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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Ladies and gentlemen, thank you for joining us, and welcome to Schneider National's second quarter 2026 earnings call. (Operator Instructions)

I will now hand the conference over to Christyne McGarvey, Vice President of Investor Relations. Please go ahead.

Christyne McGarvey - *Schneider National Inc - Vice President of Investor Relations*

Thank you, operator, and good afternoon, everyone. Joining me on the call today are Jim Filter, President and Chief Executive Officer; and Darrell Campbell, Executive Vice President and Chief Financial Officer. Earlier today, the company issued an earnings press release. This release and investor presentation are available on the Investor Relations section of our website at schneider.com. Our call will include remarks about future expectations, forecast plans and prospects for Schneider.

These constitute forward-looking statements for the purposes of the safe harbor provisions under applicable federal securities laws. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from current expectations. The company urges investors to review the risks and uncertainties discussed in our SEC filings, including, but not limited to, our most recent annual report on Form 10-K and those risks identified in today's earnings release.

All forward-looking statements are made as of the date of this call, and Schneider disclaims any duty to update such statements, except as required by law. In addition, pursuant to Regulation G, reconciliation of non-GAAP financial measures referenced during today's call can be found directly in our earnings release and investor presentation, which includes reconciliations to the most directly comparable GAAP measures.

Now I'd like to turn the call over to our CEO, Jim Filter.

James Filter - *Schneider National Inc - Executive Vice President, Group President of Transportation and Logistics*

Thank you, Christyne. Hello, everyone. Thank you for joining the Schneider National today. I will start by offering my perspective on the freight cycle and how we are positioning the enterprise for success in this dynamic market. I will then turn it over to Darrell for his commentary on second quarter results, capital deployment and our full year earnings per share guidance. After that, we'll open up the call for questions.

Looking at our performance in the quarter, we believe we are seeing the initial benefits of the actions we took to structurally improve enterprise and position us to quickly and effectively capitalize on better market fundamentals. This includes effective revenue management, enhancements to asset efficiency and productivity, execution on our $40 million cost savings program and our differentiated multimodal model. We continue to see meaningful opportunity ahead, but we want to thank our associates, especially our professional drivers for their hard work, which helped drive earnings to more than double sequentially, representing the strongest quarter-over-quarter improvement in the last decade.

Many cycle indicators that showed signs of life in the first quarter gained momentum through the second quarter. Spot rates are already testing prior cycle highs, turndowns remain elevated, and utilization has increased meaningfully. Underlying demand trends were largely stable with some modest seasonal activity. As a result, we believe the market improvement to date has been supply led.

Regulatory action and enforcement on noncompliant supply, including in areas such as nondomiciled CDL usage, English language proficiency, illegal cabotage, entry-level driver training and ELD tampering, all gained traction through the second quarter.

Supply attrition has been faster than we initially expected and is removing the most irrational capacity from the marketplace. We will now categorize the market as driver constrained. The long-haul driver population in the US sits well below long-term averages and near the lowest levels seen over the last decade. However, we believe roughly half of the noncompliant capacity is left with the remaining impact of supply expected to exit through next year.

Against that backdrop, we believe we are only in the early stages of rate recovery and are maintaining a discerning approach to customer allocation events. We are balancing customer commitments with the need for rates that will support our strong service recouped multiple years of significant cost inflation and drive returns back to a level that is supportive of growth.

Importantly, spot rates now exceed contract rates at a level that has historically preceded more meaningful contract rate improvement. While the pace of supply attrition is supporting price increases, it is also creating challenges in driver recruiting and retention, which is putting upward pressure on the cost of capacity. We remain an employer of choice, and we will be disciplined in investments to add capacity, focusing on where we see clear demand, strong productivity and returns that meet our expectations.

We have aligned our pay structure to reward our hardest working drivers to support retention, while surgically reinforcing recruiting efforts, including growing the number of recruiters, expanding our AI capabilities and enhancing starting driver pay in the most constrained geographies. Altogether, our second quarter results underscore the importance of price and productivity.

Changing supply conditions are most acute in the over-the-road segment of the market where irrational capacity has persisted. This, in turn, is creating the strongest initial opportunities in our network and Logistics solutions and we have responded rapidly.

In the second quarter, these segments captured premium opportunities as we support customers through a quickly tightening marketplace. We expect Dedicated and Intermodal to see increasing benefits as we move further into the up cycle through contract renewals and freight allocation events. This flexibility is the benefit of offering a scaled, sophisticated multimodal portfolio.

Digging into our business segments in more detail. In Truckload, we more than doubled earnings sequentially on 2% revenue growth, only possible through the organization's hard work on executing price, productivity and cost reductions. Network price grew high-single digits year-over-year in the quarter. We are quickly leveraging all our tools to extract price, including historically high spot exposure, advanced freight selection and acceptance technology and a growing number of mini bids, among others.

Spot rates became increasingly accretive through the quarter and June saw levels of contribution that were on par with March of 2021. Network price renewals also accelerated with average price increases in the quarter, up double digits, which we achieved while also improving incumbent retention. Tractor count was impacted by driver availability, but we were able to more than offset the reduction with improved productivity, which grew high-single digits year-over-year. The asset efficiency gains we have made are now being compounded by better freight selection, and we actively managed truck count in the quarter to reduce unseated tractors.

Turning to our Dedicated business. We saw modest year-over-year price improvement in the quarter, supported by our self-help actions on portfolio quality. We remain disciplined in adding durable Dedicated solutions with returns in our targeted ranges as that discipline is what drives earnings resiliency through the entire cycle.

Proactively addressing pricing now is allowing us to get ahead of the increased cost of capacity and position the portfolio for higher quality growth. As we highlighted on our last call, these actions are creating some near-term churn. While productivity gains also contributed to the year-over-year tractor count decline, they helped drive margins higher in the quarter.

Dedicated remains a key pillar of our long-term growth strategy and the consistency and resiliency of earnings is a feature, not a defect. We continue to advance our sales initiatives with more than 500 new trucks sold year-to-date in 2026. We believe constrained driver supply, inflationary pressure in areas such as insurance and emerging liability concerns all support long-term Dedicated growth. We are also increasingly confident in our focus on specialty equipment where our retention remains highest.

At the same time, the benefit of our diverse portfolio of solutions is that it gives us flexibility to meet customer needs as they evolve. As cycle conditions shift, network will be most responsive to market improvement, especially in an up cycle that remains primarily driven by supply attrition in the over-the-road segment of the market.

As a result, in the near term, we may shift some capacity into our network configuration. However, we do expect Dedicated to benefit as those conditions translate through contract renewals and customer allocation decisions. As improvement accelerates, we will have the line of sight and capability to quickly return that capacity to capture these opportunities. This is the multimodal strategy working as intended.

In Intermodal, second quarter results underscore the efforts we have made and continue to make to prioritize profitable growth. Over-the-road conversion opportunities expanded in the quarter, but as expected, drayage has become the primary constraint. Realizing nine consecutive quarters of volume growth, we remain disciplined in the second quarter. We elected not to chase growth that would have required expensive third-party dray when pricing was not yet supportive of the incremental cost.

We are growing in areas where returns are commensurate with our service and cost as evidenced by the strong growth in Mexico and in the East, where there are the most significant over-the-road conversion opportunities, and we have clear differentiation. Altogether, the segment delivered earnings growth despite some revenue pressure, reflecting our differentiators in lanes and service, containers and chassis asset control, effective network and revenue management and the optimization of third-party costs.

Looking forward, we have seen success with select targeted investments in company dray capacity, which net up through the quarter. At the same time, pricing renewals accelerated in Intermodal. Importantly, we are seeing even stronger out-of-cycle increases, a signal that the market is beginning to turn faster. We expect these efforts to gain traction through the third quarter, positioning us to profitably capitalize on the trifecta over-the-road conversion tailwinds as we move forward, including elevated fuel costs, rising Truckload prices and strong rail service. We are pleased with our performance in this allocation season, which we expect to translate into volume growth in the second half.

In Logistics, we extended the momentum from the first quarter, delivering double-digit year-over-year growth in both revenue and earnings. Brokerage net revenue per order improved both year-over-year and sequentially, supported by revenue management and premium project business. While we are addressing out-of-market contractual pricing, we are also leaning into expanded spot opportunities. Our spot exposure increased year-over-year and sequentially.

Revenue management actions were amplified by productivity initiatives, especially those supported by our ongoing technology investment and leadership in Agentic AI solutions. The projects that began in the first quarter extended through much of the second quarter, though have now largely concluded. We expect the expertise we have built into these new verticals to remain a meaningful growth driver for Logistics even as the project-based nature of the work may create some quarter-to-quarter variability.

Altogether, we are encouraged by how the business has responded to the early innings of supply normalization and market improvement. Darrell will provide more detail on our earnings expectations shortly, and we are confident that 2026 will be a year of meaningful earnings growth supported by an improving rate backdrop and our enhanced ability to drive operating leverage.

With that, I'll hand the call over to Darrell to discuss our results and guidance in more detail. Darrell?

Darrell Campbell - *Schneider National Inc - Chief Financial Officer, Executive Vice President*

Thank you, Jim, and good afternoon, everyone. I'll review our enterprise and segment financial results for the second quarter and provide insights into our full year 2026 earnings per share and net CapEx guidance. Summary of our financial results and guidance can be found in our investor presentation available on the Investor Relations section of our website.

Starting with the second quarter results. Enterprise revenues, excluding fuel surcharge, were $1.3 billion, up 4% compared to a year ago. Adjusted income from operations was $73 million, a 29% increase year-over-year. Enterprise adjusted operating ratio improved 110 basis points compared to second quarter 2025. Adjusted diluted earnings per share for the second quarter was $0.29 compared to $0.21 for the second quarter of 2025.

Earnings grew year-over-year across each of our business segments, supported by continued progress on the strategic initiatives Jim outlined earlier and execution against our $40 million cost savings target, where we remain on track. We're seeing meaningful progress from our ongoing technology initiatives, which are helping automate and streamline workflows, reduce headcount, improve driver productivity and lower third-party spend.

From a segment perspective, Truckload revenues, excluding fuel surcharge, were $628 million in the second quarter, up 1% year-over-year. This growth was driven by improvements in revenue per truck per week, which grew 5% year-over-year and more than offset lower truck count, which have been impacted by a more constrained driver environment.

Network revenues, excluding fuel surcharge, grew 8% year-over-year, driven by productivity and price with revenue per truck per week up 16% year-over-year. Dedicated revenue per truck per week was up modestly year-over-year, reflecting ongoing portfolio upgrade actions.

Truckload operating income was $51 million, a 28% increase year-over-year. Operating ratio was 91.8%, an improvement of 180 basis points compared to last year. This marks the strongest profitability for our Truckload segment since the second quarter of 2023. Earnings were positively impacted by our revenue management efforts that were supported by an improved Truckload backdrop. We're also seeing the benefits from our cost savings program, where we're gaining traction in areas such as headcount and trailing asset efficiency.

Intermodal revenues, excluding fuel surcharge, were $262 million for the second quarter, down 1% year-over-year. Revenue per order declined 2%, reflecting mix changes that drove a lower length of haul. Volumes grew modestly year-over-year, marking the ninth consecutive quarter of order growth.

Intermodal operating income was $18 million, a 14% increase compared to the same period last year and a strong sequential improvement supported by headcount actions and gains in tractor asset efficiency. Operating ratio was 93%, 90 basis points improved compared to last year.

Logistics revenue, excluding fuel surcharge, totaled $376 million in the second quarter, up 11% from the same period a year ago. We saw improvement in price, supported in part by opportunistic premium project business. Logistics income from operations was $12 million, up $4 million year-over-year. Operating ratio was 96.8%, an improvement of 90 basis points from last year due to top line growth noted earlier and effective management of net revenue per order, including capitalizing on spot opportunities. Productivity gains, including those from reduced headcount and power-only trailer efficiency improvements also contributed to strong performance.

Turning to our balance sheet and capital allocation. Net CapEx in the quarter was $84 million compared to $53 million last year, primarily reflecting our efforts to improve the age of tractor fleet. As a result, free cash flow declined $35 million year-over-year in the quarter. Year-to-date, we've delivered nearly $35 million back to our shareholders in the form of dividends. Looking forward, our strategic priorities for capital are unchanged, and we remain focused on disciplined deployment, including supporting organic growth that's aligned with our areas of differentiation, accretive M&A and robust shareholder returns.

The strength of our balance sheet allows us to be nimble and execute on all three. As of June 30, we had $397 million in debt and lease obligations and $293 million in cash and cash equivalents. As a result, our net debt leverage was 0.2 times at the end of the quarter.

For 2026, we're revising our net CapEx guidance to the range of $350 million to $400 million, down from $400 million to $450 million. As noted earlier, our plan continues to reflect the use of CapEx to improve our age of fleet. The reduction from our previous outlook is driven by a lower need for trailing equipment and consistent with our ongoing focus on asset efficiency.

Our areas of investment will continue to support growth across Intermodal, especially dray capacity and in dedicated, particularly in specialty equipment. We're raising our 2026 earnings per share guidance to $0.90 to $1.10 from our previous range of $0.70 to $1. Our guidance assumes an effective tax rate of approximately 24%.

Second quarter results reinforce our confidence that the actions we've taken to lower cost to serve, enhance productivity and prepare for this up cycle are delivering meaningful operating leverage. Based on our year-to-date performance, we're raising the top and bottom end of the full year earnings per share guidance to reflect the progress we're seeing across the business. Our outlook continues to assume that supply attrition remains supportive of freight conditions for the balance of the year and that we continue to make progress against our $40 million cost savings target.

At the same time, our guidance incorporates a range of outcomes for demand and the availability of driver capacity in the second half of the year. Demand has tracked largely in line with our base case to date. Looking forward, stronger demand could drive additional upside while softer demand may moderate some of the benefits from supply rationalization.

As we think about the remainder of 2026, we're bringing momentum from contract implementations and successful allocation events. It's important to note that we're anticipating a loss of a large Dedicated customer, which will be more evident in the second half of the year.

Additionally, our business mix has evolved over the past several years, including the addition of three dedicated acquisitions and greater exposure to food and beverage and home improvement end markets. As a result, seasonal demand is typically stronger in the second quarter than in the third. Altogether, we expect earnings to grow meaningfully year-over-year at every point in our updated guidance range.

Now I'll turn the call over to Jim for closing remarks. Jim?

James Filter - *Schneider National Inc - Executive Vice President, Group President of Transportation and Logistics*

Thanks, Darrell. Before we open the call for questions, I want to reinforce why we're encouraged by the direction of the business. We are a stronger, more efficient company than we were in the last up cycle with a more resilient Dedicated solution, differentiated Intermodal service and scalable capacity across network and Logistics.

These improvements are being further supported by technology innovation, our cost savings program and a proven acquisition playbook. Second quarter results show that the actions we have taken to structurally improve the enterprise are working. The freight backdrop is improving, capacity rationalization is progressing and pricing momentum is building.

Across the portfolio, we are seeing benefits from revenue management actions, productivity gains, a lower cost to serve and a multimodal platform that helps us methodically capture opportunities. While uncertainty remains, particularly around demand and driver capacity, our confidence in the earnings trajectory has strengthened.

We are maintaining a strong balance sheet, investing where we see clear returns and continuing to execute against an unchanged strategy, earn customer loyalty through consistent execution, grow profitably where we create differentiation, improve on our low-cost operating model and maintain disciplined capital allocation.

With that, we will open the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Jordan Alliger, Goldman Sachs.

Jordan Alliger - *Goldman Sachs Group Inc - Analyst*

Yes, I was wondering, obviously, the supply side has been the big factor. I was wondering if you give a little more color on what you're hearing, seeing from your customer base, their thoughts on perhaps demand looking ahead. And maybe a little bit on the fleet.

Interesting on perhaps moving some more trucks into network. But can you maybe talk about your thoughts for fleet growth as we look ahead over the next year or so?

James Filter - *Schneider National Inc - Executive Vice President, Group President of Transportation and Logistics*

Yes. Thanks, Jordan. I think you've got a few questions in there for us to start. So let me just start with what we're hearing from customers related to demand and what we're seeing really macro there, and then I'll touch a little bit on what we're thinking about here for fleet growth as well. And so first of all, as it relates to demand, demand is playing out largely as expected.

Underlying demand is largely stable. We saw a little bit of seasonal activity in the quarter related to both summer holidays and the World Cup. And so our customers that are in areas like food and beverage definitely saw a little bit of a lift up.

And looking forward, what we're hearing is the consumer has been resilient through all the macro noise that's been going out there, but there are some risks that are not completely behind us. There's inflationary pressure primarily due to higher energy costs. Interest rates are continuing to weigh on some of the key end markets in places like housing and that's why we're really focused on a broad portfolio of customers that provides us a bit of a cushion here.

And the reality of the market that we're in here, though, is that this is really being driven by supply. And even with just a little bit of a ripple in demand, it was enough to make a market move here. And there's just no excess supply and our customers recognize that the market has changed, that there isn't excess supply out there.

And if there's any disruption, it will result in a really rapid change in the market because there's no way to absorb the shocks. That being said, as we're looking at our fleet, the way we're looking at it, we're excited about the supply exiting the driver market tightening. In Dedicated, we already highlighted that we're continuing to see strong sales, the 500 year-to-date, offset by a little bit of churn in the near term.

But at the same time, this is a great opportunity for us to be able to continue and restore profitability in that area. And then as it relates to the network, we haven't been satisfied with our performance in the network. And we know we need to restore some margins there. That's our first priority before we start to look at growing that driver fleet again.

Operator

Bascome Majors, Stephens.

Bascome Majors - *Stephens Inc - Equity Analyst*

If we look at the public data that we can follow, 2Q was a sea of frenetic activity and spot rates and tender rejection rates escalating at pretty much unprecedented levels despite the stable demand drop you talked about.

But since then, at least in the data that we can follow, it's been kind of sideways and maybe even walked back a bit. And I just want you guys' perspective from looking at your own internal metrics, whether it's turn down rates or what you're hearing from customers, is the market leveling out and even cooling off a bit? Or is this just a sign of seasonality that's kind of consolidating after a pretty challenging period? Thank you.

James Filter - *Schneider National Inc - Executive Vice President, Group President of Transportation and Logistics*

Yes. Thanks, Bascome. We looked at this very similar last year. I think we had the same discussion that when you get late into July, you see spot rates change a little bit. And I would say this really mirrors what we saw a year ago.

So very similar seasonality here, and it hasn't changed what we're seeing out there in the marketplace. And it's not just spot rates aren't the only way that we're able to extract price. It's one of those areas. And even though it's moving sideways, we would still say spot rates are still about 15% higher than contract price. And so that enables us to have a number of ways to go out there and extract price.

And the number 1 area, obviously, is through normal allocation events. But outside those events, we're seeing post-allocation opportunities that are growing. We're also improving price through freight selection. And even though spot is moving a little bit sideways, still positive opportunities there. And our customers are increasingly realizing that this is not a temporary situation when you see a little bit of a sideways movement here.

And so we've been really comfortable staying with elevated spot exposure because there's that 15% delta between spot and contract. And we continue to think we're still in the early innings of a rate recovery with -- overall, it's elevated spot exposure, and we'll keep that elevated spot exposure until the book closes between -- the gap between spot and contract.

Bascome Majors - *Stephens Inc - Equity Analyst*

And just to follow-up on one -- (technical difficulty)

James Filter - *Schneider National Inc - Executive Vice President, Group President of Transportation and Logistics*

I think we miss you here.

Operator

(Operator Instructions)

Ravi Shanker, Morgan Stanley.

Ravi Shanker - *Morgan Stanley - Analyst*

Great, thanks. Good afternoon, everyone. Jim, just on IM, obviously, you're a significant player in both asset-based trucking as well as IM, and we're seeing significant rotation from TL to IM at the moment. Do you get a sense that this is sort of a permanent structural move? Or do you think this is kind of opportunistic for the moment given that volumes aren't there yet and TL pricing is high and share might shift back to TL? Or do you think this is like the new normal for IM?

James Filter - *Schneider National Inc - Executive Vice President, Group President of Transportation and Logistics*

Yes. Thanks, Ravi. Appreciate the question here because definitely, you're absolutely right. We're seeing that trifecta of opportunities here between fuel, seeing the impact with underlying Truckload rates. But also, I think what's structurally different right now is the rail service. It's giving us an opportunity to get into more opportunities and customers are seeing those benefits.

I think the other part is as you look at where our growth is coming, we now have 17 consecutive quarters of growth in Mexico. Our customers have wanted to make a change there for a long time. And it really took that change of us operating with the CPKC to unlock that. We're also growing the local East with over-the-road conversion. Partly that's being driven by what you're seeing with Truckload rates with fuel, but also the service is really good and customers are understanding that.

But they also -- when they make that change to use Schneider and local East, I believe part of the reason why they're doing that is because of our multimodal strategy because they know that we have other capacity options, whether it's with one of our trucks or it's using one of our Logistics solutions to make sure that we have them covered through it. So yes, I do believe that we're going to -- we have opportunities to continue to grow. And this has been two years, nine quarters of growth. So we've been able to grow through some relatively weak times.

Ravi Shanker - *Morgan Stanley - Analyst*

That's helpful. Maybe as a follow-up here, I'm sorry if I missed the detail here, but I think you mentioned a large upcoming Dedicated loss. Can you shed some more light on that? Just maybe quantify how much an impact could be, so we know what the net guide increase looked like and also maybe some color around that loss?

James Filter - *Schneider National Inc - Executive Vice President, Group President of Transportation and Logistics*

Yes. And overall, Ravi, the way to think about that, that's contemplated in what we're expecting going forward. And Dedicated, like we said earlier, it's designed to be more consistent and resilient. And over the four-year down cycle, Dedicated has remained remarkably resilient. But at the same time, performance isn't where it needs to be.

And as the conditions are improving, that is giving us the opportunity to proactively address the bottom performing agreements in the portfolio and reallocate those resources towards higher-performing opportunities.

Obviously, as a byproduct of those actions, it can create some near-term churn, which is what we've been experiencing in the last couple of quarters. And so our focus here is the revenue per truck per week improvement. It's our priority at this point in the cycle and expect you're going to start seeing more pronounced improvement in that metric going forward because of the momentum we're seeing in contract renewals and productivity actions. And then after we've worked through these, then there's an opportunity to begin growing with deals that are durable. I feel really good about our ability to go out there and sell trucks in this area that's giving us the confidence to restore margins.

Darrell Campbell - *Schneider National Inc - Chief Financial Officer, Executive Vice President*

And Ravi, this is Darrell. The only thing I would add is our pipeline is robust, right? So one of the reasons that we have a pipeline is can absorb shocks. The reason why we kind of highlighted that on the call in our prepared remarks is really that in the third quarter, it's going to be more evident as we implement some of those wins.

Operator

Jonathan Chappell, Evercore ISI.

Jonathan Chappell - *Evercore Inc - Analyst*

Thank you. Good afternoon. Jim, a little surprising to see Logistics EBIT almost doubling sequentially, up over 50% year-over-year in a quarter where it feels like most Logistics companies were squeezed by a par block move in spot pricing. So is this Schneider-specific cost? Is this your power-only model? Is there something special that went into this in a quarter where it seemed to be one of the worst laggards for most peers?

James Filter - *Schneider National Inc - Executive Vice President, Group President of Transportation and Logistics*

Yes. Thanks for the question. And we talked a little bit about this last quarter because we were already seeing some of the benefits in Logistics come through last quarter. And once again, it's shining through. And we're no different than the rest of the industry.

In the second quarter, we still had some impact from rising third-party carrier costs that weighed on our contract-rated business, including power only, which you mentioned, but there's just been really strong execution on the premium project business. We had that in the first quarter. We developed trust with our customer, and that created additional wins in the second quarter. But it wasn't just the project business.

We continued focusing our revenue management efforts to address net revenue pressures, including leading into our spot opportunities. And so we had to address some out-of-market contract rates. And at this point, right now, we're about 60-40 contract versus -- I'm sorry, 60-40 spot versus contract a year ago and historically, we run at about 50-50. And it's not just all of those commercial actions, there's some cost actions here. We've been working on developing AI, especially in this area.

And those tech investments have resulted in our frontline productivity improving 17% year-over-year in the second quarter, which is also enabling great results here. So it's really all the way through from commercial activity, how we're managing revenue management and then how we're executing the loads.

Jonathan Chappell - *Evercore Inc - Analyst*

Got it. And then just quickly, you specifically called out gains on equipment sales in both the Truckload and the Intermodal EBIT in the press release. It feels like those might have been a bit more outsized than normal. Is there any way to quantify that, especially as it helps us kind of of consider the 2Q, 3Q bridge?

Darrell Campbell - *Schneider National Inc - Chief Financial Officer, Executive Vice President*

Yes. So this is Darrell. So in the second quarter, we did see a bit more in terms of gain on sale. We did see pricing improvements in terms of those sales, and we did also sell more units. Nothing that's that material, but there's definitely a step-up from the first quarter to the second quarter. For the remainder of the year, we do expect some robustness in the market to remain as it relates to the price.

Operator

Bruce Chan, Stifel.

J. Bruce Chan - *Stifel Nicolaus & Company Inc - Equity Analyst*

Yeah, thanks, and good afternoon, everyone. Maybe just a question here on the Intermodal revenue per order pressure. Jim, I think you talked about the mix impact there, which makes a lot of sense with the local conversion. But wanted to maybe get a sense for what core yields look like there.

And I know you generally don't comment on what the number looks like by region, but just maybe directionally, how should we think about that yield trajectory on the shorter haul versus the longer haul lanes? Thank you.

James Filter - *Schneider National Inc - Executive Vice President, Group President of Transportation and Logistics*

Yes. Thanks, Bruce. And you're right. We don't comment on pricing by region here, but I can give you some color that I think will be helpful to help you think about this going forward. So you're right.

In second quarter, the rate per order impacts were really just a matter of length of haul and mix, because our contract renewals have been increasing each of the last four quarters. And we had expected that Intermodal would lag Truckload, but we are seeing tightness now in the drayage market.

And really, we've been talking about this for quite a while that the catalyst in Intermodal to move price is that drayage market. And so our contract renewals were low single digits in the second quarter, and now we're trending towards mid-single digits, which is what we really need to be able to invest in growing dray or utilizing third-party capacity, which is at a higher price point than company drivers.

And so what we are focused on here is getting to a price point where we could start to accept more loads. And as we're getting to that pricing that we're beginning to see, that's going to enable us to start growing not just in the East and Mexico, but really throughout all of our markets.

Operator

Ken Hoexter, Bank of America.

Ken Hoexter - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Great. Good afternoon. So Jim, congrats, first of all, on your first call leading here. We've also gotten the driver ads in Westchester, so it's clearly working. But looking at your guide and your outlook. Look, my wife looks at me every time they come on the radio.

So looking at your guide and your outlook, thoughts on progress, Darrell, I don't know if you want to -- if you can walk through, I know you don't do quarterly forecasting, but is 2Q the strongest? Is fuel going to aid more into 3Q? I don't know if there's delay real time, if you want to talk about that. You threw out thoughts on driver pay. Is there anything we should think about costs coming into play. So just maybe give us some parameters as you raise the range.

Darrell Campbell - *Schneider National Inc - Chief Financial Officer, Executive Vice President*

Yes, sure. I think you hit on a lot of the things that we're considering. But I think let's just start with framing the guide. So we've said that the guide will assume that we have more supply attrition, right? We said that in January, we said that three months ago, and we're continuing to expect supply to exit the market.

We've also talked about all the things that are within our control, including our cost savings initiatives, our productivity actions, our revenue management actions. And with two quarters behind us, we're seeing the signs of all of those efforts kind of come to fruition. So we've also seen driver capacity exiting faster than we initially thought.

And year-over-year, all of our segments grew, which is remarkable. We're taking up the bottom end and the top end of our guidance based on all those facts. But it's not only the year-over-year growth that we've seen, we've seen very, very strong sequential growth. So quarter-over-quarter from the first quarter to the second quarter, we saw a doubling of our earnings, and that does not happen by accident, right? Those are all the things that are within our control with a little bit of help on the market. But as we go into the second half of the year, we're bringing all that momentum that we've seen not only as it relates to price.

So Logistics, for example, and network, those are the areas where most of the irrational capacity came in, and that's where we've seen it come out the fastest. So we're seeing the more ready impact in terms of pricing there. But areas such as Dedicated and Intermodal, which are more contract-based, we expect there to be a benefit in the second half as a result of all that.

Now we have two quarters left in the year. So we're thinking about things that are balancing that optimism. And I think you hit on some of them. So as capacity has exited the market, which is good for price, there are certainly constraints on driver capacity, right? So in terms of our scenarios, we're putting in scenarios as it relates to driver cost and availability and we've talked about demand, right, demand being a swing factor. We think that's particularly important as it relates to peak and what happens in the fourth quarter. But obviously, we have a lot of confidence that based on our preparedness, we're ready to execute once -- if and when that freight becomes available.

Now you asked the question as it relates to momentum and progress throughout the year. In my opening remarks, I talked about seasonality. So our business has evolved over time. We've made three very significant acquisitions over the last five years. And with that comes a shift in the portfolio.

So we talked about exposure to food and beverage end markets, home improvement end markets, and that's driving more seasonality into the second quarter as opposed to the third. We've seen that over the past several years, and that's something that we kind of continue -- expect to continue kind of going forward. There are some other things that are unique in our guide kind of going forward.

There was a question on Logistics and the performance of our Logistics business relative to the market. We've been very focused on developing our areas of strength in terms of specialty project business. That came through in the first half of the year, very evident in the second quarter. We think that in the third quarter, even though we're going to have some project business, it's not going to be as pronounced as it was in the second quarter for Logistics.

And then we did talk about the loss of the large Dedicated customer, which will also impact what the third quarter looks like. So all those things are in the mix in terms of kind of how we develop the guide for the rest of the year.

Ken Hoexter - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Great. Very helpful, Darrell. If I just follow up, you mentioned in the prepared remarks, moving trucks back and forth. I think it was from Dedicated to network, if I've got that right. And so maybe can you talk scale, capacity, time frame? I don't know, any kind of parameters you can put on that to see if we can scale that in our models?

James Filter - *Schneider National Inc - Executive Vice President, Group President of Transportation and Logistics*

Yes. So the way that we're thinking about that, Ken, is where we have the best market opportunities. And so that's the value of having this multimodal approach is that we're able to move drivers from one opportunity to another. And so it's not that I'm being evasive. There's just -- we're going to take that opportunity as it plays out.

Right now, what we're seeing with price in the market would suggest that there's just going to be more opportunities there in network that we might want to move some trucks over.

Operator

Brian Ossenbeck, JPMorgan.

Brian Ossenbeck - *JPMorgan Chase & Co - Analyst*

Alright, thanks for taking the question. Maybe Jim, start with you. Can you just clarify the comment on the dray drivers? It sounded like you're getting to the point where maybe pricing is support enough to be able to expand capacity or maybe fill in some of the gaps you might have in the network or want to add to the network. So maybe you can clarify those comments for me.

And then it also sounded like you're getting more out of bids -- out-of-cycle bids rather allocations in Intermodal, if I heard you correctly. So if you can put some context around that, it would be helpful, like do you have absolute terms how to compare it or maybe it's better compared to like a prior cycle in terms of what strength or activity you're seeing there?

James Filter - *Schneider National Inc - Executive Vice President, Group President of Transportation and Logistics*

Yes. Thanks, Brian. So just to start on our dray capacity and what we're seeing is we had opportunities to grow much faster if we had wanted to in the quarter, but we remain disciplined and specifically because we want to look at some of the opportunities that were coming in were noncommitted freight that would have driven our network out of balance or required third-party capacity. And even though we would have moved more freight, it would not have been accretive.

And so we're -- at the same time, we want to be able to take advantage of these opportunities. And so we're leaning in to grow our dray capacity, and we've already had some success here. But most of that growth in our dray capacity occurred at the end of the quarter, and we're continuing to grow that capacity now that we're seeing some improvement in market rates.

And that's the second part is going back to customers and because they understand they need to be able to fund our ability to grow capacity or to be able to use third-party capacity. And so we're seeing both of those take place right now and gives us some confidence that we can continue to grow from there. And you're right, customers when they're seeing some turndown activities, they're willing to sit down and have some discussions, and that's where we're seeing some out-of-cycle activity.

Brian Ossenbeck - *JPMorgan Chase & Co - Analyst*

Understood. As a quick follow-up, the comments on the B1 and the cabotage, it seems like there's some pretty significant activity. Have you seen that translate to any sort of opportunity in your network?

James Filter - *Schneider National Inc - Executive Vice President, Group President of Transportation and Logistics*

Yes, absolutely, Brian, as we think about what's going on with capacity, and just take a step back before I jump into specifically cabotage that this has been a matter of public safety. And if you go back to -- since 2016, the number of trucks involved in injury crashes has increased 18%. At the same time, companies like Schneider have been investing in safety and reducing accident frequency, yet crashes are growing because not all companies are following these existing regulations.

You mentioned cabotage, and we're starting to see some impact there. And you can see it on specific lanes because we've all seen the data that there's approximately 30,000 drivers whose visas were revoked, not enabling them to even cross the border and commit cabotage, that has an impact. Same thing with a number of other activities, non-domiciled drivers, the entry-level driver training is starting to be impacted.

At the same time, we'd say all these factors that are going on. And while cabotage was much faster than we expected, non-CDL drivers was much faster than we expected. There's still about half of the capacity we're expecting to leave hasn't been impacted yet. And we know that capacity is exited because even that real modest increase in seasonal demand triggered a market correction here in the quarter.

And so when we look forward, we know that there's still about one-third of the non-domiciled drivers remaining that we would expect to be removed. The first two-third came out faster than we anticipated. But if the Lilah's Law is enacted, we could see that capacity exit abruptly. And now we have the end of the broker preemption. That may remove some carriers with unsatisfactory conditional ratings. That's a few percent of capacity.

And then ELD enforcement is another action that I'd say is largely in front of us. And it's also the one that I believe would have the biggest impact on public safety because there's a lot of ELDs out there that were improperly certified. And with those, it's tampering is a feature, not a bug, and they're using offshore back-office staffs that enable and course drivers to exceed the 11-hour rules. And so the current highway bill is seeking to address that as well.

And so when you take not just what's behind us, but what's in front of us, it's going to be a dramatic change, and this also changed the top of the funnel. And so it's structurally different than what it was in the past. And so capacity won't grow as fast as it did after the pandemic, and that's why this recovery could last longer than other recoveries.

Operator

Tom Wadewitz, UBS.

Thomas Wadewitz - *UBS AG - Equity Analyst*

Yeah, good afternoon. You had pretty strong growth in revenue per truck per week in network. I'm just wondering how -- do you think like how big a move can you see in 3Q? Or did you kind of -- I mean, you already saw a good move, but I would assume you didn't get everything repriced and so there's more to go. So just maybe a high-level thought how we could -- how much further gain we could see revenue per truck per week in 3Q in network.

And then in Dedicated, I know, obviously, it's a different business with multiyear contract, but how might we think about the relationship across the cycle? So if network rates were to go up 15%, 20% across two years, pretty strong cycle. That -- would that translate to kind of half of that gain in Dedicated? Or how would you think maybe about that relationship just so we can kind of contemplate what to put in the model as you look out in Dedicated?

James Filter - *Schneider National Inc - Executive Vice President, Group President of Transportation and Logistics*

Yes. Thanks, Tom, for those questions. So let me just start with the network revenue per truck per week, 16% growth year-over-year, really strong performance, and that's why network has just always been a part of our multimodal approach. Even though we weren't pleased of the performance during the down cycle, and we didn't sit around during the downturn and wait for the market improvement. But our improvements were primarily on productivity and cost, and those were all being masked by price.

And now that price is starting to move, I think it's just more apparent of what we've been working on. And so -- and now that we're getting price, we're just ready more than ever to take advantage of the cycle shift, and you're starting to see that in the second quarter.

So let me just talk about some of those factors here. We don't get price just through allocation events. We're seeing that through elevated spot exposure, mini bids, freight acceptance, and that's why we're already seeing high single-digit price improvement hit this business. But also productivity is also a high single-digit improvement.

And that's being driven by a combination of asset efficiency, removing unseated tractors and then higher driver utilization from both freight selection and then optimization. And so -- and then the cost reductions that we've been talking about across this entire enterprise for multiple years. This is the first time that you're able to look at a business and say, oh, I can see that coming through the business. And so we're always optimizing for earnings. And in tougher markets, you just have more leverage with productivity and cost.

And now as the market turns, we have opportunities across not just productivity and cost, but also price, and that's where that leverage is starting to come through. In terms of price between network and Dedicated, and it's a little bit difficult. There isn't necessarily a number you can map to, to be able to say, well, this is going to change during this cycle because I think it would have been different.

We're going to be focused on having margins in Dedicated that are going to be resilient. You sign a contract for multiple years, and we're going to look for a price that's going to be fair for both sides and be durable. And so that is the plan now, I'd say, over the last couple of years, especially you got later into the cycle. There was a little bit of pressure on Dedicated and some of those contracts are the ones that needed to be renewed.

Thomas Wadewitz - *UBS AG - Equity Analyst*

I mean maybe just on timing, like when do you think we'll start to see the strength in revenue per truck effectively in price show up? Does that start to show up in 3Q? Or there's a little longer lag on it?

James Filter - *Schneider National Inc - Executive Vice President, Group President of Transportation and Logistics*

Yes. I think in Dedicated, we're expecting that we should start seeing improvement in revenue per truck per week in Dedicated immediately here already in third quarter.

Operator

Chris Wetherbee, Wells Fargo.

Christian Wetherbee - *Wells Fargo Securities LLC - Equity Analyst*

Yeah, hey, thanks. Good afternoon, guys. So Darrell, I guess just maybe to be a little bit more direct, you said a lot about the third quarter and the difference between 3Q and 2Q seasonality. I guess I'm just a little confused. I want to make sure I understand, can 3Q earnings or however you want to sort of measure the profitability of the business be higher than 2Q? Or should we assume that 2Q is higher than 3Q?

Darrell Campbell - *Schneider National Inc - Chief Financial Officer, Executive Vice President*

Yes. Good question, and I guess, unsurprising. So we tried to give a little bit more color to clarify. We don't guide by quarter, but just trying to be helpful. So I think the seasonality point was just to kind of underpin some of the thoughts that we've seen.

So if you just look at history over the last 5 years and kind of how our seasonality has shifted, I just want to make the point that given the transformation of our business, typically in the recent past, more seasonality has shifted into the second quarter. We also talked about just the dynamic of the Logistics specialty project business and the loss of the Dedicated customer.

I mean with all that said, where I did lead off is that we're seeing a lot of momentum going into the second half of the year. So all the things that I mentioned as it relates to capacity exiting the market and the impact on price, you've seen what price and productivity together can do just even in network as an example. So we do expect that, that momentum carries forward.

And then Jim mentioned the gap between contracts and spot we do believe that not only in Network and Logistics, but also in Dedicated and Intermodal, we are going to get the benefit of price, and that's also going to come through in the second half, right? So it's not as if we don't think that there's improvement. Actually, at every point in our guide, if you look on a year-over-year basis, we do expect to see improvement in our segments.

Christian Wetherbee - *Wells Fargo Securities LLC - Equity Analyst*

Okay. I appreciate the clarification there. And then maybe just a bigger picture one here as we're thinking about some of the dynamics going on with drivers and in particular, what's happening here in a post-Montgomery world around the brokerage businesses. I guess, can you maybe sort of refresh us on how you guys think about carrier vetting.

Have you made any changes post Montgomery, the way you think about it, probably going to be maybe on the higher tier of carrier vetting discipline in the industry. But I just want to get a sense of some thoughts around that and how it might impact available capacity and how you see sort of the potential opportunity for you in Logistics going forward?

James Filter - *Schneider National Inc - Executive Vice President, Group President of Transportation and Logistics*

Yes. Thanks, Chris here. I'll start by talking about the capacity impacts, and then I'll dive in a little bit into our brokerage business. And you're right, I think it's likely to further constrain capacity from a couple of aspects. First, there's many brokers that are likely to avoid carriers that have conditional or unsatisfactory ratings from the FMCSA.

That's probably a few percentage of the market. And while the drivers might go to work for another carrier, it's likely that they're going to be held to a higher safety standard. So even transfers to a new company potentially reduces capacity.

And then you have brokers like Schneider that have some standards that go beyond the carrier safety rating. And within Schneider, we only qualify approximately 60% of the carriers that apply. Now don't interpret that as 40% of the carriers on the road are unsafe.

Some of these carriers are chameleon carriers, so we might disqualify them many times. And there are also carriers that are safe but lack enough time in the industry to meet our standards. But I also believe this creates an opportunity for our Logistics segment. We're already seeing some shippers that are pivoting away from the small or medium-sized brokers.

And there are some shippers that are requiring minimum insurance levels that are well out of reach for most pure-play brokers and even for some small asset-based companies and so our position, the standards that we put in, we implemented these several years ago, and we've moved our carrier count from 60,000 to less than 14,000 carriers. And we did that primarily under the vein of improving cargo security, but many of the filters that we apply to cargo security also apply to safety.

And so overall, I think this is an opportunity for Schneider. But I also believe that litigation is a risk to supply chains. We're investing heavily in safety, training, technology, compliance, and it's resulting in reducing accident frequency, but accidents still happen. And we believe that companies that do the right thing should be held accountable based on the facts and not exposed to disproportionate outcomes driven by the current litigation environment.

And that's why we believe tort reform is really important, not to avoid responsibility, but to ensure that the outcomes are fair, they're predictable and aligned with actual conduct. And so I believe that this is a big impact to the overall industry.

Operator

Scott Group, Wolfe Research.

Scott Group - *Wolfe Research LLC - Analyst*

Hey, thanks. Two questions. We're at the hour, so I'll just lump into one. So you talked about, Jim, the trifecta for Intermodal conversion. volumes were flat in the quarter, like where you think like the growth goes? And then Darrell, there's been a lot of talk about like the seasonality of the mix of the business like 2Q, 3Q.

Like maybe more importantly, does like the mix -- the changing mix of the business like change ultimately like where the annual margins can go, meaning if this was an 85%, 86% OR last cycle, does that change because you have more Dedicated or more food and beverage? Or does that not change? Is this just a seasonal shift within quarters?

James Filter - *Schneider National Inc - Executive Vice President, Group President of Transportation and Logistics*

Yes, Scott, I'll start and then Darrell will jump in on the long-term margin questions here. So first of all, on Intermodal volumes, I think I talked a little bit about this earlier. We could have grown double digits if we wanted to, but we wouldn't have made any more money.

And so that's why we're a little bit more discerning about which orders we're accepting. And you're able to do that when you've grown 9 consecutive quarters, and we've had some really big growth in certain areas. And we said we don't have to go out there and take every single opportunity.

And so now that we are starting to grow that dray capacity, we're getting price that will enable us to use some third party in certain area. We set up our peak season programs with shippers very early on because we're seeing those opportunities as well. That enables us to use third party a little bit more today. So we expect that there's opportunities to start growing really in high single digits.

Yes, Darrell.

Darrell Campbell - *Schneider National Inc - Chief Financial Officer, Executive Vice President*

Yes, this is Darrell. So the seasonality commentary was really just to frame the guide, right? It doesn't change anything that we think about our business in the long term. And actually, the actions that we've taken have been purposeful. So we purposely targeted the three targets that we acquired over the last few years, and we knew what came with that, and we welcomed what came with that. So we've been taking actions to structurally improve the business during the downturn, right? We've not been wasting time.

The Dedicated portfolio, our Truckload is more Dedicated skewed Jim talked about our differentiation in Intermodal in network and Logistics, we've invested in being scalable and flexible. We've been investing in technology. So all of those things make us stronger today as we're coming out of the downturn. And we're already seeing that, right? So if you just look at our year-over-year improvement, you look at our sequential improvement in earnings, it's all a result of all the things that we've done.

But when we think about our long-term margin targets, Truckload, 12% to 16%, Intermodal, 10% to 14%, Logistics, 3% to 5%, those are meant to be in normal market conditions, right? So we -- I think everybody would acknowledge Scott that we have not been in a normal situation.

So as capacity has exited, we're seeing the benefit, and we're seeing it initially in those segments of our business that were most impacted. But we expect to see improvement across the board, including in our contract-rated businesses. So the pricing improvement that we saw in Logistics and network, I think that's just the beginning.

Jim talked about where we are in terms of all the capacity actions that are being taken. So when we sit here today at the end of the second quarter, Truckload margin is already at 8%. Intermodal at 7%. Logistics is already within our long-term ranges. So we have line of sight to get to our longer-term margin ranges and the evidence of all the actions that we've taken prove that.

James Filter - *Schneider National Inc - Executive Vice President, Group President of Transportation and Logistics*

All right. We appreciate everybody joining the call today. Have a great day.

Operator

This concludes today's call. Thank you for attending. You may now disconnect.
