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Werner Enterprises: Nathan Meisgeier, President and Chief Legal Officer, Chris Wikoff, EVP, CFO & Treasurer and Chris Neil, SVP, Pricing and Strategic Planning

Ravi Shanker

Great. Next up, we have Werner Enterprises and very happy to have with us CFO and Treasurer, Chris Wikoff, President and CLO Nathan Meisgeier and SVP of Pricing and Strategic Pricing, Chris Neil. Gentlemen, thanks so much for joining us.

Obviously, the cycle has taken precedence in terms of the kind of the topic du jour, so maybe starting off by giving us a sense of how has 2026 progressed, relative to your expectations? Where are we right now, and kind of what kind of visibility do you guys have for the rest of the year?

Chris Wikoff

Sure, maybe I'll start on that. Thanks again, Ravi, for having us. Good to be here and attend your conference again. Overall, from our view, the headline of the market would be continued momentum that we've seen so far this year in terms of just overall market fundamentals. The fundamentals are strong. The better balance between supply and demand is helpful. For us, it all translates. I mean, a number of different metrics that we can point to, but really, it all translates to rate. I know there's been focus and maybe some over-indexing on more recent spot rates being a little bit softer debate on is that seasonal or is that sub-seasonal. It's a data point. But when we're talking about rate, we're really talking about overall blended rate, contractual rates that continue to be high single digits, low double digits in terms of contract renewals.

So, all of that is positive. It's more supply-driven. We think that's going to continue. Enforcement has been multipronged. It's also maturing. So not to deep dive into that right now, but while it's supply driven, the freight flows continue to be positive, steady. We're seeing higher bid volume and some record highs on bid volume in Dedicated, some continued elevated mini-bids in One-Way as I think shippers are transitioning from spot and evaluating the market and transitioning more to contract and some of that in-between space. So overall, I think it's positive. Not much to point to in terms of demand outside some of the tech and data center build-out. But overall, I think the fundamentals are strong despite the fact that it's more supply driven.

Ravi Shanker

Got it. That is great to hear. Maybe to unpack that a little bit. My next question was about the seasonality, kind of what we saw in the late summer, kind of that lull, if you will, in some of the data. Again, do you think that's largely seasonal? Or do you think there's something else going on?

Chris Wikoff

I think some of it is seasonal. As I said, I think there's going to be ebbs and flows to spot as in a tighter market, shippers who have had a slice of their supply chain that's been more geared towards spot, and they're evaluating that and other options, which can be moving into contract. So, there's going to be some ebbs and flows to spot. I think it's one metric - the tender rejects continue to be elevated. That, too, may have had some softness relative to some other months. But overall, it's still 3x what it was a year ago in terms of tender rejects. So, I wouldn't over-index on spot.

Ravi Shanker

Got it. From my seat, I think the fact that contract rates have held up or even gone up in that period that spot has come off a little bit of its highs is an indication that this probably is seasonality and a sign that, that kind of trend is positive. Do you think that's fair? And it sounds like you're seeing that as well?

Chris Neil

Yes, Ravi, I think that's fair. I think it's also important to note specifically as it relates to Werner with our exposure to retail, a lot of discount value retail. We also have a good amount of exposure to food and beverage. And so those volumes for us have been relatively stable. These are replenishment items. These are consumables that are shipping on a daily, weekly basis. And so, from our perspective, at least, it's felt steady and stable from all the way through the second quarter here into the third in terms of our volumes.

Ravi Shanker

Got it. You said kind of demand hasn't really picked up just yet. Maybe just a few questions on that. Starting with, again, seasonality and peak season, what kind of visibility do you have on peak season already so far? Like do you think it can be a record peak season? Kind of how do you think we move from here?

Chris Wikoff

Well, again, maybe starting back to rate. I think we've got more confidence in peak premiums, peak rate being better than the last several years. A bit early to be overly focused on peak volumes. Some of those from shippers are still coming in, in terms of their outlook.

Some of those we have in hand, but compliance could also be different. Although I think there's other anecdotal points, including imports and a lot of different data out there. But generally, it looks like imports are holding up. I think that's favorable in terms of what volumes could be relative to peak.

Ravi Shanker

Got it. And it sounds like your ultimate target here is pushing rate, which kind of is completely understandable. Remind us again when your 2027 bid season starts, I think that should be sometime in October? What is your expectation there? And do you think that rate kind of continues from what you saw in '26? Do you think it's a step function improvement? Do you think it's the later half of bid season in the middle of '27 that really picks up?

Chris Neil

Yes. So, I think your question is specifically more focused on One-Way. So, we're talking about the One-Way bid season. So just to maybe step back, give a little bit of perspective. So, in the second quarter, we reported 10% up One-Way Trucking rate per total mile. Combined with that was better utility, up 16%. And so, revenue per truck per week almost up about 28% for us. So, the combination of those things were very good. As you mentioned, bid season pretty much winding down here for '26, starting to think about '27, we would expect those first handful of annual bids really in the next 30, 60 days.

Based on our base case in terms of what's happening with the market, it's still going to be tight. Capacity attrition continues. We would think that the demand backdrop heading into peak would be strong. And as you start to negotiate some of those bids, it should be a very strong operating environment. Obviously, it's been that way all year long. After 3 or 4 years of One-Way rates that have been flat to down, we're certainly in need of a couple of bid seasons to get this pricing to levels that are more reinvestable, more sustainable.

And so, it's early enough for us that we're probably not going to quantify the number right now, but there's no reason to think heading into the coming year that there wouldn't be ongoing tightness in the market, which would lead to strong rate increases on One-Way business heading into '27 and that, of course, would flow back into Dedicated as well.

Ravi Shanker

Got it. Let's take a step back here and kind of go back to how we got here because you guys were one of the first to flag the supply side risk. I think Derek was one of the first people to quantify like 10% to 15% capacity exit as a result of the immigration regulations. And then we've had Montgomery on top of that. So classic sell side, what inning are we in question, what innings are we in on the immigration stuff? What innings are we in on the Montgomery stuff? And ultimately, which one do you think has a bigger impact on rates?

Nathan Meisgeier

Yes, there's a lot there. So, you call it the immigration stuff. So, there's several parts to that. So, there's English language proficiency, which overlaps with non-domiciled CDLs, which probably has something to do with CDL mills because I think most of those drivers that fit in the first two buckets probably went through a CDL mill. So, all of those things thrown into one bucket. I think the stats would say, so the Feds maybe seven months ago sized it at 194,000 non-domiciled, non-compliant CDLs. Against that number, we think we're at about 30,000 that are out now. So, you

do the math there, that's only 15% of the way there. There has to be some overlap with that number in the ELP and that ELP number is, I think, 28,000, 30,000 was the last we saw. Coincidentally, those 2 numbers are pretty similar. And then truck driving schools, 8,000 schools that have been closed as a result of enforcement actions. Interestingly, again, all these things are related because the Feds have said that the schools that they targeted were schools where they saw trends from the first two out-of-service issues. So, if you weren't speaking English and you had 1,000 people that all went to the same school, they probably should go check out that school and see what's going on.

So early innings on all three of those, I think, are still where we would say. Derek, in I think the Q2 call, called it the third inning. So even if we're another inning path, we're still in the first half of the game, lots of sports metaphors here. We could switch to something else, I guess.

And then the other part of it is the Montgomery side. So, I said all of those first things were related. Montgomery feels unrelated for the most part because that's truckers and brokers who don't have good safety qualifications or good safety policies and driving that capacity out of the market is a different thing. And that decision was helping out, May. So, are we four months post Montgomery? And it really feels, we've had that question a lot today in our one-on-ones. It feels like the dust is still just barely settling on Montgomery. People are trying to figure out where is the line on what is safe enough? The TIA, so Transportation Intermediaries Association is trying to get the Feds to give us a more granular analysis of that so that we can all bounce our policies against that.

But really coming to the Werner side, we did not see a big blip coming out of Montgomery. We already had good vetting practices on our Brokerage side. We are confident in that we were using all of the available technology, all the available tools to us to vet carriers. So, we haven't seen shrinkage as a result of Montgomery. We saw shrinkage in our fleet available to us on the third-party side prior to Montgomery, as we were improving those carrier qualification standards. But the market has to figure this out.

And then I'll end on one quick note that you didn't mention regarding Montgomery. A related case is the Home Depot case out of Texas, which was also a Werner case, where the Texas Supreme Court told Home Depot, you get dismissed from this lawsuit as a shipper because Werner is a safe choice, my words, maybe not the Texas Supreme Court’s, a safe choice for shippers or for brokers to choose to give their freight to. And we had a cousin case of that on the other side of the state that was dismissed against a large shipper, a name brand that everyone to recognize, so our shippers have some protection that happens very quickly after Montgomery; that gives them some comfort. I think other carriers and other brokers are going to have to find their own footing on that.

Ravi Shanker

Got it. So, what do you think is the net result of Montgomery and how long does it take? Do you think this just drives like very small marginal bad actors on the capacity side of the business? Do you think it drives an asset-light to asset-heavy shift? Do you think it sends pricing on the insurance side up for everyone, all of the above, kind of what's the net implication?

Chris Wikoff

Yes. So, I'll try to do it in reverse order. Insurance pricing, you've probably heard and we've certainly heard very different stories from folks that seem like they're similarly situated on that. Our insurance lift on that was negligible. There were some that were saying publicly they saw it being a multiple of an increase on their insurance for brokerage. So, I think it depends on where you were coming from on the front end.

As far as what it's doing to drive freight, I think it drives freight to larger or more sophisticated, which, of course, those two things tend to go hand in hand, and really, a shipper is looking for what's the buffer between me and the ultimate risk? And so, if that buffer is greater sophistication in carrier qualification, great. If that buffer is you already have a reputation as a safe carrier, great. If that buffer is you have a larger tower of insurance that's the buffer between me and the ultimate plaintiff who's looking for a deep pocket, great. If I'm a shipper, I don't care which one of those three benefits you're giving me, if you're giving me all of them even better. So, the larger and more sophisticated brokers and asset carriers, I think, both benefit.

Ravi Shanker

Got it. Last question on this topic. You guys have heavily invested in your driving schools over time. What kind of advantage does that give you now? Is that an area that you guys are looking to increase your investments as well?

Nathan Meisgeier

Yes. So, for those who don't know, we own Roadmaster driver schools. It's 20 locations around the United States. We tend to put those where we've got customers and freight because we can pump out graduates who presumably are domiciled near there and get them into a job that is a good fit for them to get them home into our Dedicated fleets usually more often and get them home and keep them happy.

So, we have seen a benefit from the Feds closing other schools and increasing throughput to our schools. So, we love that. We have the advantage, we think, of the ability to pick and choose the better graduates from Roadmaster. And so, we can make sure that the quality comes to Werner. And we're seeing some quality improvements on the front door, and that's allowing us to increase our throughput to Werner as far as graduates as well. And then we're proud of the fact that we allow the drivers from Roadmaster to choose where they want to go work, and we hope that they would see Werner as an employer of choice, and we're confident in that.

Ravi Shanker

Got it. All of this, obviously, the main impact or benefit would be on the One-Way side. Switching to Dedicated here for a second, obviously, kind of the majority of your business and where you guys made a big acquisition and are pushing deeper into. How much runoff benefit do you see from One-Way to Dedicated here? Kind of is it relatively isolated because that was already kind of a good, kind of daily, go home everyday kind of business to begin with? How much lift do you see?

Chris Wikoff

I think overall, for the driver labor market, I mean, it continues to be tight. So, the Roadmaster positions us better. I think to your point, Ravi, Dedicated, more Dedicated jobs and having a higher mix of Dedicated helps with that respect. So, there's a number of tools that we can use that position us well to work through a tighter driver market.

We are seeing improvement this quarter relative to the second quarter. And then alongside that, we can also do things in parallel to leveraging those tools of growing owner-operator as well as looking in Dedicated at private fleet conversions where presumably there's an incumbent pool of drivers. Obviously, they need to meet the Werner standard, but that can be an accelerated way to continue to grow and bring on quality drivers in a more accelerated fashion.

Ravi Shanker

Got it. Are you seeing any structural shift from shippers who think that this is going to be a multi-year, multi-innings supply side issue? And so, I want out at an accelerated rate of my private fleet. So, are you seeing any more incoming on the fleet conversion side than you normally would at this point in the cycle?

Chris Neil

I think so. I mean, there's a number of things going that I think are challenging for private fleets, whether it's the driver availability issue that we just discussed, whether it's much higher-priced equipment.

Now some of these fleets invested in more equipment back during the height of the COVID era. Those trucks are now 3 to 4 years old, getting to a replacement perspective. You got these emission regulations that are coming. And so, all these things are, I think, challenging for private fleets, especially the smaller ones who maybe don't have the infrastructure like a larger private fleet or like a for-hire fleet.

So as a result, and then, of course, you got the insurance and the risk on top of all that. So, I think all those things together are probably leading some folks to think about whether or not they want to continue to be in the private fleet business or if they want to offload that and focus more on where the core part of their business is.

Chris Wikoff

So, we have those opportunities that are right in our pipeline today. They might be in different stages. It is a longer sales cycle when you're pursuing private fleets, but all of that's in play right now.

Ravi Shanker

Got it. So, on that point, obviously the sky is a limit on One-Way pricing because that seems really extreme. But I think we do expect record spot rates, record contract rates, and you referenced that in your opening remarks as well on the One-Way side. Is that the same kind of

expectation on the Dedicated side as well? Kind of are you looking for pushing for more volume and pushing for more fleet conversion versus a pricing opportunity or both? Or what's the mix there of volume versus price?

Chris Neil

Well, the tightness of the market certainly is already impacting Dedicated and will continue to. I mean, sitting where Dedicated margins are, we don't need the amount of improvement, and it hasn't been under near the duress over the last 4 or 5 years that One-Way has been under. And so, as a result, we're going to continue to push increases.

Our revenue per truck per week that we reported was 5% in the second quarter. Our guide for the full year is 3% to 5%. And that's muted a little bit by the FirstFleet acquisition where their revenue per truck per week number was a little bit lower than ours. On a legacy basis, our number in the second quarter was close to 8%. That was driven partly by rate. Our contract renewals continue to go well. Our retention rates, both in the legacy Dedicated fleet as well as in the FirstFleet are very good in this environment. As you might imagine, we provide a very high level of service, a good, stable financial carrier, so a good place for folks to move their Dedicated in.

So, all that's moving in the right direction, and we would certainly continue to expect that in the coming years. We think that there's good share gain in Dedicated over time for a lot of the reasons we've already talked about. And so, we're going to be there waiting for shippers to come, and we're going to be out in front of them looking to continue to grow our share in Dedicated. Right now, that's about 75% to 80% of TTS for us. And that's good, stable margins, margins we've continued to improve to get us back over kind of to that double-digit threshold.

Ravi Shanker

Got it. Let's talk about FirstFleet. Obviously, a significant acquisition for you guys a couple of quarters ago. How has that gone relative to your expectations, both in terms of integration, cost synergy as well as potential revenue synergy opportunities?

Chris Wikoff

Yes. Excellent transaction. We're very pleased with it. It's a solid business at scale, top 10 Dedicated, pure Dedicated player, over $600 million in annualized revenue. Excellent leadership team, focused on technology innovation, good driver retention and durable end markets, food, beverage, specialized bakery. So, everything that was very attractive to us. It fits well and complements our portfolio, the desire to continue to be durable, but still lean in and diversify in terms of end verticals and end markets. So, it's going well.

Day one, immediately accretive, good durable margins, but a clear line of sight on how we can improve those margins, close the gap to our organic Dedicated margins. The $18 million of synergies that we've talked about, which is basically a 300 basis point expansion to their margin, is well underway. We've actioned about half of that with a line of sight on how to action the rest in 2027. So, it's going very well, solid customer retention, driver retention, and overall integration very much on pace.

Ravi Shanker

Got it. Obviously, the last lever here, Logistics. So, we spoke about what Montgomery might mean for the asset-heavy business. What do you think that means for the asset-light business in terms of like taking share from smaller players or potentially seeing customers moving to asset heavy? Kind of where does logistics end up, net of some of those trends?

Chris Wikoff

Yes. At least with respect to Montgomery, I think it's overall positive. So, as we were talking about, I mean, it's hard to put our finger on right now something tangible in terms of how it's moving the needle specifically on capacity.

But overall, I think it's constructive for those larger carriers, sophisticated carriers, both on the asset and the brokerage side, that have a safety focus that are well-insured and have sophisticated systems and processes in terms of carrier vetting. What I can tell you anecdotally is we have large customers on the brokerage side. They might also be doing business with us on the asset side that are asking more questions about our vetting practices. Those are great conversations. We like those conversations. I mean it really points to that customers are very much aware of the Montgomery ruling, the precedent that's been set of negligence anywhere in the decision-making process and supply chain can result in liability. You know, liability can follow that negligence. So, shippers are aware, and it's constructive that it's not just about price and on-time delivery, but there's also a broader focus on risk management as part of their equation as they're evaluating risk supply chain.

Ravi Shanker

Got it. So, let's put all of that together. You guys obviously have very robust cycle dynamics on the One-Way side. You have the FirstFleet acquisition on the Dedicated side. You have opportunities from Montgomery on the Logistics side. What does it mean for OR in 2026 and potentially through the cycle, maybe relative to previous up cycles?

Chris Wikoff

Yes. So just to talk about recent trends and trajectory, and then we can talk about where we go from there. But in the first quarter, on adjusted OI, we were 1.5% consolidated, we were mid-2% in TTS.

We basically doubled both of those going Q1 to Q2. So, on a consolidated basis, we went from 1.5% to 3%. On TTS, we went from mid-2% to between 5% and 6% to end the second quarter. So, from a TTS perspective, mid-cycle margins, we're still targeting low double digits. So, we still have a gap to go.

It's going to come through market help. It's going to also come through some self-help in terms of tech-enabled cost synergies, what we're doing intentionally around the portfolio, the FirstFleet synergies. But then from a market perspective, what we're seeing in terms of rate, further demand for a Dedicated model that will come with a higher contribution margin. And as equipment resale

values on used equipment normalizes, all of that is on a cumulative basis, very helpful and gives us confidence in mid-cycle achieving low double digits. So, between now and end of the year, for all of those reasons, we expect overall margins to continue to expand. Logistics had some margin pressure in the second quarter. We talked in our last earnings call about late July, we were already seeing that margin correction. That's continued throughout this quarter, so that's helpful.

Our second half guide or I guess, if you look at our full year guide on gains and just kind of do the math on the second half, it really points to gains being favorable second half versus the first half. So, all of that favorable and should be accretive to margins. Fuel volatility is a distraction right now and a headwind in the quarter, just given the extreme pace that it's accelerating. And even with having fuel surcharges where we can largely pass that on, particularly in a portfolio that has more Dedicated round trip miles where we don't have any empty mile exposure in this type of an accelerated pace of volatility, it's still difficult for those weekly resets to keep pace.

Ravi Shanker

Got it. Let's just talk about that a little bit more because there is some concern about modal shift as well because of $6 diesel. Kind of are you seeing any of that? And also kind of is there any way you guys can accelerate the surcharge mechanism, just given the magnitude of the inflation here?

Chris Neil

Well, to the first part of your question, I mean, yes, we've really seen some acceleration in transition from truckload to intermodal. I think that started probably earlier in the year just with the tightened market, with shippers looking for capacity. We started to see that. Then was it March, April, we saw kind of that first spike in fuel. So that kind of kick started it, and then here we are again with another increase in the fuel price. So those things combined, I think, have moved that over from a truckload to an intermodal perspective. We have an Intermodal division that's growing ourselves. That's a one-stop shop that we can provide that service in our Logistics division, not as large as some of the other players out there, but a very quality product.

Chris Wikoff

And it's important to note, Ravi, that we're solution-oriented with large enterprise customers. So, when they're trying to navigate fuel volatility or tariffs or other things, we have other offerings in our portfolio to where we can address how to solve problems in their supply chain.

Ravi Shanker

Got it. I think that was a very comprehensive unpacking of kind of what we see in the environment right now. I want to spend some time thinking of the long term as well because autonomous trucking has been a topic that has really come up the investor interest curve for us this year. You guys are doing a lot of work there. So maybe unpack for us kind of what have you done so far when it comes to autonomous, what your current partnerships are, kind of what have you found, what's working well, what still needs to improve?

Nathan Meisgeier

Yes. So, I would say we were early in this. We joke about how early on we were going to see autonomous companies wearing disguises because we didn't want people to know that we were kicking the tires, so to speak, on the autonomous because of a fear of driver flight. And there's a theory that the louder a carrier is about interest in autonomous, the more skittish your drivers get. We've been loud with our driver fleet. We've got a driver town hall in Fontana tomorrow, and I'll say this to them tomorrow that even if the bull case of autonomous takes flight, that we will need more drivers next year and 10 years from now than we have right now, and so it's an additive to the portfolio story. And we've been saying that to drivers for years and years, and our drivers are now overall pretty comfortable with that. I can't speak for 10,000 drivers all at once, but pretty comfortable with that.

So, the strategy is right now, we're partnering with several autonomous companies. We think we're with the leaders of the pack. And right now, we're brokering freight to them. So, in the truck, typically is a safety driver behind the wheel, not driving, an engineer in the jump seat for data purposes, and then the truck is driving itself for 99% plus of the trip. That's the usual model right now. I sat through your fireside this morning with Chris Urmson from Aurora, and Chris talked about how the shift from TaaS to DaaS, so driver as a service, is what our vision is, too, that eventually we'll get to fully driver out and that will be the solution that we will start to use. The question is, at what scale? I know that's part of what's baked into your question and how soon. There are a lot of unknowns there, so the economics in your report, will it's not your report, who wrote it?

Ravi Shanker

Well, Nancy.

Nathan Meisgeier

Nancy wrote the report. You get credit for it, but Nancy wrote the report. Yes. We know how that works. So, Nancy's great report is a great starting point for having the conversation about the economics. We believe, Werner, we believe that the economics are not that favorable to autonomous right now, and you and I had a conversation in the hall about some of those factors.

But it is great to get something on paper, to start talking about where do we have a disagreement. And by the way, if Aurora was in the room, we've had those conversations with Aurora directly as well. That's one piece of the economics, probably the biggest.

The next piece is the insurance and claims side. So, there are some things that are crystal clear. If the software fails and causes an accident, the autonomous companies across the board have said, we'll take care of that. If Werner, or the carrier, did something to cause the accident, of course, that's our problem. There's a lot of gray between those two that we have to figure out before anybody would go to scale or at least any publicly traded company would be able to go with this at scale. We're having those conversations with the AV companies. It's just not as maybe linear as it might sound. If you think, I could probably come up with every example of an accident. I'd love to sit down with somebody who thinks they can do that because we can come up with 1,000 more

than what you can think of. And we have to have some agreement in advance of where is the line because the last thing that we need is a plaintiff's lawyer suing an AV company and Werner with two deep pockets sitting in front of them and Werner and whoever, I'll say, Aurora, fighting over who's at fault because that just drives up the verdict. So, we need to get this stuff sorted out in advance.

There's other components. I'll give you the last one so we can move to another topic. But the infrastructure at the beginning point and the endpoint, it's not, again, you and I talked about this briefly, but it's not that the truck has to go all the way to the destination, but it's got to get somewhere better than just to an exit ramp. And where is the infrastructure, the real estate infrastructure or the people infrastructure at the beginning and endpoint to unhook the truck from the trailer or hook it up or do a pre-trip or do a post trip or any of the other things that have to happen, that has to get figured out, too, and I'm not sure ,back to economics, not sure that cost is baked in enough. But it's something we're excited about, and I should have started here. The technology is the real deal. Like if anybody wants to say, I can't believe that a truck can actually do all the things that these companies say, the truck can do it. We're 100% bought in on that.

Ravi Shanker

Got it. First of all, that was an incredibly thoughtful response and clearly you guys are in the weeds on this. So, thank you for that. Maybe one follow-up here kind of as a sell-sider, I think in very simplistic terms, let us assume that all of those friction points are friction points. Let us for now put them in the category of dotting I's and crossing T's. Let's say, at some point, let's not figure out the time frame, you figure all that out. What does this mean for your business 3 years, 5 years, 10 years from now?

Nathan Meisgeier

Yes. So again, it would be a part of our growth strategy. So, it would not be to replace drivers that are currently in our fleet. It would be to grow the fleet with that as an additional component. It would be to improve drivers' experiences. So, a driver who currently is on a long haul, that autonomous can do the long haul and they can do a little bit of more what looks like Dedicated or even dray work at the origin destination, great. They get home more often. They get to see their kids' soccer games more often. That's a high-quality job close to their home, great, let's do that. It's really an "and" proposition. And in 3 to 5 years, we can see that having an impact.

Now an impact that is transformative to the business, honestly, no. But three to five years from now is we'll blink and we'll be there. And 10 years ago, people were saying, I don't believe that autonomous will ever get there. And I just got done saying that technology is the real deal. So, it's going to be an exciting three to five years. And again, the safety case has been proven over and over again by the companies.

Ravi Shanker

Got it. That's super helpful. Any questions from the audience?

Nancy Hipp

I had a quick question on M&A. I know the FirstFleet integration is tracking well, even a bit ahead of plan. How has that changed your appetite for further M&A? Are there any segments that you're looking to augment? Any commentary around that would be great.

Chris Wikoff

Good question. Obviously, we have enough to focus on with FirstFleet optimizing value. It's going well, but we have more to do. So that has our attention. But you also can't control when other quality opportunities are coming to market. I think more are coming to market. We have seen an elevated volume of just inbound inquiries, even if within 30 seconds we determine that, that's nothing that we're interested in. Still, the volume is up. We also know potential opportunities that might meet some criteria that could be coming to market or are held by private equity and maybe beyond a normal hold period. So, there's pent-up demand. There's opportunities that will be coming to market as this market improves. We can't control that timing. And so, we'll continue to balance that and evaluate those opportunities.

FirstFleet is a great proof point for us of what checks the boxes, a strategic fit, a cultural fit, and one that we can continue to grow revenue synergies, cost synergies. It meets the return thresholds that we had, and we feel like we achieved a very good value with it being accretive on day one and just more value to optimize from there.

So, where we can find additional opportunities like that, for sure, those could be opportunities we would be interested in as well as other opportunities in asset-light, where they've got technology, especially in a particular vertical, opportunities that complement what we're doing in Mexico, cross-border, Dedicated Final Mile. So, we'll continue to be aware, engaged, and evaluate opportunities, but we're going to be disciplined and selective along the way.

Ravi Shanker

Chris, really quick, let's talk about your actual fleet, CapEx needs, CapEx plans, growth versus replacement versus emissions regs kind of how are you thinking about that '26 and '27?

Chris Wikoff

Real short answer. Obviously, our CapEx is elevated in '26. It's really coming more weighted here in the second half. That's all aimed for the most part, of reducing average age that's on tractors, that's helpful for the P&L. It's helpful for drivers. It's helpful for customers. Reinvesting in the business is a priority, and we'll continue to prioritize that from a capital allocation perspective.

Ravi Shanker

Okay. We're fresh out of time. So, gentlemen, thank you so much. Obviously, a fascinating time, both from a cycle perspective and from a long-term perspective. So excited to see what happens here.