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EDITED TRANSCRIPT

SNDR.N - Q2 2025 Schneider National Inc Earnings Call

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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Thank you for standing by, and welcome to the Schneider's second-quarter 2025 earnings conference call. (Operator Instructions)

I'd now like to turn the call over to Christine McGarvey, Vice President of Investor Relations. You may begin.

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

Thank you, operator, and good morning, everyone. Joining me on the call today are Mark Rourke, President and Chief Executive Officer; Darrell Campbell, Executive Vice President and Chief Financial Officer; and Jim Filter, Executive Vice President and Group President of Transportation and Logistics.

Earlier today, the company issued an earnings press release. This release and an 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 our 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, A reconciliation of any non-GAAP financial measures referenced during today's call can be found in our earnings release and investor presentation, which includes reconciliations to the most directly comparable GAAP measures.

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Now I'd like to turn the call over to our CEO, Mark Rourke.

Mark Rourke - *Schneider National Inc - President and Chief Executive Officer*

Thank you, Christine, and hello, everyone. Thank you for joining the Schneider call today. I want to welcome Christine to the Schneider team and look forward to her contributions as we go forward. For our prepared remarks, I will start by providing an update on our commitment to drive ongoing structural improvements in our business.

First, we are restoring margins while positioning the business to maximize through cycle returns. Second, we are leaning into our areas of differentiation to create our own growth opportunities. And third, we are compounding organic growth with accretive M&A.

Within that context, I will share my perspective on the freight market as well as the positioning and performance across our multi-mobile platform. Darrell will then provide a financial overview of the sum-quarter results and share our updated 2025 earnings per share in net capital expenditure guidance. Then we'll take your questions.

I will begin our efforts to restore margins and maximize through cycle returns. Second quarter benefited from the cumulative effects of our actions we have taken to lift our business through a challenging backdrop and importantly, demonstrate our ability to capitalize on the modest seasonality that did materialize through strong operating leverage. We are approaching this several ways, through a disciplined and purposeful customer freight allocation process, by containing costs across the enterprise and by executing on initiatives to improve the resiliency of our truckload earnings.

Regarding customer allocations, we remain disciplined throughout the second quarter, focused on serving our customers effectively and doing so profitably. We are now roughly 3/4 through the contractual renewal period, both in Truckload Network and Intermodal. We remain on track to deliver low to mid-single-digit percentage increases in our Truckload Network pricing renewals, while Intermodal pricing has remained stable as expected.

Within Network, we continue to believe maintaining rate discipline is the right course of action. Given that rates do not adequately reflect our costs and service levels. As a result, our spot exposure remains elevated to historical norms. That said, we believe second quarter results underpin the importance of extracting contract rate increases.

Our team has successfully capitalized on pockets of market strength as they have emerged leading to sequential and year-over-year low single-digit improvement in revenue per truck per week. While elevated spot exposure was a pricing mix headwind in the quarter, it positions us for greater operating leverage when the market turns, whether through rising spot rates or increased capacity to secure accretive contract rates.

In Dedicated, pricing improved for the third consecutive quarter as we remain disciplined on both renewals and new business wins. In Intermodal, pricing has been in line with our expectations. We are further encouraged by the positive trends we are seeing in customer allocations and win rates the latter of which are at a level not seen since 2022, and I will elaborate on that shortly.

These gains are driven by our focus on areas we have real differentiation, enabling us to deliver meaningful value to our customers while remaining steadfast in our focus on sustainable operating earnings growth.

Next, we remain focused on containing costs across the enterprise continuing to execute on our established cost reduction target above $40 million. This includes synergies from recently acquired Cowan Systems with full run rate benefits anticipated in 2026. The remainder of targeted savings is largely driven by efficiency actions. We believe these (inaudible) will not only help sustain performance to the extent this challenging environment persists, but they also position us to accelerate earnings as conditions improve.

Finally, we're improving the earnings resilience of the Truckload segment. Dedicated represents 70% of our truckload fleet, a materially higher percentage than several years ago, driven by organic growth and supported by our three acquisitions to date.

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As noted on our first quarter call, we anticipated some churn in the second and third quarters. While a portion of this churn materialized earlier than expected, it was largely in line with our projections. Importantly, the team has offset the vast majority of this churn with new business wins, keeping fleet count consistent with the first quarter.

Looking forward, we will continue to see the impact of this churn in the short term but we expect gross wins to pick up, supported by the strength of our pipeline.

Some of this growth will be offset by continued improvements in tractor productivity, resulting in highly efficient revenue growth. Overall, though, we anticipate sequential growth in our net fleet count for the remainder of the year.

Meanwhile, we saw an increase of 70 owner-operators compared to the first quarter marking the first instance of net growth since the second quarter of 2023. We were also able to net up over 200 company drivers in network without increasing truck count demonstrating our ability to act opportunistically near the bottom of the cycle and reflecting the impact of our productivity initiatives around drivers for tractor.

Truckload earnings improved nearly 60% sequentially and over 30% year-over-year, underscoring the strong operating leverage inherent in the business and the progress we've made in restoring margins. The long-term strategy of shifting the business toward Dedicated and variable cost capacity in the Network will help to improve the resilience of our earnings stream through cycles. In the near term, we see ample opportunity to grow Network operating earnings without acting to grow truck count or deploy significant capital.

Our second area of structural improvements is to lean into our areas of differentiation to drive growth ahead of what the market sends our way. In fact, many of our forward indicators such as Dedicated pipeline, Intermodal win rates, and new customers growth are all matching or exceeding levels that we have seen when the market was magnitude stronger. That is due in large part to our multimodal portfolio, which allows us to meet shipper demand and utilize our areas of strength to capture available volume even in a tepid environment.

For example, shippers continued preference for asset-based offerings is supporting network and power-only demand, offsetting the impact of our traditional brokerage volumes.

In fact, Power Only set an all time high for second quarter volumes growing year-over-year for the sixth second quarter. In Dedicated, our pipeline is at a point that has historically translated into fleet growth in subsequent quarters. We continue to leverage the strategic differentiators unique across our four Dedicated brands with a focus on specialty equipment offerings where we see ample runway for growth and retention rates that are -- 400 basis points higher than standard equipment.

In Intermodal, we understand that the changing real landscape will be of interest to all participants. We have strong rail relationships, and we look forward to the continued engagement and creating additional value for our customers. Historically, we have demonstrated our ability to adapt to changing dynamics in the underlying intermodal landscape by leading into the unique elements of our service, namely our asset-based dray, chassis and container offering.

For example, through our relationship with the CPKC, Schneider is the intermodal provider of choice in Mexico, offering service that is one to three days faster than the competitors and advantage that is clearly resonating with shippers. Mexico was a key driver of our second quarter volume growth, which rose 30% year over year.

Looking forward, we see strong momentum. In Mexico specifically, we are benefiting from being in our second allocation season with the CPKC with a full year of service performance behind us to sell into. The momentum is broad-based and year-to-date win rates on our most accretive lanes are trending at nearly double last year's levels.

Pricing recovery remains a key lever to returning to our long-term targets. However, ability to create these enterprise growth opportunities is helping our results today and the benefits of this approach will become more evident in a strong market environment. We will be able to convert in many instances, on a historically large pipeline and be increasingly selective with the freight that we take on.

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Third and finally, in addition to our organic growth, our recent acquisitions, including our largest Cowan Systems, contributed to income from operations growth this quarter. We are pleased with their performance, and we continue to evaluate how we best unlock additional value from these strong brands.

Starting in October, Cowan Logistics will be integrated into Schneider Logistics to leverage our enterprise tools and eliminate redundancies and effort we expect will drive improved margins in this segment. Switching now to perspectives on the market.

We expect the economic uncertainty that characterize the second quarter to persist into the back half of the year with trade policy continuing to evolve. In addition, the timing and impact of regulatory enforcement such as requirements around English language proficiency and the use of B1 drivers, along with the recent legislative developments remain unclear. Even so, we believe the most likely path forward is for the freight environment to continue its movement towards recovery, with capacity continuing to exit the market at a slow but steady drumbeat.

As we noted earlier, we are seeing the effects of this progress in driver recruiting, which saw pockets of strength during the quarter, likely reflecting (inaudible) to quality among drivers. Declining capacity in conjunction with some seasonal demand patterns continue to drive the market closer to equilibrium.

While customer reactions and strategies have varied, we have seen a growing number of (inaudible) concerned about capacity and as a result, are funneling more freight our way. Altogether, we believe strong execution on our efforts to drive strong improvement in our financial returns, deliver above-market organic growth, and accretive M&A to drive earnings higher in 2025. Let me now turn it over to Darrell for his insight on the second quarter and our guidance.

Darrell?

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

Thank you, Mark, and good morning, everyone. I'll review our enterprise and segment financial results for the second quarter and provide insights on our updated full year 2025 EPS and net CapEx guidance. Summaries of our financial results and guidance can be found on pages 24 to 30 of our investor presentation available on our Investor Relations section of the website.

Starting with the second quarter results. Enterprise revenues, excluding fuel surcharge, were $1.3 billion, up 10% compared to one year ago. Adjusted income from operations was $57 million, a 9% increase year-over-year. Enterprise adjusted operating ratio was roughly in line with the second quarter of 2024. Adjusted diluted earnings per share for the second quarter was $0.21.

The disciplined actions we've taken on revenue management, cost containment and productivity enabled over-year improvement in our Enterprise income from operations for the third consecutive quarter, including double-digit improvement in our asset-intensive businesses despite what remains a challenging market. We're gaining traction on our previously announced structural cost savings targets with execution to be directly contributing to our second quarter performance.

However, the industry continued to see inflation in key areas such as accident claims and equipment-related costs, and we remain focused on identifying additional savings opportunities to offset these pressures.

From a segment perspective, Truckload revenue, excluding fuel surcharge, was $622 million in the second quarter, up 15% year-over-year. This growth was primarily due to the common acquisition and modestly higher revenue per truck per week, partially offset by lower network volumes and dedicated churn. Truckload operating income reached $40 million, a 31% increase year over year, reflecting the same revenue drivers as well as cost and productivity efforts.

Operating ratio was 93.6%, an improvement of 70 basis points compared to last year, and approximately 230 basis points better than the first quarter. Network margins improved sequentially by 150 basis points, supported by improved revenue per truck week and ongoing actions to reduce variable input costs. These efforts include reducing unbilled miles, improving tractor-to-driver ratios and implemented targeted head count

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actions. Collectively, these initiatives drove double-digit sequential earnings growth in Truckload despite revenue increasing just 1% quarter over quarter.

Intermodal revenues, excluding fuel surcharge, were $265 million for the second quarter up 5% year-over-year, driven entirely by volume growth as yields remained roughly flat. This marks the fifth consecutive quarter of year-over-year volume growth in the segment.

Intermodal operating income was $16 million a 10% increase compared to the same period last year, reflecting solid operating leverage on volume growth, as we continue to see the benefits from our network optimization and dray productivity, including ongoing efforts to fill empty lanes, reduce friction costs at the ramp and improve freight mix.

Operating ratio was 93.9%, an improvement of 30 basis points compared to second quarter 2024. Logistics revenue, excluding fuel surcharge, totaled $340 million in the second quarter, up 7% from the same period one year ago, driven by the Cowan acquisition and continued growth in Power Only volumes. This was partially offset by lower volumes in traditional brokerage as shippers continue to favor asset-based solutions.

Logistics income from operations was $8 million near first quarter levels, but down 29% from last year's high watermark. Operating ratio was 97.7%, an increase of 120 basis points compared to prior year, primarily due to softness in brokerage volumes, partially offset by productivity initiatives. Second quarter operating ratio was essentially flat sequentially.

Turning to capital allocation. We paid $17 million in dividends in the second quarter and $34 million year-to-date. Net CapEx was $150 million compared to $182 million last year due to reduced purchases of transportation equipment. Free cash flow increased approximately $10 million compared to the same period in 2024. We continue to expect net CapEx to be in the range of $325 million to $375 million for the full year.

We're monitoring economic and volume expectations as well as the effects of our asset productivity initiatives, and we have the ability to move to the low end of the range in a more subdued environment.

We also continued to (inaudible) the impact of tariffs on the cost of equipment and a range of scenarios is included in our guidance. Our priorities remain organic growth in Dedicated and Intermodal tractors and investing in technology to drive business insights and (inaudible) productivity.

In the second quarter, we began deploying free cash flow to reduce leverage, including a $50 million repayment of our revolving credit facility. As of June 30, 2025, we had $526 million in total debt and lease obligations and $161 million of cash and cash equivalents. Our net debt leverage was 0.6x at the end of the quarter an improvement from 0.8x at the end of the first quarter.

Moving to our updated full year 2025 earnings guidance. Our adjusted earnings per share guidance for the full year 2025 is $0.75 to $0.95, which assumes an effective tax rate of 23% to 24%. As we review our revised full year outlook, we continue to consider a range of outcomes tied to trade policy and broader economic uncertainty, while also incorporating the potential impacts of fiscal and regulatory policy changes since our last update.

We continue to believe that a steady march toward a more balanced market supported by elements of seasonality and capacity attrition is the most liked path forward and what serves as the foundation of our guidance, and trimming the high end of our previous guidance, we're incorporating a lack of resolution of trade policy uncertainty and the retreat in spot rates through July following the positive seasonal movement in May, neither of which are consistent with the highest end of our previous range.

Should a stronger market materialize from consumer resilience, early benefits of fiscal stimulus and greater impacts from regulatory enforcement and capacity, we are well positioned to capitalize on the improvement. We will do this through our network-based offerings, particularly in light of our elevated spot exposure, productivity enhancements and latent capacity in intermodal.

That said, we continue to operate in an uncertain environment especially regarding the consumer outlook. At the same time, the industry continues to grapple with select areas and inflation, such as equipment-related costs and accident in claims, the former of which stands to face inflationary impact from tariffs and the latter remains challenging to predict, but stubborn on net, given the difficult litigation environment.

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A flatter second half weighed down by elevated inflation would align with the lower end of our guidance. In terms of what this means for the most likely scenario of segments, our Truckload Network business, we expect to remain on a trajectory of low to mid-single-digit price renewals through the remainder of [bid] season. (inaudible) agree to a spot rates modest [headwind will] become a tailwind will depend on how market conditions evolve from here.

We expect volume trends to be supported by elements of positive seasonality to likely below typical seasonal magnitude. Dedicated earnings are expected to remain resilient, with prices in line with prior guidance and a pickup in organic growth. That said, the churn realized this quarter will continue to be evident in the second half of the year. Given our focus on asset efficiency and opportunities we see to add volume without increasing tractor count, net tractor growth may be tempered, but this will be constructive to operating earnings growth.

For our Intermodal segment, we continue to expect flat to slightly higher pricing for the remainder of the year. Additionally, we expect the momentum in our allocations and wins to drive above market growth -- though the degree of absolute volume improvement will be market dependent. Our disciplined focus on operating earned dollar (inaudible) through customer allocation is expected to drive solid operating leverage even without much benefit of price.

Our Logistics segment outlook reflects lower volumes in traditional brokerage, given the ongoing shift toward more asset-based solutions, such as Power Only. We see strong potential for our productivity initiatives to help support operating earnings, though we acknowledge there will be more evident as volume will strengthen.

In closing, our confidence in unlocking the benefits of the actions within our control is bolstered by the momentum we've seen in our results in recent quarters. The extended down cycle has been challenging, but the actions we're taking are enhancing our earnings power and positioning the business to benefit from our operating leverage as market conditions improve.

With that, we'll open the call for your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Daniel Imbro, Stephens.

Joe Enderlin - *Stephens Inc - Analyst*

This is Joe Enderlin on for Daniel. Looking at your long-term -- just looking to your long-term Truckload target of 12% to 16%. Could you maybe break down the current Dedicated versus network run rates? And then how close do you think you can get to that long-term target? Assuming we continue along this trend of subs seasonal movements in spot rates through year-end?

Mark Rourke - *Schneider National Inc - President and Chief Executive Officer*

Thanks, Joe. I've indicated, we believe our Dedicated business is and has been performing very resiliently, which is part and parcel to our strategy. And we've also indicated that it is performing at a time, achieving the low end of our long-term guidance, where we have work to do and where we're most price-sensitive and price recovery sensitive centers around our network business.

And so while we don't publicly break down margin differentials we've been fairly clear that we continue to look for opportunities and where our operating leverage really is to change results in a much faster cadence once we get some market lift relative to the pricing, and we've been leaning into that for several quarters, and we maintain a great deal of discipline to get after that.

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So but we will need some rate recovery in our Network business, particularly to get back to our long-term target. So -- and that's really the place that we've been in for several quarters and it sits around our entire execution strategy right now.

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

And this is Darrell. So the only thing I would add is that we're encouraged by what we've been seeing over the past several quarters. So Mark did mention that from a Network perspective, price is the most important in terms of getting back to our longer-term targets. So for several quarters in a row, we've seen year-over-year pricing improvement. We've also seen pricing improvement in our Dedicated space, which we know is more resilient.

From an Intermodal standpoint, volumes continue to increase year-over-year, we've seen 5 consecutive quarters where trending in the direction of getting to the lower end of our longer-term targets. And then from a Logistics standpoint, obviously, we're squaring and striking distance of that.

Unidentified Participant

Just as a follow-up, on the Truckload side, there's been debate about what peak will look like this year. I think some of the rails mentioned a pull forward into June, July. Other think as peak is ahead of us. Just how do you think peak is developing and what's making your guidance from a demand standpoint?

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

Thanks. This is Jim. So there's really a wide range of behaviors as we look at our customer base, and there's some form factors are taking some capacity out of the market as well. So depending on how customers played their hands as they went through allocations, they're in a little different spot.

But as it relates to our Intermodal business, we already have Intermodal peak surcharges in place with most of our large customers, which is about six to eight weeks ahead where we normally are.

In Truckload, we're starting to have those conversations -- and we do have a higher percentage of our business, as Mark talked about, in the spot market, the normal that's going to enable us to pivot quickly. But that part of the peak season that happens a little bit later here in the year, more in the fourth quarter.

Mark Rourke - *Schneider National Inc - President and Chief Executive Officer*

Yes, Joe, this is Mark. It's difficult to qualify what is the pull forward. What happened in the second quarter, what happened in the third quarter. We know there is certainly evidence of certain customers doing that, but we also experienced that in the second quarter, and we still had elements of seasonality play out at certain junctures of the quarter, and we would anticipate and we would expect that despite certain strategies that may have pulled some freight forward that we'll have those same opportunities, if not a little bit more elevated in the second half of the year.

Operator

Dan Moore, RW Baird.

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Unidentified Participant

Christine, welcome on board, excited to work with you guys. A couple of questions. Just to kind of follow up. When I'm looking at the P&L here, there are a couple of line items that really stick out. Insurance, obviously, other general expense, salaries and wages.

I know you guys are very focused on reducing costs. You have a number of internal initiatives targeting cost reductions if we were to break down kind of the opportunity set to get returns back to where you want them, back to where investors expect you to be long term. I think of kind of a three-legged stool, rates, costs and volume.

Could you contextualize a little bit more around those three opportunity sets as you see them both in the near term and then the long term and kind of what you -- how much you feel like you need to get from each one of those, again, rates, costs and volume to secure kind of level of return that's more in line with historical levels?

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

So this is Darrell. So I'll start. So as it relates to our segments, there's varying degrees of each one of those legs of the stool -- that's required. So from a Network perspective, most of the recovery towards the long-term margins will be driven by price. And as I said earlier, we are encouraged by the direction of the pricing improvements in terms of contractual rate renewals that we can control for fourth quarter in a row now.

From a Dedicated standpoint, Dedicated is more resilient, less dependent on price, though price is important and their upside as it relates to price, especially on the backhaul.

From an Intermodal standpoint, volume clearly is most important. We've seen even in the past several quarters, our ability to drive earnings growth with minimal growth in terms of price. And then from a Logistics standpoint, again, volume and market conditions similar to Network or where most of that benefit resides.

Now we've been very thoughtful in terms of the actions that we've taken and the actions that we've taken to restore margin have been multipronged, controlling what we can in the freight allocation season as it relates to price, but as you mentioned, there are a lot of cost initiatives that we've taken on.

From our perspective, those cost initiatives are structural and sustainable, but very thoughtful. So we're making sure that things that we're doing are positioning us for increased leverage on the upside. So from a Truckload perspective, we're very focused on productivity and asset efficiency goals, right.

So we talked about reducing unbilled miles, we talked about a lot of the head count actions that were taken. So those actions have come through in our results, as you can see year-over-year and sequentially significant earnings growth despite softer spot market backdrop.

From an Intermodal standpoint, we're also very focused on productivity actions around dray productivity, filling empty lanes, again, we're seeing those come through the results. So the actions that we're taking are structural in nature, and that's kind of all the legs of stool.

Mark, I'm not sure if there's anything that you want to add there?

Mark Rourke - *Schneider National Inc - President and Chief Executive Officer*

Yes. Just, Dan, as you look at that income statement, just a reminder, we have Cowan in our results this year, which we didn't have in last year. So just at the absolute category level, you'll see that flowing through. But we've really been focused and we've kind of -- I think, a reasonable job of keeping our variable contribution our direct contribution dollars consistent and improving despite the market that isn't quite yet given us the lift that we believe is in front of us on both volume and price. And so that -- we're managing that.

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It's a variable contribution line, I think, fairly effectively. And that's why I think we can really get some operating leverage once we do start to see some improvement in both price and volume, and I think our incremental margins is based upon the work that we've done here position us favorably to do that. (inaudible) in the pudding, and we're focused on it and we have to demonstrate that to you and others. But that's our complete focus.

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

Yes. This is Jim. Just one more thing to add that I don't think we look at cost and volume as completely discrete items. A lot of the actions that we've taken have prepared us to and are resulting in of this improvement and variable contribution really position us well for when there is volume upturn that we'll see more in the cost improvement as well.

Operator

Ravi Shanker, Morgan Stanley.

Ravi Shanker - *Morgan Stanley - Analyst*

A couple of questions here. How would you characterize the competitive environment in each of your segments? So one way TL, Intermodal, Dedicated, Logistics. Is there even an unthinkable scenario where the rate of change on deal capacity is actually better than some of the other segments?

Mark Rourke - *Schneider National Inc - President and Chief Executive Officer*

Rate of change similar to -- just wanted to make sure we capture what you're --

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Ravi Shanker - *Morgan Stanley - Analyst*

Wondering if capacity is exiting the TL space when you potentially have more competitive actions, in Dedicated and Intermodal kind of maybe the rate of change on capacity exits in TL, it could even be better than Intermodal Dedicate, et cetera?

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

Yes. Robbie, thanks for the question. This is Jim. I think you might be right. We are seeing some midsized competitors exiting the market.

Other thing that we're seeing right now with English language proficiency enforcement. We appreciate that. We're now enforcing the existing regulations. And we look at -- it's a slow bleed out, but on trend that has the opportunity to be a meaningful amount of capacity that's exiting the market.

I think the other thing that it's not completely evident that as we talk to our underlying carriers in Logistics business, we're seeing carriers self-regulate, both by removing drivers that don't speak English, but also implementing language proficiency tests for new driver candidates similar to what Schneider does.

And so if you -- you put those two things together, we're talking about really a meaningful amount of capacity. And that doesn't directly address B1 drivers as well, which we would still say that there's an opportunity there. And if there were any changes that would be perhaps not necessarily a slow bleed, but something that would be a more meaningful change.

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Mark Rourke - *Schneider National Inc - President and Chief Executive Officer*

So Robbie, maybe as it relates to the competitive nature, we've noted some churn in Dedicated. And we've looked at that and studied what we're really seeing there is in our standard equipment business. And I think anytime you get into a market that has as much drag and duration on the down cycle, those parts of the portfolio are more vulnerable to other type solutions that customers may be looking for opportunity to ratchet cost down at the expense, perhaps of the service equation.

And so that is not so much that the competitive landscape has (inaudible) true dedicated level. And that's why we're so focused across our four Dedicated brands on the specialty equipment side.

That doesn't mean that it's irrational competition in Dedicated. It just means that there's a different solution being pursued by a certain element of the customer base. And -- and that's where we've seen our churn and we also believe that, that's largely behind us and that our new business wins and our implementation, which has a little bit of a drag in the short term, and we also see that because we don't -- we have dislocated equipment that you have to get from the old to the new, and that plays out in your -- out of new per truck per week metrics.

But I believe as we come out of the second quarter, we got a little bit of hangover on that in the third. But we'll largely then start -- we expect start to see traction there and the Dedicated numbers as we kind of get further into the year.

As it relates to Intermodal, we think obviously, it's a much different competitive dynamic based upon concentration and capability there with the players that can bring real scale to the market. And as always, our biggest competition there is over-the-road truck. And so we also feel that we're seeing great traction in really the volume first and generally, pricing come second, as is typically plays between Truck and Intermodal and the Network side, highly competitive, right?

And so we've decided to lean into our value -- and in the short term, that means putting more capacity into the spot market also gives us operating leverage, and there's no place in our portfolio that has more operating leverage right now as we continue to focus on the things we're doing on the self-help, but also when the market gives us some lift both price and volume that we can quickly and most quickly turn that into improved results.

So still probably in front of us a little bit, but we're going to see how we perform and how the market plays out in the second half of the year, I think we'll be more constructive as we get into 2026.

Ravi Shanker - *Morgan Stanley - Analyst*

Got it. That is incredibly helpful. Maybe as a quick follow-up. Can you remind us again just how nimble you can be pivoting between spot and contract and also Dedicated asset cycle picks up? Not asking you to share your secret sauce, but broad strokes.

Mark Rourke - *Schneider National Inc - President and Chief Executive Officer*

Yes, Ravi. I would give us very capable high marks and our ability to pivot our tools, our technologies allows us to give real good and real direct pricing guidance and acceptance guidance, and I also don't discount the value that it hasn't dedicated because just about every one of our conditions, we find some level to bring value back to the customer, through backhaul and eliminating empty miles, and we have more choice there at better price points that is accretive to not only to a solution to the customer, but it's accretive to our bottom line in Dedicated. And so we will move with extreme prejudice to go fast and pivot to where our capacity is being valued in the network.

Operator

Brian Ossenbeck, JPMorgan.

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Brian Ossenbeck - *JPMorgan Chase & Co - Analyst*

So just I want to ask, I guess Mark and Jimmy has been around for a few freight cycles. And just your view on your role on (inaudible). I'm catching that pretty quick. I think these -- the big question with the TransCon on the board now, what are your -- what sort of initial take in terms of what that means from a growth and a partnership perspective, long-term intermodal growth, I would assume, has to be a selling point here, so that would be on the plus side, but maybe for the long term.

Are there any things you're a little more cautious or taking a harder look at? Obviously, the service disruption recently that affected your network is that on your mind. So some perspective as we all start to digest what might be the end game here.

Mark Rourke - *Schneider National Inc - President and Chief Executive Officer*

Yes, Brad. I think I'm tracking with your question there. And obviously, with all the news and the UP being one of our key underlying partners and feel really good about where we stand with them. But as you know, there's a process to everything. And this has a very detailed process that we believe is likely to evolve as it moves through its -- all the assessments, to be to take place from here.

And as we think about our strategy and the intermodal network, details really matter, right? And it's a detail dependent as how we think about these things. And so as we think about our intermodal strategy, we're very cognizant that everything that we do has to be in the best interest of Schneider, has to be the best interest of our shareholders and our customers.

And from our view, to achieve that, we're always assessing new opportunities, new ways of doing business that bring value to the customer. And so -- and I think we've demonstrated over the long haul here that we can adapt and we can bring new services and -- and so we're so new at just a week into this. We really probably don't have a lot to share a lot to say at this point. But this is places that we're comfortable. We have a very solid team.

Jim's background and experience here, throughout his career is going to be paramount as we look at the playing field and look at the opportunities and position this intermodal product to thrive in the future.

Brian Ossenbeck - *JPMorgan Chase & Co - Analyst*

Understood. Experience will definitely Maybe, Jim, just a quick follow-up. When you talk about peak season surcharges a little bit earlier than normal, I guess, was the comment. I don't know what normal is anymore. But if you could put a little more context to that? And is that just earlier than normal just to kind of cover the uncertainty? Or is there something more demand-driven that we should read into there?

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

Yes. Thanks, Brian. Yes, it's driven by demand when customers are starting to surge up and we're seeing some of that surge right now, and our (inaudible) there is really to be able to manage our operations so that we're putting costs were incremental cost is being incurred and to make sure that one or a small number of customers don't completely disrupt our network.

And so it's really a matter ensure that we're maintaining efficiency in our business. And we are starting to see that right now. And so that's why we want to make sure we have those in place.

Operator

Tom Wadewitz, UBS.

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Thomas Wadewitz - *UBS AG - Equity Analyst*

I had two kind of numbers questions, just quick ones, and then I had a more strategic one. But Darrell, what was the impact of (inaudible). What was the impact of gain on sale in Truckload in 2Q? And then I think on the other operating line, the loss was a bit higher, and just want how to forecast that maybe for 3Q, 4Q and then i've got more strategic ones for Mark and Jim.

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

Yes. This is Darrell. As a reminder, in the first quarter, we did mention that we saw some improvement from proceeds on the sale of equipment. So in the first half of the year, there's probably $3 million or so year-over-year improvement. So for the second half of the year, we also expect some level of improvement, consistent with what we previously forecasted. No change in that guidance, but year-over-year some modest impact on results.

As it relates to Other. So the Other segment can be uneven in certain quarters, and we certainly did see that. As a reminder, what's in other segments, small carrier, leasing business, which we've mentioned before, our captive insurance company results is also in there and then select unallocated corporate expenses.

As it relates to looking forward, we'd expect that for the third and fourth quarters the results will be consistent with the second quarter. So for your modeling, you can assume pretty much the same as 2Q.

Thomas Wadewitz - *UBS AG - Equity Analyst*

Yes. And Jim and Mark, you got a question on the Intermodal -- I guess, the intermodal related to the potential rail consolidation. It seems to me that you've been very careful and strategic and crafting your service and your partners in intermodal such that you're not just going toe to toe in all the business and lowest price always, but getting some differentiation, what you can offer, right?

And I guess the Mexico is a good example of that. Maybe how much of your business do you think is like East-West would run on both railroads and something that if the kind of consolidation does -- you're not on both sides to date, you might get hurt a little or have some disadvantage?

And how much do you think there is -- it's either local traffic or this kind of some way that it's more differentiated. I don't know maybe just like how much of the volume is such as two railroads. I don't know if there was a way you can frame it so we can think about that?

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

Yes. This is Jim. I'll take a crack at that one because -- and Mark said that well, that the details are what really matters as you go through this and you guys have seen some of the bigger changes we made, and you talked about what we've done with Mexico and how that's benefited us. I'd also say that there's a lot of small tweaks that go on with the network. And of course, you don't see all the decisions that we don't make.

And the way we get there, it's a very deliberate process that we use to evaluate any new rail service that's really played out very well for us, both commercially and operationally for Schneider and for our customers. And so as this plays out, we'll be applying that same recipe to how we think about this going forward.

Mark Rourke - *Schneider National Inc - President and Chief Executive Officer*

Which is also the way that we don't really break down East versus Western and some of those different components. So -- but thanks for the questions, Tom.

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Operator

Chris Wetherbee, Wells Fargo.

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

I guess I wanted to talk a little bit about the guidance and try to understand a couple of things. So the downside, I think when we talked in the second quarter during the second quarter, I think there was a sense that maybe the downside of the guidance assumes some -- an environment that was a pretty bad outcome maybe that didn't materialize although that's still there as we think about the back half of the year.

So maybe just a little bit of perspective of what you think is kind of (inaudible) what's evolved? Where the risk sort of lies here. And I guess maybe as a follow-up to that, when you think about the shape of the back half is 4Q is still probably a bigger quarter than 3Q from an earnings perspective?

Or maybe there's a little bit of a pull forward of peak, so it's really 3Q is better and maybe the risk lies in 4Q? Just a little thought on that would be helpful.

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

Yes, sure. So this is Darrell. I'll start. So as you mentioned, the worst case that was kind of being floated around, did not materialize, but just to clarify that the low end of our guidance was not tied to the worst case. So there is still some risk as it relates to cost in select areas that I mentioned before and also just the overhang of trade policy uncertainty.

We're certainly not immune to that. From a high-end perspective, in my prepared remarks, I did mention that we trimmed the high end of the guidance by $0.05. That is tied to some of the trade policy overhang that continues to impact just the general economy.

Also from a spot rate market perspective, we did see some seasonality throughout the quarter, but in order to have gotten to the higher end of our previous range of $1, that inflection would have had to be higher and more sustained. So there are varying degrees of conditions that could happen, and that's built into the scenarios that we've built and coming up with the high and the low end.

There are many things that factor in the level of seasonality and the persistence the degree of spot price movement, the implementation of new business wins, both in dedicated and intermodal the timing of that new business wins as well as inflationary impacts on cost. So depending on how some of those market forces evolve, you'll get to kind of varying degrees of the outcomes within the range. There some of the things that we thought about.

We also thought about regulatory and fiscal policy. Those things are obviously evolving the big, beautiful bill and also some of the things that Jim talked about in terms of regulatory enforcement could have a direct impact that's on a net positive but the timing of that also is uncertain and yet to be played out.

Mark Rourke - *Schneider National Inc - President and Chief Executive Officer*

Yes, Chris. I think as it relates to the second quarter, I think you've played out fairly close to what our expectations were. And just to reiterate, all at the time of, I guess, this last call, we were writing the hardest paranoia around the tariffs and all the things that could go from a negative standpoint.

Our guidance never took the worst-case scenario there to Darrell point, we thought a reasonably position range on both the downside and the upside, although wider than is typical for us just because of that uncertainty.

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As it relates to the third versus the fourth quarter, there could be different impacts by our segments. The question is, what is the import volumes that will materialize in the fourth quarter in Intermodal might be a little bit more uncertain at this point. and the truck could be a bit stronger just based upon us being in the last mile versus the first mile that our intermodal positions in. So we try to be thoughtful to our best assessment of that, and that's not only by quarter but also by segment. So that's how we would position the range.

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

Yes. The only thing -- this is Darrell again. So despite all the uncertainty, continues to linger. We have demonstrated the ability to grow earnings through that uncertainty. And we've seen that several quarters in a row just based on the structural actions that we've taken for things within our control.

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

Okay. I appreciate the color around that. And maybe just as a quick follow-up. The dedicated pipeline. So can you just expand a little bit on sort of what you're seeing there and maybe how we think about that and sort of what hits in 3Q, maybe what hits in 4Q?

Mark Rourke - *Schneider National Inc - President and Chief Executive Officer*

Sure, I'll give you -- and I'll let Jim maybe fill in some additional color here. But as we talked about, I think on our first quarter call, we were adding some additional resources to get after what we felt were growing pipeline, and we feel really solid and as I did in my opening comments, our pipeline is at a position now by size and by configuration that if we use any level of historical assessment, that portends that we are in a position of future growth.

And so we feel that the additional resources are focused around specialty and the targets that we've laid out in addition, not only to our legacy but also our three other brands that we've acquired has put us a pretty darn good position towards the future. And so we always use the word robust.

But I would say, certainly, based upon any historical context, we feel really good about where we are in the pipeline. Yes, so we got to close. We've got to implement all the things that need to occur. But we need to have where we are in the pipeline, and we have several large late stages that we should be hearing about soon.

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

Yes, we're late stage and then at the same time, very well prepared to implement efficiently. And so some of those will be able to add without actually adding trucks as well. So we feel really good about our position.

Operator

Jonathan Chappell, Evercore.

Jonathan Chappell - *Evercore Inc - Analyst*

Mark, on the Logistics front, it sounds like -- sounds like Power Only is doing pretty well. Traditional brokerage is struggling as to be expected. I thought we -- I mean I felt that the long-term logistics guidance range margin guidance range increase some years back was driven by the thought that (inaudible) can retain stronger margins.

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So can you just help us understand the margin continues to be around this low 2%. It seems like Power Only is moving up the chain, lower margin business moving down. What kind of drives that closer to the range? Is it just truly a cycle? Or is Power Only maybe not as through cycle resilient as we may have thought?

Mark Rourke - *Schneider National Inc - President and Chief Executive Officer*

Yes, Jonathan, thank you for the question. Yes, we do have a bit of a mix going on there and our most under stressed part of our traditional brokerage centers around the Truckload mode and LTL and some of the other modes are taking a higher set of our overall mix, which also comes with a different contribution per order play and configuration.

So really, our focus is getting as efficient as we can get with the new tools, some AI work, feel really good at how the brokerage team is adopting and getting in front of some emerging technologies that I think can drive real value not only there, but in other elements and starting to play in other elements of our business across the portfolio.

Clearly, we're really positive about our performance on Power Only and that not only counts top line, but bottom line performance as well. And we do expect and do require higher returns in that because we're putting a trailing asset and capital against that power only.

And so it's achieving not only the volume expectations and the customer value that we anticipated through cycles, whether it's up or down, it's also performing financially. And so where we leaning into as our productivity initiatives and growth in our traditional brokerage and still profitable. I mean there's others that aren't profitable, we're not satisfied where we are there, and we think we have improvement opportunities.

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

This is Jim. I'll just add on. I do feel like we've done a good job in terms the capability that we're building into the business, and that's why we're integrating the Cowan resources onto this platform. The other thing i just shares that we are seeing comers prefer asset-based solutions right now. And so when that does reach, and as there's market tightness, we're really going to be able to leverage our investments there.

Jonathan Chappell - *Evercore Inc - Analyst*

Just a quick follow-up here. I don't want to read too much into this. But to Tom's question, that other loss at $9.1 million in the second quarter, I think, you were unofficially or officially looking for like $4 million. So it's $5 million higher. We're looking -- you said 3Q and 4Q at a similar level.

So if we add that all off, it's like maybe $15 million higher, and yet you did keep the guidance range effectively, which is the top end coming down. So were you already anticipating kind of that level of other loss? Or is maybe the core business holding up a bit better in this stub, so to speak, is kind of dragging down back to the original thought range?

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

Yes. So the $3 million to $4 million that you said officially or unofficially that was not embedded within our guidance. So what we've seen was within the range of what we expected. So going forward, we expect a similar run rate just given the position of what's in Other?

Mark Rourke - *Schneider National Inc - President and Chief Executive Officer*

Yes, that will be -- we don't obviously give a long-term guidance there. But as it relates to the year, that's what we would inform you, but we're working on those businesses. And to get that back that we believe is what we would target as our sustainable level there, (inaudible) to make a big change in the remaining 2 quarters of the year.

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Operator

Ari Rosa, Citigroup.

Ariel Rosa - *Citi Infrastructure Investments LLC - Analyst*

I hear you on the points about capacity tightening, and I think that's encouraging. But I'm curious how you interpret some of the weakness that we've seen in July related to spot rates and kind of that post July period. I understand, obviously, some of that is seasonality.

But talk to me about kind of how you see that capacity tightening playing out? Because it seems like the overall tone from some of your peers has been maybe a little bit more incrementally cautious, I would say, on the demand outlook and the pace of tightening. So I'm just curious to see kind of how you see back half playing out into 2026?

Mark Rourke - *Schneider National Inc - President and Chief Executive Officer*

Yes. Thank you, Ari. I think what we were laying out what is the case for tightening of capacity. We've been careful not to predict because I don't think any of us have done a good job of predicting when there's an inflection there. But there are elements that are different and new that as we have surveyed, a broad set of carriers and that we're not just doing that border carriers.

We're doing that across certain pockets in the upper Midwest, the Southeast where there are other opportunities for English language proficiency to have an impact. And so as we've done our survey work there, there's a cohort is doing nothing. There's a cohort that's taking more aggressive action, and what we believe, and particularly we've seen a little bit of the B1 and others is the mere (inaudible) enforcement has a deterrent effect or has changes to how people operate.

And as Jim mentioned, we're seeing small carriers, midsized carriers implement testing on the front end. We're seeing people take action to mitigate their risk because with this remedy of an out of service, it means that you're out recovering cargo, you're out recovering equipment.

You're not just fixing a tire or fixing a brake. And so there's more implications to having an out-of-service call here. And so we're trying to -- again, that all has to play out prove, but we're seeing evidence by the people that we know and trust and what they're doing to adapt their business to the new reality.

So Again, we're not trying to predict. We're just trying to set the case for what could occur. So and then from a demand standpoint, I don't know if we're being overly optimistic. We're just talking about in the individual segments, what we believe is the most likely scenario and the evidence that we have in front of us. So I wouldn't characterize us as being overly optimistic there.

Ariel Rosa - *Citi Infrastructure Investments LLC - Analyst*

Well, I'd say we're hopefully optimistic. So I would love to see some better conditions here in second half. Switching gears a little bit, just I wanted to return back to this subject of the TransCon Rail merger proposal. It sounds like you're broadly optimistic in terms of the upside to grow Intermodal volume if that were to go forward.

But obviously, I recognize there are a lot of complex allegiances that you guys have, given your relationship with CP and also given your relationship with the Union Pacific. I'm curious just how you're thinking about kind of the net opportunity to grow intermodal volume if that were to move forward? And then if there are like essentially how you would position yourself in terms of seeking any concessions or commitments or kind of how you're thinking about your role in this going forward?

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Mark Rourke - *Schneider National Inc - President and Chief Executive Officer*

Great. Thank you, Ari. Let me again take an opportunity to clarify. We have not taken a position of optimism or we're taking the position -- obviously, we have relationships that we value across three partners -- but what we also said details matter and details dependent for us to have any position on anything. And we just, at this juncture (inaudible) weekend, we are not in a position to make comment.

We're not in a position to take any pro or negative side to like, ultimately solutions -- ultimately that improve transit and improve the customer experience that allow us to compete with pro competition and we're a pro customer. And to the degree that any of this helps us achieve those that's kind of where we'll come down, but we don't have enough information at this time to take an official position. So if we came across overly optimistic on that, then that was not our intent -- or negative. We're not negative. We're just in the learning mode.

Operator

Ken Hoexter, Bank of America.

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

Christine, hopefully, one day, we can jump over Ravi. We'll have to work beyond that. 2Q to 3Q margins. Maybe you can talk about what's normal at Truckload. If we should see 100 basis points deterioration like normal, is there anything that would drive -- I know you don't do quarterly outlooks, but if there's anything normal or abnormal as you move on, just given the gyrations in volumes of tariffs and the like.

And then dedicated revenue per truck decelerated, it was flat year over year. Just wanted any thoughts on pricing, why we would see that? And then thoughts on the fleet size of network. So three numerical questions, hopefully, it's pretty soon.

Mark Rourke - *Schneider National Inc - President and Chief Executive Officer*

Stacking them on over time. Ken we generally give guidance obviously directly on quarter-to-quarter. And I think you've actually kind of assessed that as you look at historic performance between second and third quarter, there are years that it's better. There's years that it's slightly worse. And so I think actually, in our experience, that's about half and half, depending upon the circumstances of the year.

as we came in through the July 4 holiday, we've obviously seen some of that seasonality that we would typically see. And to your comment, particularly in the spot casing arena that did not sustain itself. But we would also say that July hasn't necessarily been deploying from it played out in the back half of the month, both to some of our wins and some of the things that we're seeing across both Truck and Intermodal.

So -- it's obviously way too early to discuss what full quarter is going to look like or be feeling reasonably good where second half of the month at least from a volume and a health standpoint. Played.

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

Yes. And then this is Jim. I'll take your question on network capacity. So we did see some growth of owner operators, which and we'd say is a little bit counter to what we're seeing in the overall market there, and that's really driven by -- we have some traction with our freight power for owner-operator applications, which we implement in Q1. And that's giving our owner operators just more visibly including to our (inaudible) freight that they now have the opportunity to weave into our network business.

And then also with company drivers, we're being a little bit opportunistic here. We're kind of in the part of the cycle, we're able to do that very economically, and it gives us leverage against all of those other cost initiatives that we talked about.

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And I believe as you have company drivers, when the markets does inflect upwards, it's an opportunity then to also grow our owner-operators as well -- they'll have more opportunities there.

Mark Rourke - *Schneider National Inc - President and Chief Executive Officer*

And we're looking to drive efficiency first, which centers around what's the ratio of drivers to trucks, and that should manifest itself in the revenue per truck per week as much as it does in actual truck count.

Operator

And that concludes our question-and-answer period and also concludes today's conference call. We thank you for your participation, and you may now disconnect.

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