Werner Enterprises

First Quarter 2026 Earnings Conference Call

Tuesday, April 28, 2026, 05:00 PM ET

CORPORATE PARTICIPANTS

Derek Leathers--*Chairman and Chief Executive Officer*

Chris Wikoff--*Executive Vice President, Treasurer and Chief Financial Officer*

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

Operator
Good afternoon, and welcome to the Werner Enterprises First Quarter 2026 Earnings Conference Call.

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

Chris Neil
Good afternoon, everyone. Earlier today, we issued our earnings release with our first quarter results. The release and a supplemental presentation are available in the investors section of our website at werner.com. Today's webcast is being recorded and will be available for replay later today.

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

The company reports results using non-GAAP measures, which we believe provides additional information for investors to help facilitate the comparison of past and present performance. A reconciliation to the most directly comparable GAAP measures is included in the tables attached to the earnings release and in the appendix of the slide presentation.

On today's call with me are Derek Leathers, Chairman and CEO and Chris Wikoff, Executive Vice President, CFO and Treasurer.

I'll now turn the call over to Derek.

Derek Leathers
Thank you, Chris, and good afternoon, everyone. We appreciate you joining us today as we cover our first quarter results and the state of the market. In summary, market fundamentals are improving, and we are seeing a positive trajectory in our own numbers, which we'll get into shortly.

Throughout this extended freight downturn, we have taken measured steps to position Werner for profitable long-term growth through our operational excellence and our commitment to safety and service. Executing on these priorities, we have actively managed our portfolio to make the business more resilient, differentiated and optimized across market conditions.

We are leaning further into Dedicated and other specialized solutions, including Expedited and cross-border Mexico, as well as asset-light offerings in Logistics. More specifically, in January, we expanded our Dedicated offering through the acquisition of FirstFleet, adding scale, density, and exposure to more resilient customer verticals, including grocery and food & beverage.

At the same time, we also restructured our One-Way business to create a more balanced and higher producing network that is now set to deliver improved profitability. And in Logistics, Intermodal and Final Mile are seeing strong momentum. As a result, Werner is better positioned to capitalize on an improved market.

So far, the recovery in rates has been largely supply driven as capacity continues to exit at an accelerated pace due to regulatory enforcement. As the supply and demand dynamic tightens, we are seeing rate lift and early positive momentum in the bid season. We expect pricing gains to continue with more meaningful improvement in the third and fourth quarters. Taken together, these actions, including our FirstFleet acquisition, One-Way restructuring, and yield improvements, have strengthened our business and provides a line of sight to earnings growth this year.

Turning to slide five to discuss our first quarter highlights. Since acquiring FirstFleet, we have taken a thoughtful but active approach to integration, prioritizing continuity while moving with intent to enhance value. We are retaining the majority of FirstFleet's management team and all drivers while aligning around a shared culture of safety, service, and innovation.

FirstFleet customers have been receptive with a 98% renewal rate across two-thirds of the portfolio addressed to-date. We have strong visibility into the remaining third and expect a similarly strong retention. Our integration of FirstFleet is progressing ahead of schedule. At three months in, we have already realized over $1 million in savings and have implemented actions representing over $5 million of our $6 million synergy target for the current year.

We remain confident in capturing the full $18 million in cost synergies mid-next year, which we expect will improve FirstFleet's operating margin by approximately 300 basis points. We are already seeing revenue synergies, including accelerated fleet startups, project opportunities, and increased backhaul. While still early, these efforts are enhancing customer value and improving returns.

Top-line metrics show positive inflection, with strong improvement in Dedicated revenue per truck per week and One-Way Truckload revenues per total mile. Contract renewals are progressing well. Customers are accepting higher rates and supporting adjustments where needed to Dedicated driver pay. Our Dedicated customer retention, including FirstFleet, has climbed to 95%, closer to our historical trends.

The result of our One-Way restructuring is showing early gains, with first quarter miles per truck up 6% over prior year, despite significant disruptions from winter storms and revenues per total mile increasing 3.6%, our strongest pricing inflection in over three years. Strong execution of these initiatives led to One-Way revenue per truck per week increasing 9.6%, reflecting the combined effect of our restructuring and pricing actions.

Pricing in the quarter departed from seasonal trends as Q1 rates typically decline sequentially after peak season. However, rates were flat sequentially, a pattern we have not seen in the last 10 years. One-Way Truckload revenue per total mile benefited from a smaller, more targeted fleet, intentionality to replace less profitable freight, stronger spot rates, and contractual rate increases secured through bid season.

In Logistics, higher spot rates drove an increase in purchased transportation costs and pressured gross margins in Truckload Brokerage. The margin pressure is mostly transitory as contract rates are reset, and we saw improvement throughout the first quarter. We expect continued improvement in Truckload Brokerage margins as bid-season progresses, along with widespread implementation of higher contract rates.

And lastly, I want to highlight our team's relentless focus on safety and cost discipline. In Q1, our DOT preventable accident rate per million miles was down an impressive 45% year-over-year. Excluding FirstFleet, insurance and claims expense was at its lowest quarterly level in over a year. We also continued to lower our cost to serve through technology and disciplined execution.

Total operating expenses, excluding gains, insurance, fuel, and purchased transportation, were down by 5% year-over-year, and our Logistics division serves as another proof point of tech-enabled savings. Truckload Brokerage operating expenses declined over 25% for the two years following the move to EDGE platform and with relatively stable volumes. Our asset business is now in focus. Building load assignment, equipment management, and planning capabilities takes time but is ramping. We expect all aspects of asset execution to be functional later this year.

Moving to slide six, our plan to position the business for long-term growth and generate earnings power remains focused on three overarching priorities. First, driving growth in core business, which includes growing our Dedicated fleet, increasing One-Way production and rates, and expanding TTS and Logistics adjusted operating income margin. Despite Q1 typically being the most challenging in the year, progress continues on these fronts.

Our Dedicated fleet is growing, with end-of-period tractors up 46% year-over-year with the addition of FirstFleet. Within our organic portfolio, we've increased exposure to new verticals like technology and after-market auto parts. Our pipeline of opportunities coming out of Q1 is strong.

On a year-over-year basis, Dedicated revenues per truck per week increased steadily, driven by the value customers place on the high service and reliability and scale as capacity tightens. In One-Way Truckload, we realized significant improvement in miles per truck. We are securing mid-single-digit increases in One-Way bids, spot rates are higher, and we can be more selective with freight choices given a better supply-demand backdrop. And Truckload Logistics margins improved every month in the quarter as contract rates reset and exposure grew to higher spot market pricing.

Second is driving operational excellence, which we are executing on by maintaining a resolute focus on safety and service, continuing to advance our technology roadmap, embedding cost discipline throughout the organization, and realizing efficiencies and synergies from acquisitions.

We've taken out approximately $150 million of cost over three years and continue advancing our technology transformation. For some perspective on how our technology investments are beginning to translate into tangible results, we've centralized all loads into a single unified platform, achieving full network visibility, which is enhancing our ability to optimize, balance, improve yield, and reduce cost to serve. This integrated foundation has been a key enabler of our One-Way restructuring efforts over the past two quarters and positions us for continued margin expansion.

Building on that foundation, we are increasingly leveraging AI and automation to drive operational excellence across the network. This includes improving load planning and network design, increasing the speed and quality of tender acceptance, and automating routine workflows that historically required manual intervention.

We're also seeing benefits in areas like maintenance, coordination and back-office execution, where automation is reducing downtime, improving asset utilization, and allowing our teams to focus on higher-value activities. From a customer and safety standpoint, we are deploying real-time technology to provide immediate visibility into events such as weather-related shutdowns. While these actions can temporarily impact productivity, they enhance safety outcomes and help mitigate longer-term risk and insurance costs.

Importantly, our approach to AI is disciplined and ROI-focused. We are not pursuing technology for its own sake. We are prioritizing use cases that solve core operational challenges, improve returns and scale across the enterprise, supported by a strong governance framework. While AI adoption has been more visible in asset-light brokerages, Werner stands out as a second-wave winner among asset carriers, given our significant technology transformation and a unified EDGE TMS platform.

We're rolling out AI in phases, driving efficiency today and enabling growth over time. Later, Chris will provide further details on our final priority of driving capital efficiency. Cash flow for the quarter was up meaningfully year-over-year, and our capital allocation remains focused on fueling growth and shareholder value.

Before Chris discusses our financial results in more detail, let's move to slide seven to provide our current market outlook. Capacity exits continue at an accelerated pace, driven by regulatory enforcement and carrier bankruptcies. Higher fuel prices is another more recent headwind for struggling carriers, and long-haul truckload employment has fallen below pre-COVID levels. As a result, further capacity attrition is likely.

Defying typical seasonality, spot rates remained elevated in Q1 and throughout April. We expect seasonal improvement throughout the year as capacity attrition continues. With rate lift currently more supply-side driven, any demand improvement is likely to trigger even greater market momentum.

While household balance sheets remain strong, the consumer continues to face a mix of puts and takes, including tax refunds, fuel prices, and interest rates. Regardless, the consumer continues to remain selective yet resilient, which bodes well for our mix of retail, being more concentrated in non-discretionary items and discount and value retailers.

Lean retail inventories position demand to play a larger role early in the recovery. While trade policy may impact restocking timing, non-discretionary replenishment provides a buffer against near-term volatility.

We expect used truck values to improve later in the year. Increased supply from enforcement is likely offset by OEM manufacturing constraints, aging fleets, and higher-priced 2027 engines, supporting demand for high-quality used equipment.

With respect to driver availability, we anticipate a tightening market for high-quality drivers. Werner is well-positioned as a preferred employer. Our Dedicated division offers predictable roles with frequent home time that attracts top-tier drivers.

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

Chris Wikoff
Thank you, Derek, and good afternoon, everyone. We'll continue on slide nine. All performance comparisons here are year-over-year unless otherwise noted.
First quarter revenues totaled $809 million, up 14%. Adjusted operating income was $11.9 million and adjusted operating margin was 1.5%. Adjusted EPS was $0.02. Adverse weather early in the quarter and rapidly increasing fuel prices in March negatively impacted EPS by approximately $0.05. Consolidated gains on sale of property and equipment totaled $3.8 million, up from $2.8 million in the prior year period.

Turning to slide 10. Truckload Transportation Services total revenue for the quarter was $594 million, up 18%. Revenues, net of fuel surcharges increased to 16% year-over-year at $516 million.

TTS adjusted operating income was $14.8 million. Adjusted operating margin, net of fuel was 2.9%, an increase of 250 basis points. The year-over-year improvement was driven from lower insurance and claims expense for our legacy business, accretive results from the addition of FirstFleet, profitable improvement in One-Way Truckload, and higher gains from the sale of used equipment.

Our fleet metrics are on slide 11. TTS average trucks totaled 8,454 for the quarter, a 14% increase. Note that FirstFleet trucks were in the average for two-thirds of the quarter, as the transaction closed at the end of January. The TTS fleet ended the quarter at 9,040 trucks, up 1,940 or 27% sequentially. Truck additions from FirstFleet were partially offset by normal seasonal declines in Dedicated and fewer One-Way trucks, which we expected from our restructuring efforts. Our One-Way average fleet size declined 19% while total miles were down 15% as miles per truck improved 6%.

Within TTS, in our Dedicated business for the first quarter, trucking revenue, net of fuel was $372 million, up $93 million or 33%. Dedicated represented 73% of TTS trucking revenues, up from 64% a year ago. At quarter end, the Dedicated fleet was up 2,230 trucks from where we started the year, a 46% increase from year-end with the addition of FirstFleet. Dedicated average trucks increased 32% year-over-year and 28% sequentially, with FirstFleet contributing for only two-thirds of the quarter. We experienced normal seasonal sequential change in the Dedicated fleet. Dedicated represented 78% of the TTS trucks at quarter end.

Dedicated revenues per truck per week rose 0.8% this quarter, though impacted by the addition of FirstFleet in the mix. On a standalone basis, Werner's legacy Dedicated fleet delivered a 1.8% increase, while FirstFleet growth in revenues per truck per week exceeded 4%. Therefore, on a pro forma basis with FirstFleet included in the prior year baseline, growth would have been approximately 200 basis points higher or near 3%, reflecting solid pricing momentum across the combined Dedicated fleet.

In our One-Way business for the first quarter, trucking revenue, net of fuel was $136 million, a decrease of 12%. Average trucks declined 19% to 2,122 trucks. Sequentially, the fleet size contracted 11% and was down 264 trucks.

Revenues per truck per week increased 9.6% due to higher rates and better production. Miles per truck increased 5.7% despite winter weather and revenues per total mile increased 3.6%, and empty miles decreased 40 basis points year-over-year and 60 basis points sequentially.

As a reminder, the strategic restructuring of our One-Way Truckload business was designed to enhance profitability by maximizing production and mitigating unprofitable freight. Our actions are complete and One-Way operating margin improved in the quarter. We expect further benefit as we realize a full quarter of these changes in Q2.
Logistics results are shown on slide 12. In the first quarter, Logistics revenue was $196 million, representing 24% of total first quarter revenues. Revenues were flat year-over-year but declined 6% sequentially as we focused on yield management in a margin-pressured environment where purchased transportation costs accelerated more rapidly than sell-side rate renewals with our customers.

Truckload Logistics revenues, which represented 72% of total Logistics revenues, decreased 4% on 9% lower shipments, partially offset by 5% higher revenue per load. The revenue per load improvement was from disciplined pricing and load acceptance but more than offset by higher purchased transportation costs, reducing gross margin by 90 basis points.

Intermodal revenues, accounting for roughly 17% of the Logistics segment, rose by 18%, driven by a 22% increase in load volume, partially offset by a 3% decline in revenue per load. Final Mile revenues, which comprise the remaining 11% of the segment, increased 8% year-over-year.

Logistics adjusted operating margin was negative 0.4%, a 70 basis points decrease driven by lower volumes and gross margin pressure, which we expect to improve going forward as we adjust sell-side rates.

Let's review our cash flow and liquidity on slide 13. We ended the first quarter with $62 million in cash and cash equivalents. Operating cash flow was $89 million, up over 200% year-over-year and up over 40% sequentially. Similar to a low CapEx quarter to begin 2025, our first quarter CapEx was a modest $2 million. Net CapEx for the trailing four quarters is 5.6% of revenue.

First quarter free cash flow was $87 million or 10.8% of total revenues. Total liquidity at quarter end was $513 million, including $62 million of cash on hand and $451 million of combined availability under our credit facilities.

We entered the quarter with $932 million in debt, consisting of $54 million in assumed low-cost capital leases from the FirstFleet acquisition and $878 million on our credit facilities. Debt increased $180 million sequentially as a result of the acquisition and is up $292 million from a year earlier. Net debt increased $282 million year-over-year.

Covenant-defined pro forma net leverage at the end of the quarter was two times, including pro forma synergies and trailing 12 months of FirstFleet results. We continue to have a strong balance sheet, access to low-cost capital, and no near-term maturities in our credit facilities.

Let's turn to slide 14. When it comes to broad capital allocation decisions, we will remain balanced over the long term, strategically investing in the business, returning capital to shareholders, and maintaining appropriate leverage. With the acquisition of FirstFleet, our focus in 2026 will be on integrating the business, gaining momentum on realizing $18 million of targeted synergies, and enhancing value.

On slide 15, let's review our guidance for the year, which includes FirstFleet. We are reaffirming our full year average truck fleet guidance range of up 23% to 28%. Availability of quality drivers has been an increasing challenge more recently as a symptom of an improving macro environment. The Dedicated pipeline is strong and we expect TTS truck growth as the year progresses.

Our full year 2026 net CapEx guidance range remains between $185 million and $225 million. Dedicated revenues per truck per week increased 0.8% year-over-year and was closer to 3% on a pro forma basis. We are updating our full year guidance from a range of down 1% to up 2%, to be flat to up 3%. We have been successful in securing low to mid-single-digit increases in contract renewals for both our legacy Dedicated fleet and the FirstFleet business.

One-Way Truckload revenue per total mile guidance for the second quarter is up 1% to 4%, muted by the ongoing mix change following the restructuring completed late in the first quarter.

Our effective tax rate in the first quarter was 24.9% before discrete items. We are maintaining our full year 2026 guidance range of between 25.5% and 26.5%. The average age of our truck and trailer fleet at the end of first quarter was 2.9 and 6.3 years respectively.

Regarding other modelling assumptions, we continue to expect a net interest expense this year will be between $40 million and $45 million.

We anticipate stable used equipment demand and resale values through 2026 given OEM production constraints and the evolving regulatory backdrop that will be an incentive towards high quality used assets. Our anticipated gains on sale of used equipment and revenue generating assets for the year remains in a range of $8 million to $18 million.

With that, I will turn it back to Derek.

Derek Leathers
Thank you, Chris. We believe Werner is better positioned today than we have been in prior cycles. We have used this downturn to make the business more resilient, improve the quality of our portfolio and strengthen our ability to convert an improving market into stronger financial performance.

We are encouraged by the progress we are making across the business, including Dedicated growth, FirstFleet integration, One-Way improvement, Logistics margin recovery, technology implementation, and continued cost discipline. While there is still work ahead, we believe the foundation is in place for earnings improvement to build as the year progresses.

With that, let's open it up for questions.

QUESTION AND ANSWER

Operator
(Operator Instructions)

And today's first question will come from Chris Wetherbee with Wells Fargo. Please go ahead.

Chris Wetherbee
Thanks. Good afternoon, guys. Could we just start, Derek, on sort of the take on the market broadly and then you've given us some perspective here. But I know the business is evolving, a little bit more Dedicated, a little less One-Way, but as we think about sort of generally speaking, bid season, what do you think sort of the pricing environment is offering now as you look kind of across both pieces of the business?

Derek Leathers
Yes, Chris, obviously the two parts of the business function a little differently, but if I just start at the macro, we are seeing ongoing largely supply-driven constraints that are continuing to gain momentum as we get deeper into the year. Coming into the early part of the quarter, clearly it was a bit abnormal that spot rates held up as well as they did coming out of peak season. They have grown from there. I know there was a lot of noise about what was weather-related versus other, and I think the timing and duration has shown that it was more than weather. Those capacity exits are only ramping at this point, both through enforcement as well as still some final fallout, if you will, from the freight recession we have lived in the last couple of years, all of which sets us up during bid season.

On the One-Way side, we've talked about mid-single-digit rate increases early in the Q1 bid season. Clearly, momentum is growing from there. It's hard to be specific because every customer situation is different and how it fits into our new, restructured network lands differently. But the expectation would be further strengthening from here as we look forward on One-Way.

And Dedicated, that's the stable part of the business. It held up well during the downturn. It has lots of upside as the market continues to strengthen. I would start first with the strength of the pipeline and new opportunities, which leads to our ability to be very selective, to bring the right opportunity in and in the right geography at the right price.

On incumbent business, renewal rates are increasing rapidly and those are coming with price relief. Those customers also now, probably more so than before in a tight market, really covet the service levels and the confidence that comes with Dedicated capacity. So, we're going to continue to push on the Dedicated side to get both the price relief we need as well as increased selectivity in what is otherwise a very robust pipeline. So, as I look out, I think it builds from here and the bid season with the quarter of the business basically repriced in the first quarter is still ongoing and Q2 is the largest pricing activity of the year and a lot of that will obviously implement late Q2 and into Q3, but I am optimistic from where we sit today.

Chris Wetherbee
That's great and then maybe just one quick follow-up on FirstFleet. Obviously, now you have it and beginning to roll through the numbers. Can you give us a sense of how the integration process has gone and your kind of thoughts around what we might see from a contribution perspective, whether it be an earnings basis or a profit basis, margin basis, as we think about the rest of 2026. Thank you.

Derek Leathers
Yes, I will probably keep part of it somewhat general, but on the integration, I will start with, you know, when in doubt look at the scoreboard. We are excited about the fact that we're ahead of schedule on the integration. We are ahead of schedule on the synergies. We have implemented and realized $1 million of the $6 million in-year synergies already. We have identified and actioned $5 million of the $6, both of those numbers are ahead of schedule. We have confirmed and revalidated our $18 million assumption and those are all just cost synergies and

so that it's going well. Culturally, probably going better than that. The team is who we thought they are, the customer base is who we believe they to be in terms of both the potential for cross-selling as well as acceptance of Werner as part of the solution.

So, we are going to continue to stay close to it. I am excited at this point with how it's gone thus far and the renewal rate is probably one of the best scoreboard metrics to point to with two-thirds of the 2026 renewals already being in the books with a 98% retention rate. I think that speaks to the value that the customers also see with a broadened portfolio brought to bear as well as the longevity and the quality of FirstFleet and the underlying asset it represents.

Operator
The next question will come from Ari Rosa with Citigroup, please go ahead.

Ari Rosa
Hello, good afternoon. Derek, I was hoping just to start, you could give us some thoughts on the ability of Dedicated to capture upside in the cycle inflection. I know you have long-term relationships with a lot of your customers. Does that mitigate to any extent the ability or the desire to kind of push rates when we see spot rates comping up double-digits but, you mentioned some of the contract rate increases being a little bit more modest than that. Is that intentional or is that just a function of we are early in the bid cycle and we could see upside from here?

Derek Leathers
No, I think a better way to think about it is Ari, is that, Dedicated, it is really a truer version of a partnership. It's us working with the customer collectively to move, service sensitive goods at scale with pretty high driver involvement. You put all that into the mix and what it really means is that the way we achieve the upside in a tightening cycle just takes a little bit different form. As they continue to grow and the market is tighter than it was a year ago, we see fleet additions across multiple fleets within Dedicated. Those fleet additions come at a higher contribution margin than the existing or incumbent trucks that are already in place.

Fixed costs are largely already spoken for and we are just simply able to add truck count. So that doesn't show up in rate per mile, but it certainly shows up in profitability. We are also able to increase backhaul and be able to fill more empty lanes and that benefits both the customer and us. So, everybody wins but we are able to bring more money to the bottom line. And then selectivity at the front door. I have talked about that a couple times now but an extremely robust Dedicated pipeline right now and so our ability to be selective and make sure we are looking for kind of overlapping synergies with existing fleet, strong driver domicile areas, places where we can share assets and do so in efficient and creative ways where the customer benefits but so do we.

All of that only happens with the long-standing relationships that come with Dedicated, and then with FirstFleet in particular it just created a significant amount more density across certain geographies in our network that allows everything to kind of have a bit of a multiplier effect. So, we are excited about the upside. We have proven it in other up cycles that Dedicated wasn't the anchor that people believed it to be. We are going to have to go out and prove it again and while I understand the concerns, we just simply view it as a different method by which we need to leverage the up cycle but the outcomes have the ability to be similar.

Ari Rosa
I appreciate that, Derek. So just as a follow-up and kind of in line with that comment, is there a good way to think about what the upside could look like or maybe you could speak to how we should think about margin potential at mid cycle?

Derek Leathers
Yes, sure, I mean we have talked for some time that even at the depths of the freight recession, Dedicated still remained a high single-digit type margin profile. It won't be long before we are back into the double-digit range and that's really where Dedicated needs to be based on the capital intensity, the service expectations, all of the work and designs that goes into building these fleets. And mid-cycle, you can expect that that's going to look obviously more like mid-double digits. But a lot of work to do to get there. And again, with the integration of FirstFleet, their margin profile was, call it roughly half of ours, but the synergy targets that were identified closes a large portion of that gap, and that's before we start realizing revenue synergies and cross-selling opportunities. So, there's a lot to do, but we know where the bodies are buried. We know what the work is that needs to be done, and we're actively executing on it right now.

Operator
Your next question will come from Daniel Moore with Baird. Please go ahead.

Daniel Moore
Hello guys, appreciate the question. Pretty solid quarter, particularly given weather and fuel. I just wanted to clarify, Chris, I think you said both weather and fuel were about a $0.05 impact. That's my first question. And then I was hoping to get a little bit more color just on the pace at which the book renews over the course of the year. Derek, you mentioned, I think, 25% in the first quarter. The second quarter was the heaviest quarter, but maybe if you could provide a little more context on that.

And then just recognizing that in a normal world from April to June, we do see, and I think we're all hoping and expecting that we'll see some seasonality this year relative to last year, which was largely absent. What do you think that means for rates in 2Q and 3Q? That's kind of it. I appreciate it. Thank you.

Chris Wikoff
Hey Dan, this is Chris. A lot packed in there. Let me just first start with fuel and weather. You're correct, approximately $0.05 the majority of that being from weather, call it, $0.03 to $0.04. That's really based on productivity that we lost during that storm. When you think about winter storms that we had in the same period, about a year ago, we would call this year just at the initial impact being much greater. I think we mentioned on our last call that at one point in time, we had 50% of the fleet that was parked and off the road. That was pretty significant, not something that we've really seen before in our history. Now the duration of the storm was shorter. So, we were able to get those trucks back on the road and moving more quickly maybe than we could prior year.

So, that was about $0.03 to $0.04 relative to weather and then call it $0.01 to $0.02 from the fuel impact. As you know, we can pass a very high degree of fuel volatility on to the customer through the fuel surcharge. So, it's really more about timing and volatility that is within any given week given that we have those weekly Department of Energy resets. So, some short-term pain, not necessarily expecting that in the second quarter, more of a cash flow impact. Obviously, the lag there to collect on that fuel surcharge. I would just note that as we grow in more of a

Dedicated mix where those are round trip paid miles, just as that mix grows, there's less exposure to that fuel volatility.

Chris Neil
And Dan, in terms of effective dates, from a One-Way perspective, I think Derek referenced about a fourth of the One-Way business was repriced and was effective in the first quarter. Most of that, though, is late in the quarter. We have just over a third of that One-Way business then that comes in the second quarter. Another fourth in the third quarter and the remainder in the fourth quarter.

In terms of Dedicated, that's a little bit more even throughout the quarter, at least our legacy fleet. From a FirstFleet perspective, they had a little bit more in the first half of the year. And as we said, we're working through that and have had really good results with retention so far.

In terms of seasonality with spot rates, clearly, spot rates are elevated. They've been elevated. They did not act seasonally at all through the first quarter and have remained elevated here in April. And I think our expectation, at least our base case at this point would be that they act seasonally here now through the rest of the year. So, we're not expecting a decline. You have road check week that's coming up here in a couple of weeks, which typically provides a bounce. And so, our expectation would be that spot rates would continue to lead contract rates. There continue to be good opportunities to capitalize on those freight choices and those freight options while continuing to service our customers with commitments that we've made.

Operator
The next question will come from Jordan Alliger with Goldman Sachs. Please go ahead.

Jordan Alliger
Yes, hello. I just wanted to come back to Dedicated for a second. I think you had mentioned that the pipeline was pretty strong. I wanted to see if we could go a little bit more there. I mean, are you seeing the issues with truckload capacity, driver concerns, et cetera, pushing up that pipeline or quicker closing of that pipeline? Like does there seem to be an acceleration at this point in terms of those trends?

Derek Leathers
Yes, Jordan, I'll take that. I mean it's a little bit of both, but I do want to point out that one thing we're not going to do is lose our discipline on what really is Dedicated. So, you see a lot of capacity Dedicated fleet proposals hitting the market during times like this, where they're really just a continuous move over-the-road type fleet that's not actually Dedicated closed loop, short-haul, return to home. And we're going to be very selective on that. If we were to entertain some of those opportunities, we'll largely run those in our One-Way network versus putting those into Dedicated. But that's certainly part of it.

Quicker to close for sure, when you get into a tighter market. The ability to implement and for somebody to be willing to make a change to secure a portion of their supply chain in a high service, high capability kind of backdrop is something that they're a lot more open and excited to. And so, I think it's a little bit of both of those things. A lot of it is just we've been building this pipeline for some time. We've done some reorganization within the sales force. We've got some new leadership involved as well. And all of that is kind of coming to fruition.

And so, I think there's a flight to quality, which is part of it. I think our bigger density with the acquisition of FirstFleet and the larger overall scale of our presence out there in the market is certainly part of it. So, it's a long list of things, but the encouraging part really is just the size and scale of the opportunities in front of us and our ability to make sure that we're picking where we can win, where we know we can serve, where we know both us and the customer are going to be excited about the outcome and the ability to improve the financial state along the way.

Operator
The next question will come from Scott Group with Wolfe Research. Please go ahead.

Scott Group
Hello thanks. Afternoon guys. So, revenue per mile was up 3.6% in Q1. Your guide is 1% to 4% for the quarter. So, for second quarter, despite pricing accelerating. I just want to understand that a little bit more. Is this just some of the mix changes with the restructuring? And so, is the offset maybe lower revenue per mile, but a lot higher miles? I don't know, maybe revenue per truck is the right way to think about it, if you have any sort of thoughts or color.

Derek Leathers
Yes, Scott, the short answer is you're spot on. That's exactly what it is. As part of the restructuring, as part of the redesign of the One-Way network, there's a pretty significant mix change going on. There's a lot of short-haul congested type loads that were taking place in the network that are not part of the mix anymore when you do a year-over-year comp. And so, that's diluting, if you will, the impact of the actual underlying rate increases. There's no other story there. That's really it in its totality.

Mid-single-digits is what we were seeing in Q1. That needle is being pushed higher as we get into Q2. But we really had to do some digging and some analysis to understand the impact of mix, and that certainly plays a role in it. So, I believe you're thinking about it the right way.

Chris Neil
Scott, I would add on to that, that our length of haul did increase almost 6%. So, that's reflective of the mix change that Derek mentioned. And then to your point, looking at both rates and miles from a revenue per truck basis in One-Way, a 9.6% increase year-over-year, fairly significant and reflective of the efforts there.

Chris Wikoff
And not to pile on, Scott, but I would just add also to that, that fundamentally, we have talked several times about the One-Way restructuring all being aimed towards profitability improvement. We did see even in a seasonally low quarter with winter storm distractions, we did see profitability improvement in One-Way as a result of these actions, which we didn't get the full quarter benefit from.

Scott Group
Yes. So, maybe to that point, we've got the full quarter coming of that benefit in Q2, pricing is going up, full quarter FirstFleet. Like I think like in a world where rates are improving, you typically see, I don't know, 2 to 3 points of margin improvement 1Q to 2Q. Could it be better than that? I mean, I guess, it feels like we should be on track for a sub-95 OR in Q2? And I don't know, I know you don't like to give a lot of guidance, but do you think this sets us up to get back towards like a low-90s OR by the end of the year?

Chris Wikoff
So, you're right in terms of we won't get too specific in guiding you on a quarterly basis, Scott. But you're correct on some of those tailwinds and those things that would contribute to second quarter relative to first quarter. So full quarter, FirstFleet accretion and benefit, full quarter of those One-Way restructuring benefits, along with rate lift from yield management, renewals, higher spot exposure and the like.

Derek Leathers
Yes. We just balance that with the reality, Scott, that we still have a conflict in Iran. We're still a tweet away from a new tariff potentially. And so, there's certainly some disruptions that are out there on the horizon that cause us to have some pause, but from a macro perspective, big picture, there's certainly some wind in the sail right now, and our job is to go out and execute against that.

Operator
The next question will come from Jason Seidl with Cowen. Please go ahead.

Jason Seidl
Thank you, operator. Hello, Derek and team. A couple quick things. One, I wanted to sort of touch base on a comment you made in the presentation on driver availability. What are your thoughts on when we might potentially see driver pay hikes this year? And do you think they'll be sort of within more normal seasonal trends or might be above seasonal trends, given the tightness in the marketplace? And then, maybe you can provide some color on the broker side of the business. Obviously, Q1 provided a squeeze with the way spot rates were going. Wanted to know how we should think about margins on that segment going forward?

Derek Leathers
Yes, Jason. So, on the driver side, a couple of notes there. With 78% of our trucks in Dedicated, it's a great starting place to be when you think about a driver market that's clearly tightening. Those are the best jobs for drivers to get. They're getting them home, nightly, weekly, multiple times a week, depending on the fleet. Pay in those jobs is directly built and reflective of the work involved. And so, we have a really good feel on what it takes for a driver to stay in one of those fleets. And where there's a gap or where there's more tightness in a particular geography, it's a one-on-one conversation with the customer about essentially their drivers on their fleet. And so, the ability to get rewarded from the customer in order to make sure all the trucks are seated, while never easy, is certainly a very understood fact, and it's something that we've worked through already on several accounts within Dedicated this year, and we'll continue to work with others as we go forward.

You couple that with the fact that we have our own integrated school network, providing very high-quality drivers into the fleet on a weekly basis. It puts us in a better position from a relief valve perspective. And then a robust experienced hire program here at Werner. We're seeing application counts go up as the tightening of this market takes place. One of the underlying realities is because it's supply-driven, it's tightening through enforcement issues, but also financial outcomes. And so, there's a lot of struggling fleets out there still that really couldn't quite get all the way through this dark period. And so those drivers are looking for safe havens in places where they know their check will cash.

As we go forward, we will be selective. We will look at it very carefully and make decisions where we believe that investment is the right move to make. But I'm pretty proud overall of where our driver pay stands today. We've got a really good, strong group of tenured drivers,

both at Werner and at FirstFleet. Combined, we have over 1,000 accident-free million-mile drivers going down the road on any given day, and over 2,500 drivers between our two fleets that have over 10 years experience at either FirstFleet or Werner. So, there's a good stable middle to the fleet composition. But we'll stay close to it. I think we're in a better position than most, and as the market continues to evolve, I will be all for a tighter driver market going forward. If that's the case, it really sets us up to provide even more upside opportunity through the cycle.

On the brokerage side. Yes, I mean, that's a story that I think's been well told already by many, but clearly Q1 is an inflection quarter. There's buy-side pressure out there as this enforcement continues to take hold. And although we don't broker loads to the types of carriers that are faced with a lot of this enforcement action, it's still an open marketplace. And so, everybody's got more choices and more options. Pricing's driven up. And so, we saw some margin compression. I'm proud of the cost reduction work we've done, which helped to mitigate a lot of that, what would have otherwise been kind of worse news. And we're going to continue to look for productivity gains and cost enhancements throughout our Logistics business. But most importantly, we're going to be actively resetting those sell-side prices as we go forward. Our spot exposure will grow over the course of the year, as will the resetting contract pricing. That too, will move up. And you saw that in Q1 with a 5% increase in revenue per load across Logistics. And we'll continue to work that as we go forward.

Operator
The next question will come from Ken Hoexter with Bank of America. Please go ahead.

Ken Hoexter
Hello, great. Good afternoon, Derek Chris and Chris. Chris, so you noted some pricing actions that you were taking. Derek, can you maybe just clarify a little bit in terms of, I want to understand your answer to Ari's question before. Are you shifting how you lock in the Dedicated contracts? Are you changing terms? I just want to understand how you're shifting that. And then, my question is on given the software you were talking about, should we see empty miles shrink, is that not a factor for Dedicated versus over-the-road, or what does it allow you to address in either the cost or efficiency gains on the network going forward?

Derek Leathers
Sure, Ken. Yes, in Dedicated, despite the fact they're multi-year contracts, we have indexes and various functions by which price can be raised on a yearly basis. But outside of that, at any given time, just even with multi-year contracts, you've got large swaths of Dedicated coming up for renewal. And as we're renewing those fleets, we're having robust conversations with the customers about the state of the industry and what's happening out there with capacity, and we're able to reset the price components at that time. As it relates to the other mechanism or lever to pull, which I talked about, which was incremental trucks being added into those fleets, it's not that they're necessarily priced at a different rate, they just have a different cost because a lot of the original fixed costs of setting that fleet up is already in place. So, they have incremental margin contribution.

And to your empty miles question, clearly there's a backhaul opportunity in front of us that was much more challenged a year ago. Not just in rate on every one of the backhauls you haul, it'll now be at a higher-priced number, but also the frequency by which you can fill backhaul lanes in a market that's more tight, it allows you to eliminate empty miles and really with a revenue share program, benefit both the customer and our bottom line. So, it's kind of a good-news item all the way across, and there's no signs on the horizon to point back to some of the prior questions

we received that normal seasonality isn't around the corner, and if so, the market only further tightens from here.

Ken Hoexter
Yes. And does it allow you to address the other cost and efficiency, you talked about the synergy gains, how about the costs that you can take advantage of in your own network?

Derek Leathers
Well, clearly, part of the synergy gains when we stand alone or we give standalone FirstFleet numbers, those are what we think we can do there relative to the increased density, you know, better ordering, better truck, trailer, tire purchasing, fuel, et cetera. But there's synergies on our side, too. I mean, and those are more just really reaping the same benefit of that additional density and, frankly, larger purchasing power across the entire fleet. So, yes, there's opportunities to continue to mitigate cost, but it's still an inflationary backdrop overall. I mean, the macro is still inflationary, and what we have to do is continue to work as we go forward to mitigate as much of that as possible by finding and extracting more OpEx savings through our tech journey, increasing productivity as we now have all of the freight into one visible network. And we're able, for the first time, really start contemplating asset sharing and things in ways that we couldn't do previously. Now, that's early innings, we got some work to do, but that is a major part of the 2026 roadmap.

Operator
The next question will come from Richa Harnain with Deutsche Bank. Please go ahead.

Richa Harnain
Hello, thanks, everyone. Good afternoon. So, Derek, I wanted to get your perspective on where you think we are in terms of overall capacity attrition and due to better enforcement that's occurring. You mentioned also just a prolonged freight recession pushing capacity out, maybe diesel prices too. I've talked to you all about that, you know, making it difficult for the smaller carrier to compete. Do you think we're still in the early innings of capacity cleanup, or do you think there's a lot more to come, and how do you get comfortable that these capacity declines are sticky, or, you know, as rates continue to improve, maybe we see more capacity creep?

And then, Derek, you also mentioned a lot of work needs to be done to get back to that double-digit margin range for Dedicated. Is it really just rate repair that's the lion's share of that, or is there more you and the team need to do, or maybe the market needs to give you that better demand, to get you back to that sort of level?

Derek Leathers
Yes, thank you, Richa. Really good questions. I guess I'll start maybe in reverse order. On the Dedicated front, I don't know that it's particularly difficult, it's just a process that takes some time. Again, we're not far off from those type of numbers as we said today. We're getting increases in Dedicated, we're seeing the ability to have higher selectivity in new fleets entering the market, so all of those things are really setting up well for us to be able grind it out, if you will. It's not going to be an "Aha" moment, it's going to be more everyday execution, everyday focus, making sure that we keep the truck seated and that we exceed the customer's expectations.

As it relates to where we are on the capacity attrition, obviously it's hard to have a perfect crystal ball, but I will say this. I see no slowdown in the enforcement actions, and if anything, there seems to be sort of a drumbeat of increased pace and increased understanding of how widespread some of the coloring outside the lines really was.

And so as we, you know, track a lot of things, one thing I would point you to is, you know, long-haul trucking employment data, which show that it's now below pre-COVID levels for the first time and actually all the way back to 2017-type levels. That's an interesting stat just to keep an eye on and for us to kind of monitor. We know enforcement started with really kind of muscling it, at the scales, at the officer level, and now it's taken a more tech-enabled approach to looking and scanning for things that look to be inappropriate. It's also gotten wider, and so as they expand enforcement to include schools, to include the actual licensing process, as they expanded to now even this week, they rolled out some more increased border enforcement relative to the B-1 cabotage issue and again, that's early innings.

So, I think there's a lot more where that came from. And yet, we have a macro backdrop where the consumer's more resilient right now than maybe I would have expected at this point. There's some potential in the back half, that we see some interest rate reductions, we've got residential housing still kind of on the side line mostly, but at some point, it's got to pop up if we see some interest rate reductions. So, the demand side of the equation still looks to be in a good place. And our portfolio mix is more non-discretionary than it's ever been with the acquisition of FirstFleet. So, it is all kind of need-to-have and need-to-have-now type stuff that we haul predominantly across the portfolio and often in the discount end of the spectrum. And so all that positioning, I think, looks pretty good. And if we see some normal seasonality and demand inflection, I think it just adds a little more fuel to this fire as we go forward.

Operator
The next question will come from Tom Wadewitz with UBS. Please go ahead.

Tom Wadewitz
Yes, good afternoon. So wanted to see if you could talk a little bit about, inflation and how much of a kind of headwind that is to what seems like a setup for quite a bit of a potential margin improvement. I think you probably had a couple different sources. Inflation has been a headwind to margin. It's not just, you know, a challenged rate environment the last couple of years. And so, do you need some of that to ease in order to get the traction on the margin side or just how do you think about that as a factor in maybe the pacing and margin improvement you can get in TTS? And then I had one on the Brokerage side for you as well.

Derek Leathers
Yes, Tom, thanks for the question. I mean, look, when you look at the component cost or the components of the bulk of our cost, you are talking about trucks and trailers and tires. Our tech journey is certainly expensive. There's a lot of money that we're investing into the fleet to make sure it's refreshed and in a good place. I will point out that while the fleet's a little bit older than maybe what some have been accustomed to. It's also a lot more Dedicated than it was back when we had a slightly younger fleet. So, we like the current positioning, but none of the asset choices are really getting any less expensive.

And so that's why we have to continue to work on the OpEx side of the equation to make sure we are focusing on productivity and gains through technology. A lot of the tech spend up until this point, you know, we still have some decent amount of duplicative spend where we are both managing our old systems and our new system. That largely sunsets by the end of this year.

And so that's exciting to think about as we go into 2027 with a clean tech stack with enhanced capabilities and now improved data structure. So, we can really lean into some of the benefits of AI and some of the data type work that comes along with that. So, it may not be sexy because it's a lot of very difficult execution moments to compile as we go through the remainder

of the year, but the roadmap looks solid. We're staying the course, and I am pretty excited about our ability to do things like what we have seen in Logistics but across the rest of the portfolio as we get the tech journey, kind of, further along than where it sits today.

Tom Wadewitz
I was just going to say how does that net out, like does the pace of inflation moderate in 2026 versus what you have seen in past couple of years or that you think it's kind of a similar pace of inflation?

Chris Wikoff
I don't think we are seeing inflation up and down the P&L as we were in the last couple of years but that's not to say it doesn't exist. Derek mentioned some of those categories where there is still more elevated inflation, some of the equipment and parts, some in employee benefits, insurance premiums although our increases have been, I think, modest relative to the rest of the industry. So, inflation is there. You know, that's something that we are mindful of and we are in an environment where our customers are mindful of it as well.

And we are seeing more shipper openness and acknowledgement, particularly on the Dedicated side where there is some driver pay increases. There are other inflationary factors that need to catch up as those contracts renew. I would also mention we talked a lot about cost savings over the last three years, $150 million of cost takeout over that time. During this downturn, that's been largely to combat inflationary pressures, but it's largely structural sustainable, so we will get some lift as we hold the line on that lower cost profile but we see rate increases, we see demand lift and some higher contribution margin as we see top line growing.

Tom Wadewitz
Yes, that's great, thanks. Just one on Brokerage, I know you've invested a lot in systems and just wanted to see if you could offer some thoughts on how that manifests for carrier selection and safety. It seems like you have seen a lot of focus given Montgomery, but it's like well, you know, you can buy cheap and maybe a lower bar on, you know, filtering carriers or you can filter the carriers more and maybe you don't get as good of purchased transportation. And I guess, I'm wondering kind of how you think about that and where maybe you think you are on the spectrum?

Derek Leathers
Tom, as it relates to Brokerage, we have invested heavily in qualification tools and so when I think about our carrier selection, carrier qualification and the robustness of its ability to, kind of weed out bad actors, it's a point of strength. It's always an ongoing battle. I think the level of fraud and some of the things going out there was larger than any of us fully, probably, recognized. But to your point, there is a major decision coming down the pipe.

And so, we're not backing away from our commitment to further fortifying that selection process and further strengthening and making it even more rigid, if you will. And it shows up some like if you look at our volumes, our volumes were fairly muted year-over-year, but a lot of that is because we are being very selective and trying to eliminate the really bad day and do the best we can to put our freight in the hands of folks that are qualified, competent and capable. And if they are all those three things, that does come at a price. And that's okay, and we need customers to recognize the quality of that product, some do, some don't. And so, you work with those that do and you kind of pass on those that don't. And I think that's going to be an ongoing trend as this year plays out and certainly one that could accelerate pending the court decision.

Operator
And the last question for today's call will come from Brian Ossenbeck with JP Morgan. Please go ahead.

Brian Ossenbeck
Hi afternoon. Thanks for taking the question. Maybe, Derek, we've heard about hair follicle testing for a while. I guess the rules are actually written, but still sitting somewhere not really, I guess, codified or put into action. So, as we think about the additional regulatory levers, not necessarily enforcement of the existing laws. I guess this one will be bringing out one and maybe putting into practice. I know yourselves and others do a lot of this already, but curious to think, I guess, first, if you think that this could be actually something we see come to pass under the current administration? And secondly, if so, what's relative timing and impact from your perspective?

Derek Leathers
Yes, Brian, great question. We have been, in fact, as you mentioned, hair follicle testing every driver coming into the fleet. We are a strong proponent of hair follicle testing. It's a much more accurate, much more long-lived test and a much better way to make sure America's roadways are safer. I do believe this is an administration, it's been sitting, as you probably know, on HHS' desk for a long time. It's been dusted off and some of the efforts to further that into law or further the implementation, I should say, hair follicle testing is gaining some traction. There's also more on the sort of saliva or wet testing they talk about, which is also more accurate. I, for one, hope that we go to an industry standard of hair follicle testing because I think it does eliminate a great deal of bad actors from being behind the wheel of a truck.

We know when we made that transition, hair follicle testing was 10 times more likely to show a positive than urine analysis. Today, I can't give you current stats because everybody knows we hair follicle test. So, nobody comes here or applies or tries to work here if they are a user because they know that they're going to be tested. And so, it's hard for me to give you current stats. But historically, every fleet that's converted has seen a significant uptick in failures. That, coupled with some work the administration is already doing on kind of furthering the journey, if you will, once you're in the drug and alcohol Clearinghouse to have to prove that you've been through the program and that you're clean before you retake the road will be yet another leg to the enforcement stool of many legs that we've talked about today. So, I think enforcement is going to still be kind of the word of the year. And I think you're going to see more of enforcement of existing regulations and/or implementation of ones that have been delayed for way too long, and we are proponents of all of the above.

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

Derek Leathers
Thank you, Chuck, and thank you all for joining us today. Our first quarter results clearly validate the actions we've taken during this prolonged freight downturn to structurally improve Werner. The FirstFleet integration is ahead of schedule, our One-Way network is finding its stride and our technology investments are driving real efficiency gains. We are now a leaner, more agile organization.

As market fundamentals improve, our scale and diverse solutions give us a significant competitive advantage, positioning us to accelerate our earnings power. None of this progress is possible without our people. Thank you to our customers for their continued trust and an especially big thank you to our dedicated drivers and associates, including our newest FirstFleet family members for their relentless dedication to safety and service. I want to thank you all again for your time today and for your continued interest in Werner.

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