cycle that we've had here. So low to mid-single digits on our contract renewals would be really the starting point there. And we've had some good success already early in the year with some of those renewals. So, we feel like that's a good place to start. Customers seem to be receptive to it at this point. I think they understand the uncertainty that the environment's been under, the duress that the carriers have been under and they're flocking toward carriers that are more financially stable, have operational capabilities, have high service capabilities, which is what Dedicated is just in general. So, I think we have a pretty decent backdrop to get those kinds of results.

Ari Rosa

It's encouraging. It sounds like a lot of areas of opportunity to focus on. Over a longer time horizon how should we think about Werner's ability to add trucks to its fleet? And especially on the dedicated side where like you said, the margin profile tends to be a little bit more resilient and better.

Derek Leathers

So, the overall operating environment for Dedicated is setting up very well over the next several out years. You had what I think was a little bit of a misread during COVID of this private fleet expansion that took place. I think many of those customers did that because of necessity. Capacity was so tight during COVID that they went out and maybe against their long-term wishes had to grow their private fleet. That momentum has slowed, if not reversed in some cases. So that creates a tailwind for new Dedicated opportunities for folks like Werner.

You've had more significant consolidation in Dedicated than is really being appreciated by the market in my view. So just a few years ago, you would've had, call it 15 major players in Dedicated. In that subsequent 24 months, you've seen Schneider acquire Cowan, you've seen Ryder acquire Cardinal and us acquire FirstFleet. And that list just got a lot smaller. And it all, in each case, has more sophistication, more capitalized structure behind it, more a strategic management, if you will, going forward.

So, I think you'll see more prudence inside of that. If you drift just a little further back than two years, you have the Knight acquisition of US Xpress, another large Dedicated player. They did

other things, but they had a large Dedicated portfolio now in a much more disciplined environment under Knight's leadership. So Dedicated looks positive as we go forward. And again, it always becomes a place of safe haven when customers are seeing one way starting to become as volatile as it is.

Our job will be to keep the discipline, and we've always tried to be very disciplined on what we allow into Dedicated. So truck growth will be determined by true dedicated opportunities, not capacity fleets or continuous move fleets. We want Dedicated that's long-term, that's sticky, that's defensible, and I think there's going to be a very good opportunity for that going forward. The pipeline right now is robust, and so we're very encouraged by what the current pipeline looks like in Dedicated.

Ari Rosa

How do you think about how much pricing upside you could get in an up cycle? If we continue to see the market tightening, what would be needed on the Dedicated side? I mean, obviously the answer is infinity. But what would you like to achieve on the upside or what's kind of a realistic target on the upside from a pricing standpoint?

Derek Leathers

Yes. I mean, I think Chris talked about low to mid-single digits this year. I think you need a couple of years of that to really get Dedicated back to its traditional long-term run rate. Could that happen faster if the market's supportive? Sure. And we'll be very nimble in the marketplace.

The good thing about Dedicated renewals is they kind of happened a little bit more spaced out throughout the year. Whereas, One-Way is very heavily front-end loaded. So, we're in a good position. There's this false belief that Dedicated creates some sort of anchor from an operating leverage perspective in an upmarket. We've shown that's not true. During the COVID up cycle, our ability to increase earnings kept pace with the best of them. And so, we were always at or around the very top of the list in terms of earning expansion during COVID.

And we can do that because in Dedicated, you add incremental trucks back to each fleet. Those come at better margin contribution. You have a much more robust backhaul capability because there's more freight to choose from. There's more customer flexibility with that freight because they need to get it covered. And so, you can enhance your backhaul capabilities at a higher rate per every backhaul because that's spot market freight. So those things are very additive. And then lastly, you have the ability to yield underperforming fleets out of the network. And that's where I was a little evasive on the truck growth question, because I think part of this mechanism of the next couple of years is a mix of all of these positive momentum things.

And then certain cases where you agree to disagree, you have to have the discipline to yield that out of the network. And so, we do expect that there'll be some yield exercises in Dedicated. And now with a much larger, much more dense footprint, because of the FirstFleet acquisition, one of the things that you always worry about in Dedicated when you yield out something out of your network is you also have dedicated drivers that you want to hold onto. They're like gold. And so, you need that density of network to be able to place them in like work, in other Dedicated accounts nearby. And we just picked up a whole lot of nearby accounts and a whole lot more density for both the benefit of FirstFleet and our drivers both.

Ari Rosa

Derek, you mentioned that idea of getting kind of low to mid-single digit rate increases for several years in a row. Is that how we should expect it to play out? Is it the sort of thing where it's like we get 4% a year for four years in a row? Or can we get eight or 9% in one year if the market offers?

Derek Leathers

Chris has got some real interesting stats historically. I'll let him cover those. But let's just say we started this conversation on the regulatory front, and we're in the early innings. And we don't know for sure if they keep the appetite for the enforcement, but all indications based on past performance would be they will. We talked about 250,000 out of a million of the over the road population needing to be addressed. If that enforcement goes all the way to the finish line, then yeah, you could see a ramp that's more significant.

But we're still in those early, maybe middle innings on some of this enforcement stuff, and we don't really have yet, we have early signs of a demand spark. But you couple that with the demand spark, and yes, it could be more significant than that for sure. That's why we have to be nimble. I mean, it's hard enough to give quarterly guidance or first half of the year guidance. It's much harder to talk about what we're going to do two, three years out. So, I'll simply answer by saying we will be prudent, and we'll be disciplined, and we'll be nimble. And I think our setup is really good going into this up cycle.

Chris Neil

Well, historically, just to give you a little bit of a range there. I mean, I think you look back over the last decade or so. Again, the last three years, we're talking Dedicated revenue per truck per week, been around that 1% level, certainly lower than what they typically had been. The range though outside of that would be more like four to 8%. There's definitely some precedent for those in the upper single digit kind of ranges for that. If the setup is right, that's certainly something that we've achieved in the past and could occur again.

Derek Leathers

One of the things the industry's always been faced with, and more so probably in dedicated than anywhere is, when's enough, enough? Like from a customer's perspective. Well, nobody, there isn't a player in the entire industry right now that's anywhere near in danger of being challenged by a customer relative to their margin levels. And so, we've got a long way to get this thing right to make it reinvestable across the portfolio. And I think all of us understand that, and I think customers do too, frankly.

I mean, I've been involved in some of these conversations recently. And there's 500 basis point type moves that are needed across the entire industry, not even getting to a specific company level before you could even have a conversation about reinvestability. And so, therefore, I think it's a well-known fact that there's some runway out in front of us that we need to go attack.

Ari Rosa

Perfect. Well, we're certainly excited to see those better days ahead. One of the concerns that I think is really legitimate here is, if we think about the government enforcement actions. It's really constraining driver capacity. It's limiting who can drive. Puts a premium on qualified drivers, high quality drivers, experienced drivers.

If we get this up cycle, and especially if the up cycle is supply driven, how much of the rate increase then has to be passed on to the drivers? And especially if, again, we're in an environment where really high quality drivers that are premium, it seems like the wage increases that they could see are actually quite outsized. What is the risk, I guess, to the margin uplift from that?

Derek Leathers

Yes, so a couple of things work in our favor there. I do think driver supply will be constrained. I think the fact that we operate 20 vertically integrated driving schools across the nation, producing one of the largest population of graduates in the country, sets us up very well by comparison. So, we like that foothold. We also work with tier one schools across the country that we've been working with for years.

And we have a pretty robust experience driver hiring program as well. I think COVID taught the industry a lot of lessons that, one, driver rates went up significantly during COVID. They needed to go up. We had the support from customers for the first time in a long time to be able to do that. And there was the needed gap between driver wages and call it construction manufacturing and other things that hadn't existed previously does exist today.

There is a premium to being a truck driver versus working in a factory or working some of these other jobs. So, while there'll be upward pressure, we now have our own swim lane, so to speak, with where driver wages are versus a head-to-head competition every day for some of these other industries. So, I like our positioning.

The last thing I would say is, because over two thirds of our fleet is now in Dedicated, those are one-on-one conversations. So, if you get driver wage pressure, let's say you do a contract renewal earlier in the year, and by mid-year you have significant driver wage pressure nationally, we have in our dedicated contracts the ability to go back to our customer and essentially have a one-on-one dialogue, because it's a driver resource dedicated to them.

And if I need more of them, I need to have that dialogue. And they've generally been supportive. Customers that value that fleet understand the risks of not paying properly. And so, it's a different dialogue versus one way where you're betting on the comp. You have to raise the driver wages to seat the truck, then try to hope that the market's there to support the truck, and sometimes you get caught upside down.

Chris Neil

I would also add driver retention is not only about pay, it's also about quality of life. It's about getting drivers home more frequently. And that's really what dedicated is all about. That's why retention in drivers with Dedicated is better, that's why customer retention is better. And so now with the FirstFleet acquisition, over half of our revenue and 70% of our fleet now in dedicated, the ability to retain drivers, as we move into a market that gets a little more frothy is probably pretty decent.

Ari Rosa

So, we've seen somewhat unprecedented levels of margin pressure in this down cycle. How should we think about between the TTS business, the trucking business, and the Logistics business, how should we think about what kind of mid-cycle margins could look like for each of those segments?

Derek Leathers

Yes, so we've been pretty open about the fact that our long-term mid-cycle guidance range hasn't changed despite all of the pressure we've been under the last couple of years. We still believe TTS is a 12 to 17% business at mid-cycle. So that's not a 2026 number. That's not where we think we can get this year. Our goal this year is to try to end the year approaching something that looks like double digits or at least starting to build the momentum towards something thereabouts. We got a lot of work to do to get there. Dedicated plays a major role in that. One-way plays a major role in that.

On the Logistics side, it's a little bit of a different story. We've grown out our capabilities, lowering our OpEx to serve. And you've seen that over a couple of years now where we're getting more and more efficient from an OpEx perspective. But as any turn takes place, you get a lot of margin pressure in Brokerage, and that's happening nationwide to all of the major players, us included. We think that will continue for a period of probably a quarter, quarter and a half as we readjust and work with resetting those rates. So that'll come under some pressure. But mid-cycle margins, I still believe that needs to be kind of that four or five, maybe in really good years, 6% type margin business.

Again, that's a big lift to get there from where we're at today. But over the last couple of years, we were gaining share and scale, and there was some intentionality about that. We were building out and spending a ton of money on some of the tech that we are now starting to see tailwinds from and benefits from. And so, there's reasons to have the optimism toward margin expansion in Logistics, especially as we get into the back half of the year, and you get through this sort of short-term crunch between the buy and the sell rate.

Ari Rosa

Very helpful. We had been talking earlier about some of the restructuring of the One-Way portfolio.

Let's delve deeper on that. In the context of, let's talk about what's your kind of longer-term vision for Werner, right? So, what brought about the restructuring? A lot of people would look at it and say, "Well, if you're going to be exposed to One-Way, now would actually be kind of the time that you would want to have that exposure."

But you guys are obviously proactively saying, "We're going to restructure the One-Way portfolio, make it more sustainable, more profitable for the long-term." At the same time, I think a lot of people think of Werner as mostly a Dedicated trucking business. Is that really the objective to kind of move the business gradually more towards that? And then where does FirstFleet fit into that vision for Werner?

Derek Leathers

Yes, I think I would prefer to just zoom out and just talk about the vision for a second. The One-Way portion of the portfolio will always be the part that is the most commoditized. Yes, in the short term that commoditization works in your favor potentially, and it could be a great place to be. But over the course of any 10-year history, as we do any kind of sliding scale analysis, Dedicated outperforms One-Way, 8 out of 10 years. We believe there's no reason to think that won't be true going forward. And if anything, I think that could be more pronounced going forward because transparency, tech, visibility, all those things are only further commoditizing One-Way. So the question in front of us was how do we position what we do have in One-Way to both be able to exhibit operating leverage in this upcycle, but stick to our

knitting on very specific niche places where it's slightly less commoditized than the rest of the portfolio?

So things like cross-border Mexico, things like Expedited specific verticals that we build solutions around that are growth engines for the economy in the next, call it 5 to 10 years, think tech, pharma, other things like that, and then augment it with a very robust Brokerage and power only solution via PowerLink. You put all that together, the miles covered and loads delivered will drop far less than what you see from a truck count perspective.

So said differently, the operating leverage is still there. On the Dedicated side, that's long-term. That's long-term up and to the right kind of performance that's proven itself in good cycles and bad. I realize we blend our TTS results when we publish them, and so it makes it hard for people to realize that Dedicated held up much better than people think during the downturn and One-Way performed even worse than they imagined.

And that's just a reality of the way that part of the business has been so commoditized. So, I think it's a better long-term play. And then of course augment all of the above with an increasingly large, almost billion dollar Logistics business that gives us sort of counter cyclicity at certain points in the market, but more importantly throughout any up or down market gives us \$1 billion worth of visibility to freight.

That creates optionality for your fleet, it creates optionality for our partners. So, we just like that setup a lot more. So, we've got to prove it now during an upcycle. We have got to show how this portfolio can perform. I understand the skepticism, but I think it's overstated as to Dedicated not having the leverage. And mostly because the most recent upswing scoreboard showed the exact opposite. So don't measure us on other people's history, measure us on our own. And in the last upcycle we did just fine with operating leverage.

Ari Rosa

How do you think about, we've been talking about the Logistics side of the business, there's been a lot of excitement about the role of technology, the evolving role of AI and in Logistics and freight matching. I'm curious how you guys think about that and what is Werner's ability to remain competitive in that space? Where do you stand from a technology standpoint? How do you think about the broader logistics industry and the evolution of that space?

Derek Leathers

Yes, I mean, we've been talking about the largest tech journey in our history for the last several years, and we are in the latter innings, not the final inning, but the latter innings of that journey. We love the fact that we didn't take our eye off the ball during the downturn. We continue to invest. We stayed the course and it positions us right now very well for as we enter this upcycle.

Logistics is basically completely converted to our new EDGE TMS system. We've got Dedicated and One-Way in various states of conversion. The freight portion of it is largely converted, but the execution and some of the underlying activities are going to be the focus of 2026. It allows us to finish some integration even from prior acquisitions that we couldn't finish prior because we didn't have a landing platform to be on. And then all of that is wrapped in a very forward lean into some of the AI capabilities that are all the rage right now.

We're trying to be focused on where we implement it. We're trying to make sure it's got specific ROI, not just like to have, but stuff that really moves the needle. And so we're pretty excited

about the early innings of that. And it shows through, if you just look at the OpEx results from a cost perspective in Logistics. We were down the first three quarters last year, nearly 15% in OpEx as from a cost perspective. And then fourth quarter we were starting to lap some of the earliest innings of some of these AI introductions and things that we were doing. So, the number dropped below 10.

But as we go forward now, we have next-level stuff that we're implementing each day. So yes, we know that the market's changing. We are not taking our eye off the ball. You go back to the 5T strategy that I rolled out in 2016. One of the big parts of that was the T for technology didn't have an equal seat at the table and we needed to understand this is going to be a tech business as much as anything else, and you got to spend that money and invest wisely to compete, and we feel like we're positioned well.

Audience Member

Follow up on AI, you're obviously more dedicated. It might not get back to you, but the news that we saw last week, Semi Cab, so all the trucking stocks, [inaudible] what's your take here? The optimization and route planning has been around for years, right?

Derek Leathers

Yes, my opening take is it's the largest most frustrating overreaction I think I've seen in my 37 years in the business. So, it's pretty specific answer, but that's really how I feel about it. And that's no knock on them or anything they're talking about doing, but the absolute omission by the investor community to the reality that so is everybody else. There's nothing in the white paper and nothing in the announcement that everybody else isn't investing in, doing, pursuing. You can see it in ours and others results where people are not asleep at the wheel and thinking that AI is not going to play a role in all of the above. Everybody's working aggressively to compete.

It is a rare case where I like to say, "We don't want to be bleeding edge, we want to be just a fast follower." Well, in AI, that's a fine line. You better be pretty close to a bleeding edge. But if you're going to be relevant as all this investment flows in, and it kind of like my maybe unsophisticated summary of that entire activity, it was as if the community of investors decided that the market that these folks were going to disrupt was a series of owner-operator cabs with a medallion on the dash that was going to protect them forever versus the very sophisticated well-capitalized, high-tech industry that it actually is. Sorry, we've got a little passion for that one.

Ari Rosa

That's helpful. I think a lot of people are wondering that too. Maybe last question, because I see we're pretty much at time here, but Derek, one of the things that I think has been maybe a point of frustration for investors? If we look over the long-term, Werner share price has obviously fluctuated, but kind of over call it a ten-year horizon or so, there hasn't really been a ton of share price appreciation.

How do you contextualize that with the understanding of course, look, we're coming off of what's probably been the hardest freight environment in a generation for many carriers. So some of the pressure that you've seen is understandable, but in the context of some of these portfolio changes that you're undertaking, how should we think about over the next five or 10 years for the investors who want to own your stock and are looking for that kind of structural

earnings growth? How do you get there? How does it support kind of a higher share price in the next five or 10 years?

Derek Leathers

Yes, I think it's a fair question. I think I'd go back, let's use the 10 years and go back to call it 15 for the sake of argument. We were living in the teens from a share price perspective. We rolled out some very significant changes in thought process and philosophy at our company. Got more into a growth mindset, got into more of a portfolio blend approach, elevated tech as of the solution. And we saw that mid-teen stock price peak and even bump-fifty within the subsequent few years. I think all of us missed, we missed, the industry missed the investor community missed the amount of fraud and abuse that was taking place when all of this sort of nefarious capacity entered the marketplace. I honestly don't sit up at night and try to think how people might cheat at scale. And I just underestimated the significance of it.

If we can get an even playing field where everybody plays by the rules, whatever those rules may be, I like our chances of going and rejoining that same glide path that we were on when we were competing on a level playing field with others and showing our ability to execute. But it's hard to execute against a truck that's got one driver in it with substandard wages that's operating like two drivers in the cab with an electronic log that's being manipulated in that cab and be able to produce pricing that's 20 to 30% below costs because they don't have those costs because they're cheating the system. So, we're big fans of the regulatory environment, big fans of the enforcement all at once, a level playing field and let our team do its job well.

Ari Rosa

We're excited to see how it's all going to play out. And as a transportation analyst, I always like to see transportation companies doing well, so we'll be excited to see how it plays out and we'll be rooting for you.

Derek Leathers

Thank you. Thanks for having us.

Ari Rosa

Thank you both. Appreciate it.