



WERNER

WE KEEP AMERICA MOVING®

STIFEL 2020 TRANSPORTATION & LOGISTICS CONFERENCE

February 11, 2020

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This presentation may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, as amended. Such forward-looking statements are based on information presently available to the Company's management and are current only as of the date made. Actual results could also differ materially from those anticipated as a result of a number of factors, including, but not limited to, those discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

For those reasons, undue reliance should not be placed on any forward-looking statement. The Company assumes no duty or obligation to update or revise any forward-looking statement, although it may do so from time to time as management believes is warranted or as may be required by applicable securities law. Any such updates or revisions may be made by filing reports with the U.S. Securities and Exchange Commission, through the issuance of press releases or by other methods of public disclosure.

WERNER OVERVIEW

Premium Truckload Transportation & Logistics Services Provider

Headquarters

Omaha, NE

Market Cap¹

\$2.6B

**Dedicated
Fleet Size¹**

4,630

**One-Way
Fleet Size¹**

3,370

Associates²

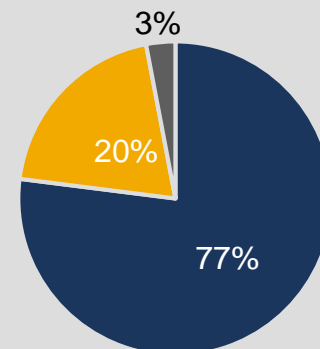
13,276

**Dividend
Yield¹**

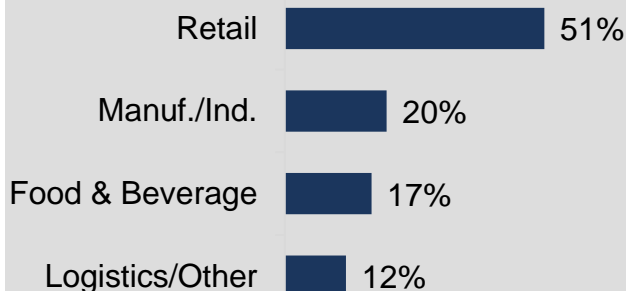
1.0%

2019 Revenues by Segment

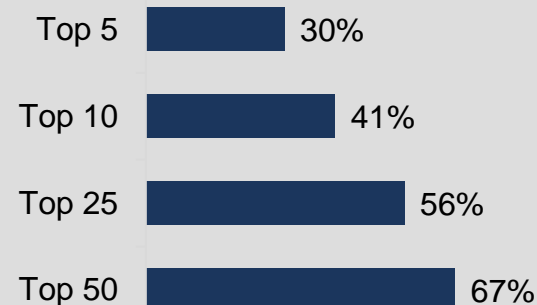
- Truckload Transportation Services (TTS)³
- Werner Logistics
- Driver Training Schools and Other



2019 Revenues by Vertical
Top 50 Customers



2019 Revenues by Customer



COMPREHENSIVE, CUSTOMER FOCUSED SOLUTIONS

FREIGHT MANAGEMENT



WERNER DEDICATED

4,630 Trucks (58%)

- DC to store replenishment
- Engineered fleets
- Private fleet conversion
- Specialty equipment

FREIGHT MOVEMENT



WERNER ONE-WAY TRUCKLOAD

3,370 Trucks (42%)

- Dry Van
- Expedited
- Cross Border
- Temp Control

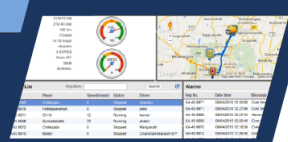
WERNER LOGISTICS

- Brokerage
- Freight Management
- Intermodal
- Global
- Final Mile

GLOBAL IMPLEMENTATION



TECHNOLOGICAL ADVANTAGES



FIVE T'S STRATEGY EXECUTION

01

Trucks



- Truck age increased slightly to 1.9 years

02

Trailers



- Trailer age maintained at 4.0 years

03

Talent



- Utilizing performance pay and metrics to drive performance and attract/retain high performing talent

04

Terminals



- Upgraded and expanded our terminal network to improve driver training, safety, equipment maintenance and throughput

05

Technology



- Upgrading and modernizing IT infrastructure and data security; expanding driver mobility by strengthening our Drive Werner app and developing a new in-cab technology solution; enhancing logistics applications software to improve real-time execution and decision making

Best in Class Customer Service

4Q19 AND FULL YEAR 2019 HIGHLIGHTS

4Q19 Financial Highlights

- Revenues decreased 4% to \$622M
 - GAAP EPS decreased 9% to \$0.70
 - Adj. EPS decreased 11% to \$0.67
 - Adj. operating income decreased 14% to \$63.4M
 - Adj. operating margin decreased 120 bps to 10.2%
-

2019 Financial Highlights

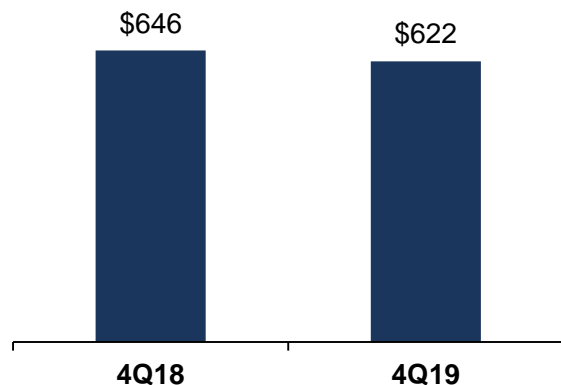
- Revenues increased \$6M to \$2,464M
 - GAAP EPS increased 2% to \$2.38
 - Adj. EPS increased by \$.01 to \$2.39
 - Adj. operating income decreased 1% to \$225.9M
 - Adj. operating margin decreased 10 bps to 9.2%
-

Strategic Updates and Other Developments

- One-Way Truckload freight volumes in 4Q19 were comparable to freight volumes in 4Q18 and showed seasonal improvement sequentially from 3Q19, however pricing remained challenging; project and surge pricing in 4Q19 was significantly lower than 4Q18
- At 12/31/19, 8,000 total trucks in TTS, up 180 YoY and down 55 sequentially
- Second highest fourth quarter adjusted EPS and highest full year adjusted EPS in our history; demonstrates the flexibility and adaptability of our balanced revenue model and strong operational execution

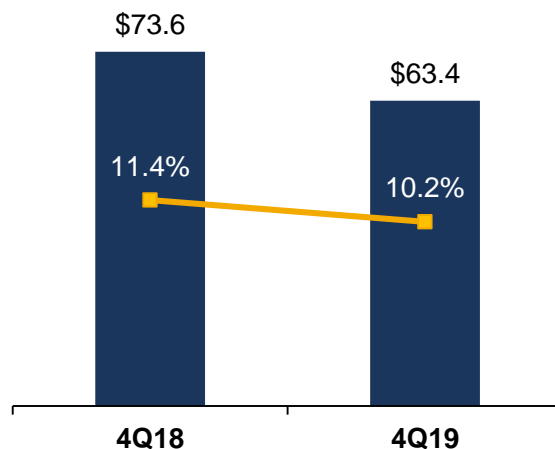
4Q 2019 FINANCIAL PERFORMANCE

Total Revenues (\$M)



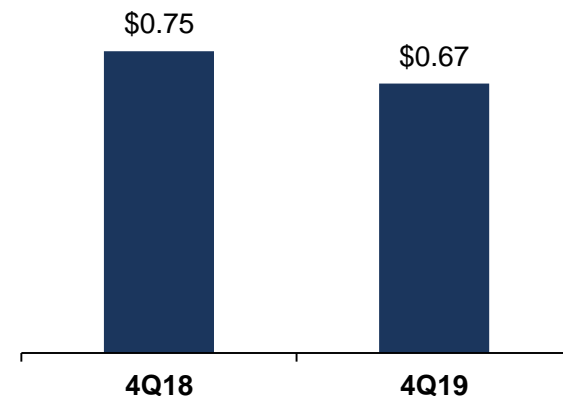
- 4% total revenues decline
- 1.8% lower TTS revenues per truck per week¹, due to lower miles per truck and partially offset by slightly higher revenues per total mile
- +3.3% TTS average trucks
- 12% lower Logistics revenues

Adjusted Operating Income (\$M) and Operating Margin



- 14% lower adj. operating income
- Adj. TTS operating margin declined 130 bps
- Logistics operating margin declined 250 bps

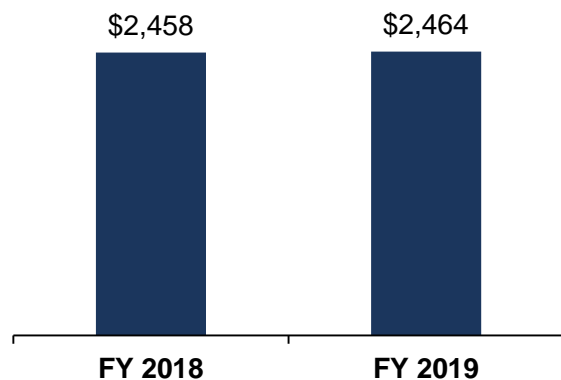
Adjusted EPS



- 11% lower adj. EPS

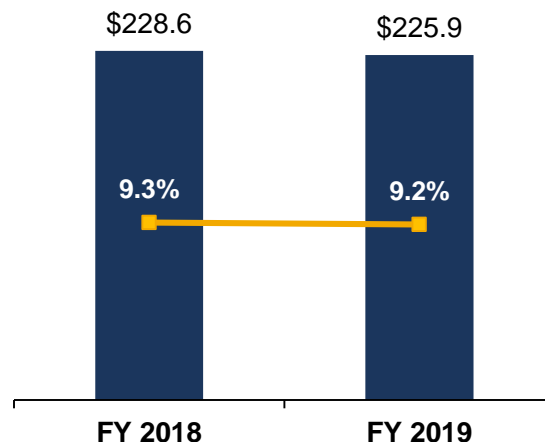
FULL YEAR 2019 FINANCIAL PERFORMANCE

Total Revenues (\$M)



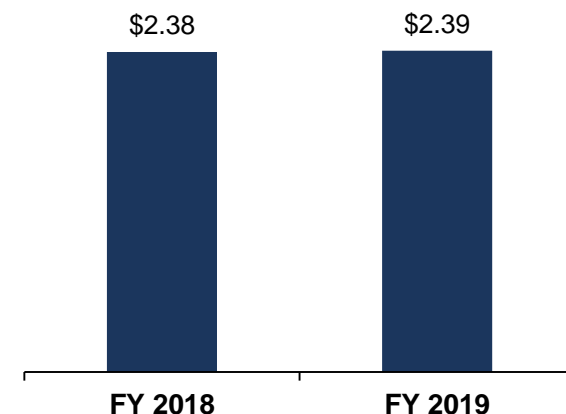
- Total revenues increased \$6M
- 0.5% lower TTS revenues per truck per week¹
- +4.6% average trucks
- 5% lower Logistics revenues

Adjusted Operating Income (\$M) and Operating Margin



- Adj. operating income declined 1%
- Adj. TTS operating margin decreased 50 bps
- Logistics operating margin declined 60 bps

Adjusted EPS



- \$.01 Adj. EPS increase

TRUCKLOAD TRANSPORTATION SERVICES (TTS) RESULTS

	4Q18	4Q19	Change YoY
Revenues (\$M)	\$494.7	\$486.6	(2)%
Adj. Op. Income (\$M)	\$68.0	\$60.4	(11)%
Adj. Op. Margin	13.7%	12.4%	(130) bps
Adj. OR, net FSC	84.1%	86.0%	190 bps

- TTS RPTPW (1.8%); due to lower miles per truck offset partially by slightly higher RPTM
- Strength and operational execution of Dedicated fleet (58% of total trucks) minimized the operating income decline

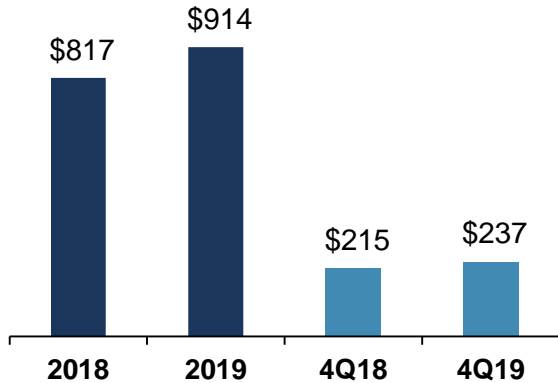
	2018	2019	Change YoY
Revenues (\$M)	\$1,881.3	\$1,909.8	2%
Adj. Op. Income (\$M)	\$212.9	\$206.6	(3)%
Adj. Op. Margin	11.3%	10.8%	(50) bps
Adj. OR, net FSC	86.8%	87.7%	90 bps

- TTS RPTPW (0.5%)
- Strength and operational execution of Dedicated fleet (58% of total trucks) minimized the operating income decline
- Fluctuating fuel prices and fuel surcharge (FSC) revenues impact the TTS operating ratio (OR) when FSC are reported on a gross basis as revenues vs netting FSC revenues against fuel expense (affects 4Q and full year)

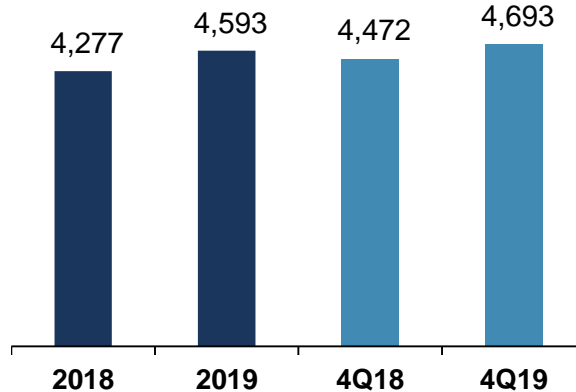
TTS¹ FLEET METRICS UPDATE

Dedicated Truckload

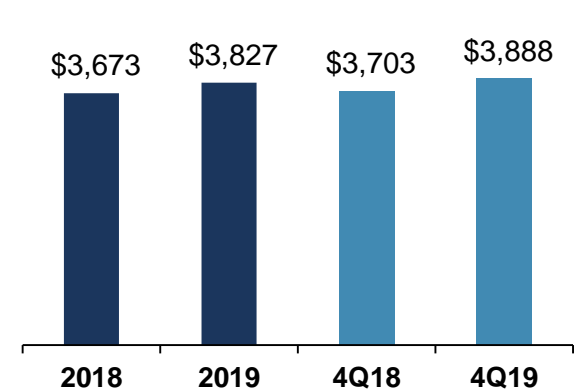
Trucking Revenues² (\$M)



Average Trucks

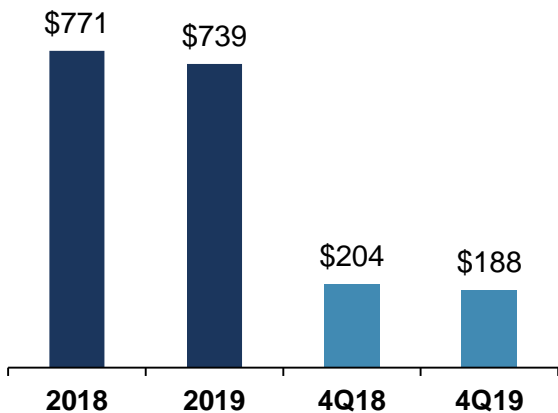


Revenues / Truck / Week²

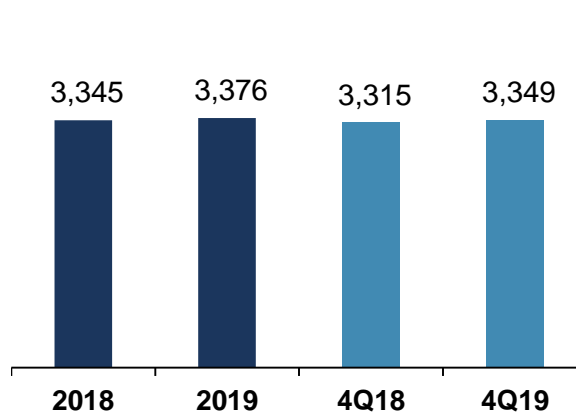


One-Way Truckload

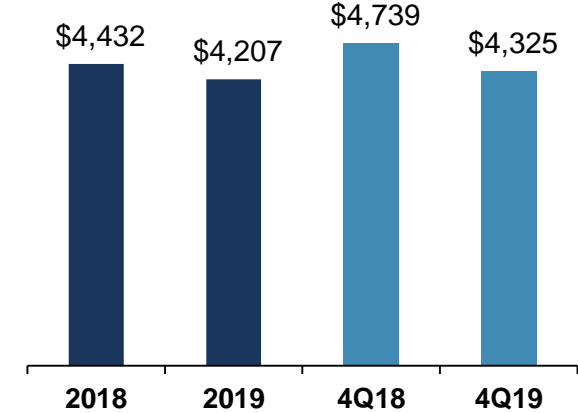
Trucking Revenues² (\$M)



Average Trucks



Revenues / Truck / Week²



WERNER LOGISTICS RESULTS

	4Q18	4Q19	Change YoY
Revenues (\$M)	\$137.2	\$120.1	(12)%
Gross Margin	16.8%	15.3%	(150) bps
Op. Income (\$M)	\$7.2	\$3.4	(54)%
Op. Margin	5.3%	2.8%	(250) bps

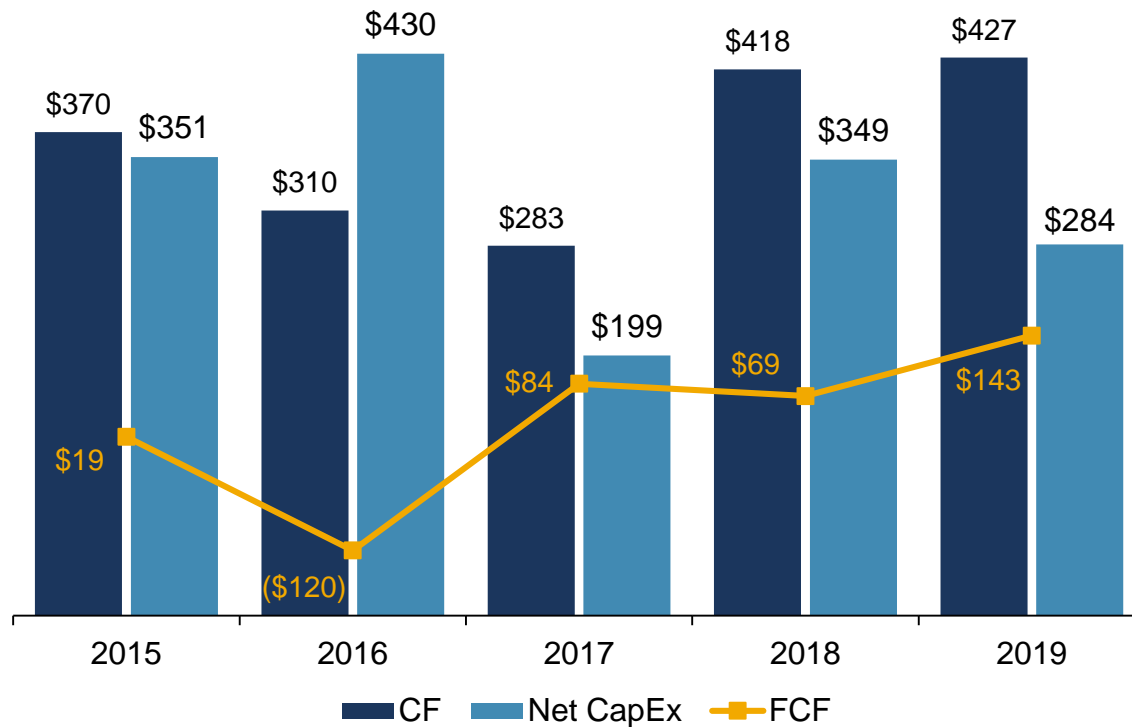
- Truckload Logistics (65% of total) had a 12% revenues decline due to a softer freight market and increased market competition
- Fewer transactional opportunities and increased market competition reduced the GM %

	2018	2019	Change YoY
Revenues (\$M)	\$518.1	\$489.7	(5)%
Gross Margin	15.8%	16.0%	20 bps
Op. Income (\$M)	\$20.4	\$16.3	(20)%
Op. Margin	3.9%	3.3%	(60) bps

- Truckload Logistics (67% of total) had a 7% revenues decline

STRONG FCF GENERATION IN 2019, EXPECTED TO CONTINUE

(\$M)



- 2020 Net CapEx expected to be in the range of \$260M to \$300M; over the long term, targeting Net CapEx at 11-13% of gross revenues
- Investment in 2019 focused on continued IT modernization, commercial and operational excellence initiatives and advancing truck technologies
- Free Cash Flow (FCF) expected to again be in excess of \$100M in 2020

WERN: EFFECTIVELY NAVIGATING THE LAST 2 TL CYCLES AFTER IMPLEMENTING THE 5 T'S STRATEGY IN THE 15/16 CYCLE

Adjusted EPS growth

	Down Cycle 2015/2016	Up Cycle 2017/2018	Down Cycle 2018/2019
WERN	(36%)	87%	0%
KNX⁽¹⁾	(10%)	90%	(15%)
SNDR	(4%)	65%	(20%)
HTLD	(19%)	70%	1%

(1) KNX/SWFT for 2015 and 2016 data based on pro-forma disclosures when the two companies were separate prior to the merger on 9/7/17. KNX/SWFT for 2017 derived by using the chart on page 6 of the KNX/SWFT 4Q18 earnings presentation which shows that combined KNX and SWFT Adjusted Operating Income grew 90% from 2017 to 2018 (including pre-merger and post-merger SWFT). Used the Adjusted Operating Income growth of 90% as a proxy for Adjusted 2018 EPS growth.

2020 GUIDANCE

2020 GUIDANCE		COMMENTS
TTS Truck Growth from Year-End 2019	(3%) to 1%	With flat to slightly lower truck count in 1H 2020 due to current market conditions
Gains on Sales of Equipment	\$6M to \$12M	Equipment gains expected to be lower in 2020 than 2019 due to softer used equipment market and lower trailer sales
Net Capital Expenditures	\$260M to \$300M	
1H 2020 GUIDANCE		
One-Way Truckload RPTM 1H 2020 vs 1H 2019	(5%) to (7%)	RPTM comparisons are expected to remain difficult in 1H 2020
ASSUMPTIONS		
Effective Tax Rate	25% to 26%	
Truck and Trailer Age	Trucks: 1.9 years; Trailers: 4.0 years	
Interest Expense 1Q 2020	\$1.8MM	Estimated 1Q 2020 interest expense based on current debt levels and interest rates

SUMMARY – INVEST WITH US



We have balanced our revenue portfolio toward more consistent revenue and earnings streams which positions us well across various freight markets

Heavy capex period behind us; current capex normalized; free cash flow generation strong

New fleet, updated terminal network, enhanced fleet and logistics technology, and experienced drivers produce excellent on-time service

Long-term margin and return expectations going forward are higher than the past

We are a stronger, better positioned company than we were in the past; we will deliver shareholder value



APPENDIX

GAAP TO NON-GAAP RECONCILIATION

(UNAUDITED)

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Three Months Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Operating revenues	\$ 621,787	\$ 646,365	\$ 2,463,701	\$ 2,457,914
Operating expenses	556,133	571,434	2,238,229	2,233,699
Adjusted for:				
Insurance and claims ⁽¹⁾	(1,198)	(1,150)	(3,914)	(15,189)
Property tax settlement ⁽²⁾	-	-	-	4,900
Gains on sale of real estate ⁽³⁾	3,439	2,432	3,439	5,927
Adjusted operating expenses	558,374	572,716	2,237,754	2,229,337
Adjusted operating income ⁽⁴⁾	63,413	73,649	225,947	228,577
Total other expense (income)	1,530	399	3,566	334
Adjusted income before income taxes	61,883	73,250	222,381	228,243
Adjusted income tax expense	15,062	19,647	55,082	56,830
Adjusted net income ⁽⁴⁾	\$ 46,821	\$ 53,603	\$ 167,299	\$ 171,413
Diluted shares outstanding	69,723	71,136	70,026	72,057
Adjusted diluted earnings per share ⁽⁴⁾	\$ 0.67	\$ 0.75	\$ 2.39	\$ 2.38

⁽¹⁾ During fourth quarter 2019 and 2018, we accrued \$1,198 and \$1,150, respectively, of pre-tax insurance and claims expense for interest related to a previously disclosed excess adverse jury verdict rendered on May 17, 2018 in a lawsuit arising from a December 2014 accident. The Company is appealing this verdict. Additional information about the accident was included in our Current Report on Form 8-K dated May 17, 2018. Under our insurance policies in effect on the date of this accident, our maximum liability for this accident is \$10.0M (plus pre-judgment and post-judgment interest) with premium-based insurance coverage that exceeds the jury verdict amount. Interest is accrued at \$0.4M per month until such time as the outcome of our appeal is finalized, excluding the months of June and July 2019 where the plaintiffs requested an extension of time to respond to our appeal. Management believes excluding the effect of this item provides a more useful comparison of our performance from period to period. This item is included in the Truckload Transportation Services segment in our Segment Information table. ⁽²⁾ During third quarter 2018, we reached a favorable settlement related to a property tax dispute that reduced taxes and licenses expense by \$4,900, for property taxes that were previously expensed and paid over a multi-year period. This item is included in the Truckload Transportation Services segment in our Segment Information table. ⁽³⁾ During fourth quarter 2019, we sold two parcels of real estate which resulted in a \$3,439 pre-tax gain on sale. During second quarter 2018, we sold a parcel of real estate which resulted in a \$3,495 pre-tax gain on sale, and during fourth quarter 2018 we sold a parcel of real estate which resulted in a \$2,432 pre-tax gain. These items are included in our Segment Information table in "Corporate" operating income. ⁽⁴⁾ Our definition of the non-GAAP measures adjusted operating income, adjusted net income and adjusted diluted earnings per share begins with (a) operating expenses, the most comparable GAAP measure. We subtract the insurance and claims jury verdict expense accrual and related interest and add the gains on sale of real estate and the property tax settlement to (a) to arrive at adjusted operating expenses, which we subtract from operating revenues to arrive at (b) adjusted operating income. We subtract (c) total other expense (income) from (b) adjusted operating income to arrive at (d) adjusted income before income taxes. We calculate adjusted income tax expense by applying the incremental income tax rate excluding discrete items to the net pre-tax adjustments and adding this additional income tax to GAAP income tax expense. We then subtract adjusted income tax expense from adjusted income before income taxes to arrive at adjusted net income. The adjusted net income is divided by the diluted shares outstanding to calculate the adjusted diluted earnings per share.



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