# Werner Enterprises

## Third Quarter 2026 Earnings Conference Call

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**CORPORATE PARTICIPANTS**

**Derek Leathers--***Chairman and Chief Executive Officer*

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

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

(Operator Instructions) Please also note, today's event is being recorded. And at this time, I'd like to turn the floor over to Chris Neil, SVP of Pricing and Strategic Planning. Please go ahead.

**Chris Neil**
Good afternoon, everyone. Earlier today, we issued our earnings release with our third 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 2 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 of 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 will now turn the call over to Derek.

**Derek Leathers**
Thank you, Chris, and good afternoon, everyone. We appreciate you joining us today. Before we jump into the details of the quarter, I want to start by thanking our team of committed drivers, mechanics and office personnel. In an environment marked by rapid macro shifts and operational headwinds, our team's unwavering commitment to safety and service kept our network performing at a high level and enabled us to continue delivering for our customers.

Our business generated strong top line momentum with third quarter revenues of $951 million, representing 23% year-over-year growth. Non-GAAP adjusted diluted EPS was $0.16, significantly improved from last year. We delivered these results despite significant near-term cost pressures. We faced sharply rising fuel prices, escalating driver onboarding and retention costs and elevated reserve development. Cumulatively, these items negatively impacted our results by approximately $0.18 per share compared to the second quarter.

There are 3 key messages we want you to take away from our results today. First, our strategy is delivering results. Our One-Way network restructuring and Dedicated fleet expansion are translating into improved asset productivity, network yield and structural cost efficiency. This progress is reflected in our revenue growth and our near doubling of adjusted operating income for the quarter. Year-to-date, our adjusted operating income dollars are 2.4x prior year.

Second, we believe we are still in the early innings of a multiyear up cycle. Structural supply contractions continue across the industry. Customer demand remains stable, and our pricing discipline remains firm with rates continuing to move upward toward more sustainable reinvestable levels.

Given the opportunities we see ahead, we made a deliberate decision to accelerate investments in driver hiring and retention. We made a significant investment in incremental recruiting, driver training and onboarding costs to seat trucks and support customer demand. We began to see the results as our TTS fleet increased from beginning to the end of the quarter.

Finally, the third takeaway is that the near-term costs impacting our results this quarter do not change the trajectory of the underlying business. None of these items changed the structural strength of our business or the progress we are making. In fact, they highlight the resilience of our model and ability to absorb near-term cost friction to better position our fleet, capture strong demand, secure market share and support future growth. Our focus remains on strengthening the core pillars of Werner's business, which we believe positions us to create value for shareholders.

Turning to Slide 5. Let's discuss our third quarter highlights in more detail. Looking at Dedicated. This business continues to be at the core of our portfolio, delivering strong demand and solid performance. Excluding fuel surcharges, total Dedicated revenues increased 52% year-over-year, while revenue per truck per week grew nearly 6%.

Customer retention remains exceptionally strong at over 95% and accelerated driver recruitment helped us expand the fleet by 130 net additional trucks sequentially. Bid activity remains at record levels as shippers move to secure reliable high service capacity in a tightening market.

It's been eight months since our acquisition of FirstFleet, and the business continues to perform ahead of acquisition targets, delivering high customer retention, stable revenues and expanding synergy capture. Continuity with drivers, associates and customers continues to be outstanding. Given FirstFleet's strong service and customer relationships, we've achieved a 98% renewal rate on over 85% of the portfolio that has come up for renewal so far.

Turning to One-Way Truckload. Our strategic turnaround continues to gain traction. We are continuing to prioritize yield and productivity over sheer volume, and that is translating into meaningful results. In the third quarter, revenue per truck per week surged by 34% year-over-year, driven by ongoing improvements in miles per truck and revenue per total mile. These intentional actions led to adjusted operating margin expansion of more than 800 basis points year-over-year. With a stable fleet, our focus has shifted to building fleet capacity while maintaining the relentless operational discipline that generated these margins.

In Logistics, performance rebounded sharply as purchased transportation costs stabilized and higher contract rates gained broader traction across our customer base. Brokerage gross margins expanded by $3.4 million and over 600 basis points sequentially, successfully restoring the segment to positive adjusted operating income.

We are also delivering accelerating momentum in our high-value cross-border Mexico and PowerLink offerings. These premium services deliver expanded contribution margins while reinforcing the distinct competitive advantage of a large asset-backed logistics provider, a value proposition that has become increasingly critical for shippers in the wake of the Montgomery ruling.

Before Chris discusses our financial results in more detail, let's move to Slide 7 to summarize our near-term market outlook. In our view, we remain in the early innings of capacity reductions as a result of enforcement efforts. Greater agency collaboration and data sharing combined with increased use of technology will further accelerate capacity attrition from here.

Furthermore, the combination of escalating insurance premiums, aggressive carrier vetting, heightened litigation risk, high fuel prices and stringent regulatory requirements effectively creates high barriers to entry. Because it's becoming more challenging for new capacity to enter the market, disciplined operators face less threat from non-compliant capacity. This structural floor creates a stronger, more sustainable market backdrop, paving the way for further rate increases, reduced volatility and healthier operating margins.

While there was some easing in spot rates in July and August, tender rejections remained elevated, and we've seen improvement in spot rates more recently. This, combined with our expectation of further capacity attrition and higher volumes during peak season, points to ongoing rate lift through the remainder of the year. We expect peak revenue to outperform the last couple of years.

While high fuel costs and interest rates are pressing consumers to seek value, our strong footprint in discount grocery and non-discretionary retail positions us well. With retailers carrying leaner inventories, we believe demand can play a larger role as the freight market recovery progresses.

Lastly, the used equipment market strengthened early in the quarter before leveling off later as fuel prices spiked. As a result, we realized higher gains on a sequential basis. OEM manufacturing constraints, a higher average truck age across the industry and the approaching 2027 EPA emission standards are supportive of demand for high-quality used assets.

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

**Chris Wikoff**
Thank you, Derek, and good afternoon, everyone. We'll continue on Slide 9. All performance comparisons here are year-over-year, unless otherwise noted.

Third quarter revenues totaled $951 million, up 23%, including the addition of FirstFleet, higher fuel surcharge revenue, rate lift plus continued asset productivity gains. Top line momentum was partially offset by a smaller One-Way trucking fleet and lower Logistics revenue.

Adjusted operating income was $21 million, up 92% and adjusted operating margin was 2.2%, an increase of 80 basis points. TTS adjusted operating margin increased over 200 basis points, while Logistics was down year-over-year but returned to positive territory compared to the second quarter. Consolidated gains on the sale of property and equipment totaled $8 million, up from $4.5 million in the prior year period. Adjusted EPS of $0.16 was up $0.19.

Working against our results in the quarter were fuel and costs associated with our decision to accelerate investment in driver recruitment and retention in support of fleet growth, which was more noticeable in Dedicated late in the quarter.

In addition, we had negative insurance reserve development on select FirstFleet claims. To provide more color on each of these headwinds – on fuel, rapidly rising diesel prices created a temporary margin headwind during the quarter. While our fuel surcharge programs recover costs over time, sharp price spikes create a short-term lag effect.

Furthermore, regional price disparities versus the DOE national average and specific contractual nuances can temporarily blunt surcharge effectiveness. Throughout the third quarter, we worked directly with specific customers to improve certain fuel recovery programs.

Regarding insurance and claims, our core commitment to safety continues to yield clear operational results. Year-to-date, our DOT preventable accidents per million miles are down over 40%, marking our lowest level in more than 20 years. This performance reflects our ongoing investments in modern equipment, real-time safety technology and enhanced driver training. While our underlying consolidated insurance and claims expense remained favorable in the third quarter, total costs were impacted by unfavorable development.

Finally, regarding driver investment. We made deliberate strategic investments to accelerate fleet growth. The early return on these investments is clear. Our Dedicated end-of-period fleet expanded by 130 trucks sequentially with much of that capacity coming online late in the quarter. We fully expect to build on this foundation with further fleet growth ahead while focusing on margin expansion.

In combination, the fuel volatility, driver investments and claim development created an $0.18 sequential drag on adjusted EPS. As we look to the fourth quarter, headwinds like fuel will largely abate while driver recruiting investments will continue at a measured pace to position our fleet for sustained growth in 2027.

Turning to Slide 10. Truckload Transportation Services total revenue for the quarter was $714 million, up 37%. Revenues net of fuel surcharges increased 28% year-over-year at $589 million. TTS adjusted operating income was $24.3 million, which was nearly 3x the prior year. Adjusted operating margin net of fuel was 4.1%, an increase of 220 basis points.

The year-over-year improvement was driven from accretive results from the addition of FirstFleet, profitability improvement in One-Way Truckload and higher gains on the sale of equipment, mitigated by higher net fuel expense, driver investments and certain high-cost claim development.

Our fleet metrics are on Slide 11. TTS average trucks totaled 8,668 for the quarter, a 16% increase. The TTS fleet ended the quarter at 8,740 trucks, up 45 trucks sequentially. Truck additions in Dedicated were partially offset by fewer One-Way trucks. Within TTS in our Dedicated business, for the third quarter, trucking revenue net of fuel was $444 million, up 52%. Dedicated represented 77% of TTS trucking revenues, up from 65% a year ago.

At quarter end, the Dedicated fleet was up 2,240 trucks from where we started the year, a 46% increase from year-end. Dedicated average trucks increased 44% year-over-year. Dedicated represented 81% of the TTS trucks at quarter end. Our Dedicated fleet grew through both existing customer expansion and new fleets, highlighted by over 130 truck implementations this quarter.

With greater demand for Dedicated solutions comes better options and opportunity to improve yield. Dedicated revenue per truck per week rose nearly 6% this quarter, though impacted by the addition of FirstFleet in the mix. On a stand-alone basis, Werner's legacy Dedicated fleet delivered a 7% increase due to better productivity and higher contract rate renewals.

Turning to our FirstFleet acquisition. We have realized nearly $6 million in savings during the first 8 months since closing, driving over 160 basis points of margin improvement to date. Furthermore, we have executed initiatives representing over $11 million in annualized cost savings, of which over $8 million will be realized this year. We remain on track to achieve our total synergy target of $18 million.

In our One-Way business, we continue to see tangible results from our prior strategic restructuring. Trucking revenue net of fuel decreased by 15% to $136 million. One-Way adjusted operating income margin in the third quarter improved more than 800 basis points year-over-year. Strategic focus and higher productivity made our One-Way operations significantly more profitable, both sequentially and year-over-year.

Revenue per truck per week increased 34% from a 22% increase in miles per truck and 10% higher revenues per total mile. With over 85% of the One-Way portfolio repriced through the first three quarters at higher rates and an ongoing constructive backdrop, we expect further benefit in subsequent quarters. From a fleet size perspective, the third quarter represented our second full quarter following the conclusion of our One-Way restructuring efforts. Average trucks declined 37% year-over-year to 1,673 trucks, but total miles only fell 22%.

Moving to Slide 12. We outlined our road map back to mid-cycle double-digit adjusted operating margins in TTS. Our third quarter adjusted operating margin of 4.1% reflects over 200 basis points of operational headwinds previously mentioned. Our rate and production execution is gaining substantial traction.

From a revenue per truck per week perspective, our 34% surge in One-Way led to an overall increase in TTS revenue per truck per week of 11% year-over-year, marking our strongest rate expansion in recent history and keeping revenue per truck per week above $5,000 for the second straight quarter.

Looking ahead, our return to 10% plus margins is anchored by both market tailwinds and aggressive self-help. On the market side, we expect yield expansion across One-Way and Dedicated alongside higher volume-driven contribution margins. On used equipment gains, we are aggressively refreshing the fleet as we close the year and move into 2027. This positions us to sell more units at a time when used equipment demand is expected to accelerate given 2027 emission changes.

On the cost discipline front, we are laser-focused on growing the fleet to spread fixed costs across higher volume while also returning to measurable annual cost saving targets with tech-enabled efficiencies driving an increasingly large slice of those savings in 2027. Our technology road map is focused on driving enterprise efficiency and disciplined innovation across our 4 core operational pillars: customer experience, driver enablement, carrier ecosystems and fleet management.

As we transition from the heavy build phase of our multiyear technology investments toward full application, we are entering a pivotal stage of operating leverage where every dollar of technology investment delivers a tangible return on capital. With our core foundations, modern TMS platforms and integrated systems now firmly in place, our focus shifts towards realizing the synergy benefits and compounding ROI of these initiatives.

Looking ahead to 2027, this transition will allow us to operate leaner, smarter and faster, unlocking accelerated tech-enabled cost savings and driving scalable value across our unified enterprise footprint. When paired with sustained benefits from our One-Way restructuring and $18 million in FirstFleet synergies, our execution path is clear. We have more work to do, but our foundation is solid, our strategy is delivering and our commitment to reaching mid-cycle double-digit margins is unwavering.

Let's turn to Slide 13 for an update on our Logistics segment. In the third quarter, Logistics revenue was $216 million, representing 23% of total third quarter revenues. Revenues decreased 7% year-over-year, but increased 2% sequentially. Truckload Logistics, which represented 70% of total Logistics revenues were effectively flat sequentially but decreased 13% year-over-year on 40% fewer shipments, partially offset by 44% higher revenue per load.

Mix change between Truckload Brokerage and PowerLink was a driving factor on year-over-year revenue. More widespread implementation of higher contract rates and improved mix expanded Logistics gross margin by over 200 basis points sequentially, hitting a year-to-date high.

Revenue in Intermodal and Final Mile had another strong quarter of growth. Intermodal revenues accounting for roughly 17% of the segment rose by 7%, driven by steady growth in load volume with a focus towards yield. Revenue per load increased 6%. Final Mile revenues, which comprised the remaining 13% of the segment, increased 18% year-over-year and 8% sequentially, setting a record high. Adjusted operating margin for the Logistics segment was 0.4%, 170 basis points higher sequentially.

Let's review our cash flow and liquidity on Slide 14. In the third quarter, we continued to generate strong operating cash flow of $21 million, which is net of an $18 million settlement for the Abarca class action lawsuit previously disclosed and accrued for in the third quarter of last year.

Our third quarter net CapEx was $37 million or 4% of revenue. On a year-to-date basis, net CapEx is nearly $29 million or 1% of revenues, and free cash flow was $160 million or 6% of year-to-date revenues. Total liquidity at quarter end was $654 million, including $39 million of cash on hand and 615 million of combined availability under our credit facilities.

On October 5, we entered into a new $1.1 billion unsecured credit facility, replacing our previous facility. The new agreement is a 5-year maturity with reduced borrowing costs compared to the former facility, enhanced financial flexibility and additional capacity to support strategic investment.

We ended the quarter with $847 million in debt, an increase of $95 million year-to-date, including the incremental debt related to our FirstFleet acquisition. Covenant-defined pro forma net leverage at the end of the quarter was 1.9x, 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 15. Our approach to capital allocation remains balanced, disciplined and focused on driving long-term shareholder value. First, we are accelerating strategic reinvestment in our fleet, maintaining a low age, modern fleet of safe trucks and trailers that lowers maintenance costs, improves driver retention and maximizes operational efficiency.

Second, following our acquisition of FirstFleet earlier this year, our immediate priority is executing seamless integration, expanding margins and realizing our targeted synergy goal. Looking ahead, we will continue returning capital to shareholders while maintaining a strong flexible balance sheet. And while integration is our core focus, we remain open to high-caliber acquisitions that offer a clear strategic, cultural and financial fit, delivering accretive growth for Werner.

Let's review our guidance for the year on Slide 16. On fleet growth, we are tightening our full year TTS average truck count guidance from 16% to 18% to 16% to 17%. We saw consistent fleet expansion as Q3 progressed and our average trucks increased nearly 16% year-over-year.

Today, our active fleet is larger than at the end of September. This steady trajectory reflects the success of our strategic investments in driver pay and retention programs, giving us confidence in our competitive differentiation even in a tight labor market.

Dedicated revenue per truck per week increased 5.6% year-over-year and is up 4% year-to-date compared to the prior year period. We are increasing the bottom of the range to an updated full year guidance range of up 4% to 5%. We have been successful securing mid-single-digit increases in contract renewals for both our legacy Dedicated fleet and our FirstFleet business. Beyond pricing, asset productivity continues to climb as we leverage stronger freight density and operational scale across our expanded footprint.

In the third quarter, One-Way Truckload revenue per loaded mile rose 10.2%, while revenue per total mile grew 9.7%, finishing just below the range due to a minor uptick in deadhead. For the fourth quarter, we expect revenue per total mile to increase 10% to 13% year-over-year, driven by ongoing implementation of higher contract rates plus peak season volumes and associated premiums.

Moving to net capital expenditures. We are lowering and narrowing our full year guidance range to $190 million to $205 million, down from our prior range of $215 million to $250 million. This reduction is primarily driven by the timing of OEM deliveries rather than a pullback in commitment. We remain fully Dedicated to refreshing our fleet and reducing average tractor age.

For our effective income tax rate, year-to-date GAAP ETR stood at 17%, driven by discrete favorable items in the third quarter. For the full year 2026, we are updating our target GAAP effective tax rate guidance to a range of 24.5% to 25.5%. Regarding other modeling assumptions, we expect net interest expense this year will be between $40 million and $45 million. Over the midterm, we anticipate increasing demand for quality used equipment and expect increasing resale values given OEM production constraints and the evolving regulatory backdrop that will be an incentive towards high-quality used assets.

Our gains through the first three quarters of the year are $13.3 million. We are updating our anticipated gains on sale of used equipment and revenue-generating assets for the year from a range of $10 million to $14 million to $14 million to $16 million.

With that, I'll turn it back to Derek.

**Derek Leathers**
Thank you, Chris. In the third quarter, we continued to see clear improvement in top line revenue from the actions we've taken. The acquisition of FirstFleet has proven to be accretive. One-Way Truckload and Dedicated revenue metrics have been exceptional based on strong demand, solid execution and customer support. While fuel will remain a headwind as long as prices remain elevated, it should be less impactful assuming less price volatility and due to the actions we've taken.

Given that the elevated insurance costs in the quarter pertain to the negative development on select claims, we expect these elevated costs to be contained to the quarter. Investments in driver sourcing and retention are likely to remain elevated, at least in the near term, but are necessary to continue executing on our strategy as we strengthen our long-term growth and margin trajectory.

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

**QUESTION AND ANSWER**

**Operator**
(Operator Instructions)

Our first question today comes from Scott Group from Wolfe Research. Please go ahead with your question.

**Scott Group**
Hello, thanks. Afternoon. So, Derek, any color you can give us on how to think about the margin trajectory from Q3 to Q4 as we get through some of these elevated costs in the quarter? And then when you guys talk about a double-digit margin in trucking, is that realistic to get there in 2027 or is that more likely we need a couple of years of price and it's more likely a 2028 outcome? How are you thinking about that?

**Derek Leathers**
Yes, Scott, thanks for the question. I mean I think maybe the best thing to do is to step back and review where we've been and where we're going. Third quarter, I think, demonstrated the business generating strong top line momentum. One-Way and Dedicated revenue per truck per week, both showed significant year-over-year increases.

Logistics gross margins improved from Q2, and we're continuing to make progress on FirstFleet. But the margins in the quarter were more muted than you would think given some of the metrics that we produced with the underlying results. That was driven heavily by the headwinds that we talked a lot about in the opening remarks.

We believe that most of the Q3 headwinds are temporary, although some will continue into Q4. So, I think it's important to break it down a bit. I'll start with the driver piece first, and then I'll have Chris unpack how that bridges into margin progression from Q3 to Q4. But on the driver cost, I think what's important is that a lot of it is front-loaded investments. It's not structural labor inflation. This is stuff in Q3 that was an intentional decision on our part to accelerate our driver acquisition efforts.

We ramped up advertising, recruiting pipelines. We implemented some sign-on and transition incentives. And all of that was to onboard and increase throughput to the seated trucks for the committed freight that we already have. You can see that in the end of quarter truck count. Dedicated added 130 net trucks sequentially, net of some businesses that we exited, which much of that was seated late in the quarter. Much of the driver sourcing and retention investments in Q3 will continue into Q4, but we don't expect that spending to fall off of a cliff overnight.

Instead, we plan for it to be elevated at a measured pace during Q4. And as we think about moving forward and continue seating equipment to capture that demand going into 2027, but it's not permanent structural cost. This was sort of a revamp of how we think about bringing people in the door and accelerating in advance of peak to make sure we are fully prepared for our customers. It is though, a headwind in the near term.

**Chris Wikoff**
Yes. And Scott, just to give you a bit of color on how to think about the sequential earnings progression from third quarter to fourth quarter, and then we can talk a little bit about your question on the realistic path on double digit. In terms of the sequential earnings progression for the fourth quarter, we expect modest sequential improvement compared to the $0.16 of adjusted EPS that we saw in the third quarter. Give me a chance to break it down maybe into three parts for you.

The first two being favorability quarter-over-quarter and then a third part that really represents some potential offsets. First is some favorable headwind abatement and cost relief relative to Q3. So going back to the $0.18 of the Q2 to Q3 EPS drag, call it, one-third or about $0.06 per share was driver investment. So as Derek mentioned, this investment will continue to drive fleet growth. The remaining two-third or about $0.12 per share was largely fuel along with some reserve development.

We believe the majority of that will dissipate in the fourth quarter, although we don't anticipate eliminating all of the fuel-related headwinds, just given where DOE is at and near another high point for the year. So that's number one.

Number two, we're seeing favorable momentum given peak and pricing. Our favorable trends in One-Way rate per total mile, Dedicated revenue per truck, that will continue quarter-over-quarter implied by our guidance. And we're also in peak season. And frankly, our active fleet is larger now than the third quarter average.

So taken together, the combination of the headwind abatement, some of the operating momentum, that will help to recover the sequential earnings decline that we experienced from Q2 to Q3, but there are some potential offsets in the fourth quarter. Those offsets can look like sequentially lower gains plus some higher interest expense and some tax normalization.

So, when you think about the gains guidance that we provided, that implies a material step down Q3 to Q4. And when you think about CapEx and the significant equipment investment that we're planning for the fourth quarter, that can also drive some higher borrowings and interest expense, and we had an unusually low Q3 in terms of tax normalization.

**Scott Group**
Okay. Super helpful. And then, Derek, if I can just ask one more just bigger picture question. So, we've gone from 3,000 One-Way trucks to like 1,500 and we've gone from 4,000 or 5,000 Dedicated to 7,000, give or take now. Have we swung too far to Dedicated to really sort of see the benefits of an up cycle or do you think -- is it just unfair to judge on the first year of an inflection where One-Way naturally gets more and Dedicated shows up on a lag? How do you think about that?

**Derek Leathers**
Yes. I would start by agreeing that it's too early to judge. I think, first off, it's important to understand the restructuring we went through was significant. It was significant in its size and scale. It resulted in a realignment of our network that was probably the most large-scale realignment I've been a part of in my career.

And as part of that realignment, there was fleet shrinkage that wasn't necessarily desirable as it relates to some driver losses and other things that came with it, but the fleet and network is now aligned where we want it. And so now it's about building back from there. We've got the layout the way we want it.

It shows up when you think about the 22% increase in miles per truck per week. I mean, that's a phenomenal stat. But it only works when we finally focus the network exactly and precisely where we needed it and wanted it to be and then augmented it with Brokerage, Logistics, Intermodal and other offerings. And so that was a little more painful than we probably thought when we entered the tunnel and the fleet shrinkage was a little greater than we would have expected.

But now the baseline is set, and now it's incumbent on us to build it back from there, especially going into a multiyear up cycle, which I do believe this will be. And so, we're not abandoning Dedicated as the core of the portfolio, but we will be nimble and opportunistic relative to One-Way as it relates to some near-term growth in that space to be able to leverage the up cycle to the best of our advantage.

That's why it's important to spend the money early. I don't love some of the headwinds that we endured in Q3, but you can't manage the business for a 90-day period sometimes and sometimes you've got to make the strategic decision. So, we've spent some money. We've redesigned the front door. We're keeping the standards high, which led to the 20-year low in DOT preventable accidents. And that ultimately translates over time to a better, more controlled risk line. And we're going to continue to do that.

But yes, you're right, Scott, we do see some opportunity for expansion in One-Way. And at the very same time, the Dedicated pipeline is very robust. And so, we had implementations throughout Q3. We've got implementations in Q4, which is a real rarity. That doesn't happen very often in Dedicated because the risks associated with the Q4 implementation. Nonetheless, we have some coming. And so, we have got to seat those trucks and the One-Way trucks.

And so, it's an uphill battle, but we're better positioned than most with our own driver school network as well as our affiliation with Tier one schools across the country. So, we'll keep fighting the good fight, but I do think it's too early to judge what that mix looks like just yet. And the One-Way side did shrink further than we would have probably liked. But when you change geographies, you don't always get the drivers to change with it. And so, the table is set now for growth as we go forward.

**Operator**

Our next question comes from Chris Wetherbee from Wells Fargo. Please go ahead with your question.

**Chris Wetherbee**
Thanks. Maybe picking up on some of the driver costs and the upfront sort of pain here. Can we talk a little bit about sort of the pricing opportunity, maybe Dedicated specifically to get a sense of how quickly you think you can kind of recoup that? I know there's going to be some ongoing sort of cost. But I guess as we think about that dynamic, I guess, kind of piggybacking on the last question about margin recovery, I guess, how does the pricing environment help you get there? And how quickly can that work?

**Derek Leathers**
Yes, great question. So, the driver investment stuff in Q3 was front-end loaded, and I would call it like corporate loaded, not in the corporate on the P&L. I'm just saying it was brand, it was exposure and it was more holistic than just Dedicated versus One-Way. It's just changing the dynamic and the narrative relative to the driver population.

As it relates to driver pay and driver increased costs in Dedicated, those are funded through our customer relationships. And as we go forward and as we have to make targeted pay changes, those are always funded and discussed with our customers, and it's a joint decision. So good news, bad news, bad news on the front end is that you have to do a lot of generalized spending to kind of move the needle on things to really to prime the pump for that application count. And that did exactly that.

The bad news on that front is that not just us, but nationwide, I was talking to some folks today that work some third parties that handle driver advertising and connectivity with fleets and rejection rates on driver applications is up 170% year-to-date from January till now. And that's because, yes, there's lots of applications, but some of it is noise, and you've got to really sift through that pile.

And so, we're going to have to continue to work through that. But Dedicated raises for drivers are supported by our customers and funded and then margin conversations are separate from that. On the One-Way side, the market is obviously in a good position to do cost plus, relative to driver wages. But in the short term, this advertising, beefing up recruiting, spending money on some of these fleet transition bonuses and other things is more short term in nature, but will continue into Q4 and probably into Q1, to be frank.

**Chris Wetherbee**
Okay, that's helpful. And then maybe just sort of filling up the conversation around the Dedicated pipeline. And obviously it seems like there's a lot of demand incoming for you as well as other folks who play in this business. So, can you give us a sense of maybe what that means as an early look for '27? I guess how do we maybe size up the opportunity for growth in the Dedicated business in '27 versus maybe some of the other big growth years we've seen in the past?

**Derek Leathers**
Yes. I think '27 will be interesting. The market is set up very well right now to go out and to achieve the rate increases that we need to continue that march back to double-digit margin profitability. As Chris indicated earlier, there's like 200 basis points of headwinds. So, the 90%, call it, 95% was really a 93.9% or whatever in the quarter, if not for some of those temporary headwinds. So, we've got to work through that. We've got to have conversations with our customers.

On the Dedicated growth side, the difficult thing is we've done some yielding this year. We're going to have to continue to either get rates where they belong or yield further. And so, it's about net truck additions. I don't know that '27 is going to be a year where you're going to see record-breaking net truck additions because the yield that's still out there that needs to be addressed is something that we're going to have very frank conversations with folks.

It's our job to go and get these margins where they belong quickly. And the majority of customers understand the marketplace and understand what's happening with capacity. And then like anything, there's always a few outliers. And so, there'll be some churn within that Dedicated fleet, but net growth is the expectation, and that's what we're gearing up for, both in Dedicated and in One-Way as well.

**Operator**
Our next question comes from Jordan Alliger from Goldman Sachs. Please go ahead with your question.

**Jordan Alliger**
Yes. Hello. Afternoon. Sort of just curious on sort of the traditional One-Way Truckload business, I think you mentioned an expectation of a return to normal seasonality as we go through the balance of this year, which I think would lead to a pretty strong finish in terms of year-over-year spot rates. So, realizing we're not in 2027 yet, but can you maybe give some of your thoughts on how contract rates could look in year two of this cycle? Presumably, it will be more than one year of an elevated period. So, I'm just curious your thoughts for next year.

**Chris Neil**
Hello, Jordan, this is Chris. Thanks for the question. Yes, I think as it relates to One-Way pricing, it's early in the bid season, but following several years of One-Way rates that have been down while core operating expenses have continued to climb, we certainly expect another season of increasing rates. We need to improve margins in One-Way back to re-investable and sustainable levels. I think through the results that we spoke about earlier, revenue per truck in One-Way that's up 34%, miles up 22%, that's on a length of haul that's up 116 miles.

So, we've got this restructured network, and now we're in a position to have a stabilized fleet and one that grows. Similar to this year, just in terms of cadence, we would expect about 60% of our One-Way business to be repriced in the first half of next year and a little less than that would be effective in the first quarter, a little more than that would be effective in the second quarter.

When we consider pricing, there's a number of things that we consider. This is a very customer-specific and business-specific action. Those things, whether it be existing rate structures, the complexity of the business, the productivity that we're focused on. I mean, all those things are very important and considered. So as pricing levels escalated throughout '26, some of those bids that we priced early in '26 didn't go up at the same amount as those that were priced later in the year.

And so, it's too early to give any overall expectation for '27, at least in my view, but I think we expect those early opportunities would probably need to be up double digits on average. Again, every customer is specific, and we'll look at them each individually. But as rates escalated throughout the year, I think that's probably our starting point here early in the '27 bid season.

**Jordan Alliger**
Yes. And just as a quick follow-up, obviously, as you've rationalized the fleet in part, truck productivity has been pretty strong, miles per tractor per week. Can you maybe talk to the normalization process around that? Once we get into the fourth quarter, how could we think about that on a go-forward basis?

**Derek Leathers**
Yes. This is Derek. I would just say this, look, the focus as we go on a go-forward basis is certainly going to be more weighted toward rate than it will be productivity. We're not giving up on productivity. There's still opportunities for us to continue to eliminate downtime, increase use of our in-house network shops for better velocity, increased use of our automated appointment settings and other things to eliminate or to reduce the time to repair.

And we're going to continue to focus on all of the above. But the bigger lever by far as we go into 2027 is on rate. Chris just laid out, I think, a pretty comprehensive answer to why it needs to continue to go up, what the expectation would be as we get into the early bid season. I think it will be consistent with what we'll see in the market.

And frankly, we'll continue to monitor the capacity exits because this is still - everything we're talking about today is based on an assumption of relatively flattish GDP or kind of what we've seen as of late GDP, 1%, 2% type moves. And it's really supply driven. If we start to see any kind of rebound or further resiliency out of the consumer and demand picks up, I think there's upside from there.

But the baseline expectation as we go into the year and early bid season is kind of that double-digit range with rate being the focus, both through price as well as yield. And so, we'll have to do some of both, and we'll keep an eye on that as we get closer to the end of the year and start kicking off what has already kicked off, early 2027 bid season.

**Chris Wikoff**
And Jordan, I would just highlight from a One-Way revenue per total mile standpoint, we've had two back-to-back quarters of around 10%. I think we would probably consider that top of class relative to our peers as well as the Dedicated revenue per truck being up about 6% on a year-over-year basis, and some of that's watered down with just FirstFleet being in the mix. So, we're very pleased with the top line momentum and our ability to replicate that into the next year.

**Operator**
Our next question comes from Ravi Shanker from Morgan Stanley. Please go ahead with your question.

**Ravi Shanker**
Good afternoon, everyone. Can you guys remind me about your fuel surcharge lag? I'm a little bit surprised that it's as much of an issue. I've always believed it was like closer to one week for the truckers, kind of maybe it's lower for you guys. So, what is that looking like? And why is that so much of a problem right now?

**Derek Leathers**
Yes, Ravi. So, fuel is a really complicated subject. But yes, the lag is about one week, you're right. And so, the problem you get into in a quarter is not necessarily the raw fuel price. It's what the movement has been and is it consistently up. If it's consistently kind of working its way up throughout the quarter, that lag continues to hit you every time it moves again. And so that lag effect and impact continues to grow.

Our fuel surcharges are such that in some isolated cases, we also had to go back and revamp them relative to the difference between national DOE and where maybe the predominance of the miles were ran. And so, we had to go out intra-quarter, work with customers and structurally change some of those fuel reimbursement programs. And then lastly, and maybe the harder to explain quickly part is the gap between wholesale and retail and what that spread normally looks like 90% of the time.

And in Q3, that spread shrank to kind of historically low levels. That has an impact for us in terms of how we purchase fuel and what our net cost of fuel is when that spread that in a normalized environment is between $1.00 and $1.10, when you start to see spreads at certain times during the quarter as low as high $0.40 to low $0.50 there is a negative impact on all the programs in their design.

And so, all of the above is being analyzed right now. We are reimagining with certain customers what that fuel surcharge needs to look like. There's been general supportive dialogues. And in some of those isolated cases I mentioned previously, they've almost all been largely addressed. So, we got some work to do.

It is still going to be an issue if we continue to see fuel increasing, but the largest portion of that impact is only related to the volatility of the quarter and the fact it was up into the right consistently week-over-week. As we see stabilized fuel prices even at a high level, the surcharges start to do their job much better.

**Ravi Shanker**
Got it. That is helpful. And maybe as a follow-up, kind of you guys have always been one of the leaders with driving school investments. Can you just remind us what kind of advantages that's paying off right now and if you're looking to maybe up those investments?

**Derek Leathers**
Yes. So, the driving schools for us, Roadmaster, is a significant part of what's enabled us to do what we did in Q3 and enabled us to be able to seat drivers where we need them at the quality we need them. That's the key thing here is the standards at our Roadmaster schools are very high. And so, we and other schools across the country have seen enrollments down 20% to 30% on average throughout the year. That's an ongoing battle to get people kind of interested in professional driving as an occupation.

The wages are certainly attractive enough, and it's about making the job increasingly attractive and changing the narrative on what used to be a go out over the road two to three weeks at a time, where in Werner with our heavy concentration of Dedicated as well as our engineered routes, we're getting 70%-plus of the fleet to and through the home multiple times a week. We've got to continue to grow that type of lifestyle. But those schools have performed well. We also work with a group of Tier 1 schools across the country.

I'm really proud to report that as these ongoing school audits have been taking place nationwide and only increasing in their frequency and their severity, both our Roadmaster schools have all passed those audits with flying colors as well as our Tier 1 partners. And so, we're working with the right people to try to do it the right way, but that limits the pool of drivers that you can pull from.

And we think it pays dividends in, for instance, Q3, 20-year low in DOT preventable accidents per million miles. That's something that we're proud of. We've got to bend the curve on the insurance line and the only way to do it is with high-quality drivers, high-quality training and then giving them the support that they need.

**Chris Wikoff**
Ravi, just to give you a little bit more color, a third of that $0.18 of headwind that was driver investments. The lion's share of that does show up in TTS, but some of the elevated expense in Roadmaster for added instructors, added advertising and marketing to bring in students, that shows up in corporate and in other. So that's where some elevated expense resides just as you're looking at the financials. There's also some M&A onetime add-backs in corporate as well.

**Operator**
Our next question comes from Brian Ossenbeck from JPMorgan. Please go ahead with your question.

**Brian Ossenbeck**
Hello, afternoon. Thanks for taking the questions. You talked a lot about the engineered fleets, Derek, maybe you can give us an update on Mexico cross-border and some of the expedited teams. I imagine those are still probably pretty good demand drivers, but I'm not entirely sure how the staffing in those lanes and for those applications have gone in this current driver market?

**Derek Leathers**
Yes, Brian, great question. Yes. So, we're bullish on Mexico cross-border. It is already hit a new record for direct foreign investment, and we're only sitting here in October, but it's hit an annualized new record. We see more and more shovels in the ground, plants being built, expansion of plant and equipment down there.

At the same time, in Q3, as part of all of this ongoing enforcement, you get caught in the wash at times. So, there's been some disruptions with that business, not with our drivers and our freight, but just overall inspection and overall oversight at that southern border had increased quite a bit in Q3.

And we're seeing that's a net positive for us because we're operating legal U.S. drivers, not B1 Visa drivers. We're not using non-domiciled CDL drivers to deliver that freight. But it still impacts us because we're caught on the same lines and some of the same holdups that took place. As we look forward and they clean that up and they are continuing to do so, we view that very positively for our Mexico cross-border business and the strength that we've built over 27 years down there only gets stronger from here.

Engineered lanes in the expedited business domestically, another thing we're leaning into. That's what's driving a lot of the miles productivity increases you're seeing, both with traditional sort of team light capacity as well as engineered lanes where drivers are essentially getting home nightly, we're slip seating trucks and being able to put that truck to better use. It dampens the truck count number a little bit when you're finding more and more opportunities to engineer further lanes or to team drivers up.

But it's the best way to sweat the asset, do it safely and make sure we deliver the kind of service levels that some of these service-sensitive customers are looking for. That freight also, I like a lot because it is much more difficult to poach and transition into intermodal or other activities because it is kind of fast transit, high service expectation.

And as they clean up enforcement, around the country, and they've got a long way to go. You start to take out some of the folks that have been kind of coloring outside the lines for way too long on some of those transit times and solos operating as teams. That business is now -- we're seeing a strong flight to quality there. And so, we're excited about the future.

**Brian Ossenbeck**
Just a quick follow-up, Derek, on the flight to quality. I guess we've been a little surprised we haven't heard as many shippers going to asset-based carriers in this whole, I guess, post Montgomery type capacity world. I imagine it takes time and it's a long decision for some, maybe shorter for others. But just want to get your perspective on how those conversations are going. And if you think that will, if it's slower now, if you think that's going to start to pick up both, I guess, on One-Way and on Dedicated? Thanks.

**Derek Leathers**
Yes, Brian, I think those conversations are going well. I think shippers acknowledge the need and the issue in front of them. They've been fairly open about that in the conversations we've had. We recently hosted our annual customer forum where we'll bring in over $1 billion of freight all under one roof for a day and I had long conversations with many of them. It's difficult. They're not going to come out and say, yes, I'm moving to quality because it implies they were working with less than quality prior.

So, I don't think we're ever going to hear those words. It's also difficult because when they were working with less than quality carriers, they were doing so at a significant discount to market. And so, the move is expensive. Just to get to a market-based rate structure, but they understand they need to do so. So, they've got kind of conflicting pressures in their buildings. They're all under pressure with higher input costs.

We recognize and respect that. And so, they're looking for anywhere they can to bend the curve on cost overall, but transport isn't going to be one of those places as we look forward. Our job is to try to make their transport network as efficient as it can possibly be, find additional backhaul opportunities and other ways to save on total costs.

But rates are going to be reset, need to be reset. And the gap between what they may have been paying and what they're going to need to pay going forward is directly proportionate to the quality of the carriers that they were working with previously. So those are just some thoughts and gives you some color on sort of the toughness of some of the dialogues that are happening.

**Operator**
And our next question comes from Richa Harnain with Deutsche Bank. Please go ahead with your question.

**Richa Harnain**
Hello, thanks for the time. So, on the outsized driver recruitment investment-related costs, I guess how much is related to start-up costs for the fleets you're standing up versus maybe cost to support pre-existing contracts and versus the front-end loaded investments, Derek, you talked about in earnest. Just curious if you could provide a further breakdown.

And I don't think we answered the question on double-digit margin potential at some point in 2027. I hear you all on that a lot of it depends on rate, but part of the bridge you showed in your slides was self-help related. So, do you think that's still in the cards or does it still feel too early in light of the driver-related costs and some of the lingering issues you spoke about?

**Derek Leathers**
Yes, Richa, I'll start with the first part of the question and I'll have Chris walk through the bridge a little bit further. But as it relates to the driver-related costs, clearly, some of it was accelerated or had more urgency around it because of some of the Q3 implementations you talked about.

One thing about Dedicated is if you're taking over a private fleet, there is a deadline and you must meet it because otherwise, freight doesn't move. And so, we had to ramp up and do some things creatively to make sure that those deadlines were met. That's also why you see a little bit of van to Dedicated movement in the quarter to make sure that we're able to meet the original deadline.

And in many cases, that van driver may end up going back to van once we have that Dedicated seat filled. And so, there's a little bit of that. But in general, as I said earlier, it is more broad-based than that. It is a larger scale undertaking to kind of continue to work and massage the narrative relative to Werner as a destination career for professional quality drivers. That comes in a lot of forms, advertising, additional recruiters, additional instructors at the schools that Chris mentioned, in some cases, some sign-on bonuses and/or guaranteed pay as they transition in.

But the biggest thing I would just point out is that whatever that cost is, you don't reap the benefit of it. If you're talking about a driver coming into the industry, it's eight to ten weeks out from the time you spend the money before you actually see that driver productively out there delivering a load. So, the majority of the quarter is chewed up and you have the cost and not the resulting revenues.

And even on an experienced driver, which we hire quite a few of every week coming into the fleet, you still have a delay as we put them through kind of certification and training and oversight and make sure they're ready to take the road. And then as we work them in and they become accustomed to being a driver at Werner, that productivity takes some early weeks impacts before you get up and running at full speed.

And so, all of the above causes a lag effect between the investment and some of the payoff. The investment is going to continue, but at least as we go into Q4, some of the payoff starts to come through as well. And we saw that in end-of-period truck count versus average truck count because most of those got seated late in the quarter.

**Chris Wikoff**
Richa, just to also speak to the pathway to double digits, yes, we've talked about it. There's a slide on it, but just to break down some of those parts. You mentioned rate. Rates certainly can help. We're pleased with the rate, whether it be on One-Way, Dedicated revenue per truck per week, the 34% increase on One-Way revenue per truck per week that we're seeing this year, confidence to go after it next year.

The difference being there's less right now that's flowing through to the bottom line given the headwinds in fuel and the intentional driver investments. So, rate will help. There's also a volume at higher contribution margin. That's what the driver investment is all about. A small percent increase in the fleet growth can translate to a much more meaningful increase in operating income and earnings.

That's why we're behind the driver investment for a period of time. So, it's not just volume, it's volume with significantly higher contribution margin as we go forward. There's also the gains. While that's somewhat of a market-driven factor, there's things that we can be doing to influence that and that we are doing by reinvesting in the fleet, making sure that we have low age, low mile used equipment, quality used equipment to sell at a time when the demand and the resale value is going to be ticking up.

We just have continued to trend at 40, 50 basis points, more recently, 80 basis points in the third quarter as a percent of revenue on gains. But in stronger years, that's been 150 basis points or even 200 basis points. So that will help. And then a number of things that we can do around, frankly, cost discipline and greater operational efficiency. We've talked a lot about the FirstFleet synergies.

We're very much on track, but that presents additional upside next year. We've had many years investing in the technology and building the technology. We're now transitioning into the phase of reaping the benefits of that technology that will translate to cost savings more noticeably in 2027.

So, there's a lot there, I understand. There's no one silver bullet. But because there's a lot there and there are all things that we can help to influence and maximize, that's what continues to give us confidence. We've seen margin expansion this year on a year-to-date basis and year-over-year. It's not as much as we'd like, but there are some headwinds there, and all those factors will just enable us to capture more of that margin expansion as we move forward.

**Richa Harnain**
Okay. And then if I can ask just one big picture one. I guess, one of the appealing features of a Dedicated business model is you don't necessarily get the entirety of the uplift from a cycle shift, but you do get more multiyear capture of rate, which is obviously attractive in this improving environment. So just talk about that a little bit. Are contracts extending beyond normal? Anything there with respect to nuance this cycle versus maybe prior ones?

**Derek Leathers**
Yes. As we've indicated a couple of times, it's early in the cycle. But yes, I mean, our ability to be engaging with customers and creative in new ways relative to Dedicated contracts is certainly in front of us. They still generally are going to average three-to-five-year contracts with inflationary kickers included in most cases.

And so, we'll look at those individually. There are cases and times where we may be the one that doesn't want to go longer than that based on what we believe will happen over the course of that time with the market or as a way to kind of get in and establish with a customer and not let that be a friction point that stops us from starting. Once we start with customers, we've had a great success at keeping them for a long, long time once they get exposed to the product. So not a great one-size-fits-all answer, Richa, honestly, but it is something that is certainly part of the dialogue right now.

**Operator**
Our next question comes from Ken Hoexter with Bank of America. Please go ahead with your question.

**Ken Hoexter**
Hello, great. Good afternoon and thanks for getting me in here. I guess, Derek or Chris, you mentioned earlier 800 basis points of improvement in margin in One-Way. I think you had mentioned maybe it was from loss-making when you started to getting in the money now. So, I guess, can you compare where it stands now One-Way versus Dedicated? Have they moved in alignment? Is there still a difference?

And I guess in the past, TTS as a whole has hit the low 80s with a much higher One-Way exposure. I guess that was when you were almost 40% One-Way. So now how should we think about the potential? Does that limit the margin potential or just the speed to that target? Just trying to understand the difference of the scale of Dedicated versus One-Way? Thanks.

**Derek Leathers**
Yes, I'll start. I'm sure Chris will have some color he may want to add. But clearly, we've talked about this for several quarters or actually the last couple of years, but One-Way has been in a very difficult spot in this environment. They're the most direct competitor or the direct impacted by

some of the less than compliant carriers that were out there and some of the things that we saw take place with the proliferation of CDLs and other factors.

That 800 basis points did take it from a loss to a gain, and we're going to continue to drive it from there. It is nimble and the ability to inflect and improve those operating margins is something that we'll continue to lean into. You're correct, Ken, that by being a smaller basis of the total pie -- that's one of the reasons why we want to ramp up and get those trucks seated and get that back to the level that we think it belongs. But part of that restructuring was making difficult decisions that needed to be made. And so, we made them. We're paying a short-term price for it. But long term, I think it puts us on a really, really solid footing for the future. So, we'll grow it from there.

Dedicated has the ability to take rate. Our customers are understanding the tightness of the market and the pipeline is strong because of the One-Way turmoil that's out there and expected to last for the foreseeable future. So, we've got to be prudent about how we price that Dedicated, make sure it's truly long-term Dedicated versus sort of a capacity fleet that's masquerading as Dedicated for the short term and otherwise place that business where it belongs in One-Way. So, there's a lot of moving parts there, but the One-Way margin improvement is something that can happen very, very quickly and is happening quickly. It's the starting point that was the problem. And now we've dug out of that hole and now we've got to march forward from here.

**Chris Wikoff**
Yes. The only thing I would add to it, Ken, is just to reinforce the One-Way restructuring. We're now more in the markets that we want to be in, density matters. We're more in the freight that we want to be in terms of expedited and team-oriented freight. And through that restructuring, we took out fixed costs. So just really echoing what Derek just said around the driver investment and how bullish we are around it, the earnings impact from a small growth in the fleet can be significant given the base that we're at and just how solid that One-Way portfolio is going forward.

While the driver investments that we've made to this point show up more in Dedicated with the late in the quarter 130 truck growth, that's not to say that, that will not also benefit One-Way. We are moving some of those hires into One-Way, and that's an area that will continue to grow and have meaningful contribution margin as we grow the fleet.

**Ken Hoexter**
Helpful. If I can just do a follow-up, Derek. I'm kind of surprised CapEx was so low given the emission standards changes. It sounds like you said just some OEMs pushing the timing off. So, does that leave you exposed to higher cost to get new tractors? And maybe you can just talk a bit about that because I know you mentioned the gains should be different, but maybe talk about your fleet and the '27 emission standard change and what this means for Werner?

**Derek Leathers**
Yes. Thanks for asking that, Ken. I'm really glad to be able to answer it. Yes, let me start with this. It does not reflect a change whatsoever in our approach to freshening our fleet. It doesn't reflect a change in all of a sudden accepting a bunch of 2027 engines at a higher price. It is simply a timing issue. Basically timing, it's well documented. There's already starting to be supply chain issues throughout the manufacturing OEM world, and we are going to be impacted by some timing of deliveries with 2026 engines that will be delivered early, early Q1.

And so, we just felt it important to update the group that the CapEx spend will shift slightly, but we're talking a matter of weeks, if not days in some cases. So, it makes it look like a much more dramatic shift, but there's really nothing - there's no there, there. We're still marching forward with

the same CapEx or the same equipment plan. It's just timing changes the CapEx layout or payout, I should say. And so that's all that is. Nothing more to read into.

**Chris Wikoff**
And Ken, those prices are locked in. So, when we place those orders based on attractive pricing because of some of the OEM timing delays, that doesn't change our attractive pricing.

**Derek Leathers**
It also is the same thing that's impacting the pretty dramatic drawdown of gains on sale from Q3 to Q4 in our guide, and that's because I have to have a tractor to sell a tractor. And so, with these delays, there is an impact in Q4 that will dampen EPS in Q4 just because of not having the available inventories to be able to move.

**Operator**
And our final question for this afternoon comes from Tom Wadewitz from UBS. Please go ahead with your question.

**Tom Wadewitz**
Yes, good afternoon. I'll just give you kind of both elements of it at once. Derek, I wanted to get your kind of quick thoughts on regulatory initiatives, how much of that has played out? I know it's hard to quantify, but I think there's some sense that maybe a lot of the impact has played out, but it seems like the transport companies don't believe that.

And then I guess the way we think about those initiatives and maybe tighter driver market, it seems to me that you're not the only one sharpening the pencil, spending the money to ramp up the recruiting capacity that other high-quality big truckload companies and intermodal companies and you name it, are doing the same thing.

So, I just wonder - how much is it a challenge that you're competing for a similar pool of drivers that want to work at a big carrier and it just - it's hard to avoid taking pay up and seeing further pressure as not only Werner, but Knight and Schneider and J.B. Hunt work harder on recruiting? Thanks.

**Derek Leathers**
Yes, Tom, thank you. Yes, on the enforcement issue, I'm certainly not in the camp that it's largely played out. Early on, there was conversations that we had on these calls about 15% of the capacity was in one of the various categories of out of alignment with current regulations. We've seen 3%, 4% of capacity come out.

I think that rough math is about the same as some of the baseball analogies that even the FMCSA has talked about being entering the fourth inning on their efforts. And so, there's a long way to go from here. The net has gotten wider. It includes schools, driver training, CDL issuances, states are coming out and taking assertive actions relative to how they think about CDL issuances going forward.

Further punishments or reactions are being put forth daily on those that act or color outside the lines, as I referenced earlier. The B-1 Visa cabotage issue is gaining steam and only really just getting started, and we're seeing impacts of that across the southern border. And so, I think you're going to continue to see that. The other thing that gives me confidence is - these are all executive branch actions.

These are not - no new laws, no new legislation and no real way to kind of derail the train. These are all safety focused and the results are showing through. 2025 was the first year in several years where accident rates nationwide went down. 2026, by the time those numbers are tallied, I think will reflect something similar. We have to return to quality in this industry, and that's both incumbent on the government as well as individual companies.

And so, the second part, yes, you're right. We're all competing for high-quality drivers. That competition will be fierce. It's about what the infrastructure looks like at an individual carrier to be able to attract, train and retain those drivers. And I like our positioning in all three of those categories. We've seen pretty significant improvement in retention throughout 2026. And we have goals to improve it even further as we go forward.

Most of the increase in driver costs, as we've said several times, is really on the driver investment side, the recruiting, advertising, etcetera, front-end cost. Our drivers are making pretty darn good money. And we have drivers across our fleet in Dedicated nationwide that are making at or approaching six-figure incomes and many that are north of that.

So, we feel pretty good about our ability in our pay packages. It's about getting people in and getting them exposed to the culture and what is Werner and FirstFleet and then driving those values home from there. And so, it will be competitive, but I like our positioning.

**Operator**
And with that, we'll be concluding today's question-and-answer session. I'd like to turn the floor back over to Derek Leathers for any closing comments.

**Derek Leathers**
Thank you, Jamie, and thank you for all sticking with us. We went a little over today. I want to leave you with three core takeaways from our earlier discussion. The first one is that our foundation for the future is rebuilt. The success of our One-Way network restructuring and growth in Dedicated reflects the values our customers place on the safety and service we provide. It's now time for us to leverage that redesign as we add rate, capacity and capabilities across a more disciplined network design going forward.

Second, as I stated earlier, we're in the early innings of a multiyear up cycle with ongoing structural supply contractions across the industry and resilient consumer demand. We made deliberate proactive investments to seat trucks and expand our driver base to capture market share. And this share growth is driven by both the flight to quality and an ongoing industry attrition in a post-Montgomery world.

Finally, the near-term cost pressures do not alter our trajectory. They reflect temporary friction. And although some will extend into Q4, they're not structural headwinds. Our underlying business is well positioned for continued growth. And as always, none of this progress will be possible without the continued trust of our customers as well as the relentless dedication, resilience and commitment to safety from our professional drivers, mechanics and associates.

With that, I want to thank you for your time today and your continued interest in Werner.

**Operator**
And with that, we'll conclude today's presentation. We do thank you for joining. You may now disconnect your lines.