REFINITIV STREETEVENTS

EDITED TRANSCRIPT

SNDR.N - Q3 2025 Schneider National Inc Earnings Call

EVENT DATE/TIME: OCTOBER 30, 2025 / 3:00PM GMT

OVERVIEW:

Company Summary

©2025 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

CORPORATE PARTICIPANTS

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

Mark Rourke *Schneider National Inc - President, Chief Executive Officer, Director*

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

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

CONFERENCE CALL PARTICIPANTS

Jordan Alliger *Goldman Sachs Group Inc - Analyst*

Thomas Wadewitz *UBS AG - Equity Analyst*

Ravi Shanker *Morgan Stanley & Co Ltd - Equity Analyst*

Jonathan Chappell *Evercore Inc - Analyst*

David Hicks *Raymond James - Analyst*

Brian Ossenbeck *JPMorgan Chase & Co - Analyst*

Bascome Majors *Susquehanna Financial Group LLLP - Analyst*

Joe Enderlin *Stephens Inc - Analyst*

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

Christian Wetherbee *Wells Fargo Securities LLC - Equity Analyst*

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

Jason Seidl *Cowen and Company LLC - Analyst*

PRESENTATION

Operator

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

I'd now like to turn the call over to Christyne 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 includes remarks about forward 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.

©2025 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

In addition, pursuant to Regulation G, 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.

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

Mark Rourke - *Schneider National Inc - President, Chief Executive Officer, Director*

Thank you, Christyne. Hello, everyone. Before Darrell provides a financial overview of the third quarter results and shares our updated 2025 guidance, I will start by sharing my perspective on the freight market as well as the ongoing structural improvements we are making in the business. After we'll answer your questions.

One item I'd like to address before I turn to the broader market is claims-related costs. During the third quarter, we recorded roughly $16 million more in these costs than we had previously expected. This was also higher than we had incorporated into our previous guidance even at the low end. This was driven primarily by unfavorable developments on three claims from the 2021 and 2023 policy years. We do not expect the costs associated with these developments to repeat in the fourth quarter.

Now with regard to the freight market. When we updated our expectations for the second half during our last earnings call, we experienced a solid uptick in market conditions in the back half of July that gave us some cause for optimism as we moved further into 2025. However, that strength faded as the quarter progressed with August and September market trends largely sub-seasonal. This was evident through pockets of softer volumes with existing customers, retreating spot rates, modest peak activity to date and an overall softer September versus typical patterns that would see strength into quarter end.

Looking forward, these conditions are likely to persist into the balance of the year. Despite this, we continue to see traction in several of our key initiatives, which I will discuss in more detail shortly. Though this down cycle has been extended, several new dynamics have been introduced over the last few months that are definitive catalysts for the removal of excess capacity after several years of expecting, but not seeing more significant supply rationalization.

This includes dynamics such as English language proficiency enforcement and the impact of non-domicile CDL renewals. But importantly, it also reflects self-regulation driven by the mere threat of enforcement. At the same time, we are seeing a pickup in carrier bankruptcies and the industry is now approaching a year of Class 8 production below replacement levels, a trend that may accelerate given tariff dynamics.

Collectively, we believe these have the potential to drive more supply rationalization than the impact we saw in 2017 from requiring electronic logging devices for hours of service enforcement. Against this backdrop, we continue to press on our efforts to drive structural improvements in our business, especially in three main areas:

First, when it comes to our revenue strategy, we saw further traction on our continued efforts to lean into our areas of differentiation.

Second, we are also continuing to execute on our productivity actions, which are driving asset efficiency and lowering our cost to serve in any cycle dynamic.

Relatedly and, third, capital discipline is driving our focus on doing more with less, which leaves us well positioned for strategic investment and the ability to act opportunistically on ways to add shareholder value.

I'll provide a bit more detail about each of these efforts, starting with the progress we have made on our revenue strategy by leaning into our areas of strength. In doing so, we are creating growth opportunities and it has the added benefit of enabling us to stay more broadly disciplined. More specifically, Dedicated experienced some sub-seasonal demand in select areas such as consumer products and food and beverage, which weighed on volumes.

©2025 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

However, wins from new and existing customers were realized at a rate 3 times the level we've seen in the first half of the year. We ended the quarter with our fleet count in line with the end of the second quarter as implementations are ongoing, and we continue to see productivity gains.

Looking forward, our dedicated pipeline remains robust with a strong skew to our targeted areas of specialty equipment, which has historically been sticky and required a high level of execution and equipment capability.

The strength of this pipeline will add accretive business in the coming quarters, and we plan to leverage this growth into upgrading the overall portfolio by moving away from select lower-yielding operations as the new start-ups come online. This shift plus continued traction on our productivity efforts will be reflected primarily in revenue per truck per week gains as opposed to just fleet growth, and it will contribute to our efforts to restore truckload margins.

Within Network, while we finished the bid season achieving low to mid-single-digit contractual rate increases, we continue to believe the rates are not yet at a level that supports the service we deliver and the cost needed to achieve it. As a result, our spot exposure remains elevated to historical norms. While this was a headwind to our mix, having continued price discipline will position us to maximize our leverage as market trends improve.

We continue to see a wide range of approaches to the market from our customers, but retention rates of incumbent business jumped 10 points quarter-over-quarter. In Intermodal, the strength of our win rates throughout 2025 is translating to market share gains, which was a driving force behind our 10% volume growth in the quarter, several times the industry rate. In Mexico, a solid track record for our service offering that is one to three days faster than our competitors continues to resonate with customers.

Third quarter volumes grew over 50% in the region, and we've also seen the highest growth rate in the East since 2022. This volume strength allows us to effectively navigate the choppiness of the environment in the third quarter. Rate renewals were flat in the quarter with revenue per order negatively impacted by mix. The mix reflected softer outbound volumes from the West Coast, shorter length of haul and relatedly more modest peak surcharges.

This was intentional as we chose not to chase incremental transcon volume when rates were not commensurate for the service. By continuing to lean into areas of differentiation, we were able to grow operating income and even modestly improve margins while overcoming select cost headwinds, which I will discuss shortly.

In Logistics, Power Only revenues grew for the sixth quarter in a row, driven by resilient volumes, which remain at 98% of peak levels. Net revenue per order also showed high single-digit percentage improvement year-over-year, and this strength is helping to offset continued pressure in our traditional brokerage volumes as shippers remain inclined towards asset-based solutions as they anticipate a cycle turn.

While we look forward to transitioning to a more supportive market, we are, as I mentioned, continuing to press on productivity actions, which will improve asset efficiency and lower our cost to serve. These actions will help drive the enterprise back to our long-term margin targets faster and in a wider range of market conditions.

Third quarter saw progress on our established cost reduction target of over $40 million, including synergies from Cowan Systems, which will continue to ramp into 2026. Beyond synergies, the bulk of our savings will be driven by productivity enhancements. This includes targeted headcount reductions, though the full benefit is likely to be more pronounced next year as the run rate builds. Since the start of the year, we have reduced nondriver headcount by 6%.

In Truckload, we saw Cowan margins improve even with revenues remaining roughly flat as synergies continue to ramp. Network represents the bulk of our productivity initiatives. These include reducing unbilled miles and improving tractor-to-driver ratios. The majority of headcount actions to date were concentrated in Truckload. The quarter saw short-term noise related to the timing gap associated with the previously highlighted Dedicated churns and start-ups.

For Intermodal, third quarter saw impact from aforementioned claims-related costs and headwinds in third-party maintenance costs associated with trailing equipment. As it relates to the latter, actions are already underway to address this, and these challenges were combated by ongoing

©2025 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

efforts to balance the network and reduce repositioning costs. Logistics has a long history of being testing ground for our latest technology applications and AI is no exception.

For example, our overall orders per day per broker in the third quarter were up double digits from levels seen in 2023. And in areas where we have more actively deployed our AI tools, productivity is several times better. This technology is helping our brokers move away from routine less fruitful workloads and enabling them to spend more time on value-added activities.

As we have seen success in our logistics offerings, we are also rolling out Agentic AI to all of our other service offerings in a variety of support functions. These efforts dovetail the ongoing use of our decision science platform, which has been deployed for some time, which enables automated decision-making and enhanced productivity while effectively balancing customer and network needs.

Finally, we will remain disciplined but nimble in our capital allocations as we look forward. Darrell will discuss in more detail in a moment, but I'll say that our continued efforts to do more with less, the strength of our balance sheet and the tactical decisions we have made related to our fleet equipment leave us with ample firepower to execute our strategic initiatives.

Let's now turn it over to Darrell for his insights on the third quarter and our 2025 guidance. Darrell?

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

Thank you, Mark, and good morning, everyone. I'll review our enterprise and segment financial results for the third 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 the Investor Relations section of our website.

Starting with the third quarter results. Enterprise revenues, excluding fuel surcharge, were $1.3 billion, up 10% compared to a year ago. Adjusted income from operations was $38 million, a 13% decrease year-over-year. Enterprise adjusted operating ratio increased 80 basis points compared to the third quarter of 2024. Adjusted diluted earnings per share for the third quarter was $0.12 compared to $0.18 for the third quarter of 2024.

Third quarter results also include the impact of claims-related costs that were $16 million more than anticipated, which, as Mark referenced, was primarily as a result of unfavorable developments of three prior year claims. Regardless, we remain committed to our ongoing investments in safety performance, including recently enhancing the camera technology we deployed with AI-enabled features, not just because frequency remains a lever most in our control to combat these costs, but also because it's the right thing to do.

We previously announced a $40 million structural cost savings target, which will continue to build in the fourth quarter, and we're focused on pursuing additional opportunities that will structurally lower our cost to serve to improve our performance in all stages of the cycle going forward.

From a segment perspective, Truckload revenue, excluding fuel surcharge, was $625 million in the third quarter, up 17% year-over-year. This growth was primarily due to the Cowan acquisition as well as modest growth in network truck count, partially offset by dedicated churn and network spot rate headwinds. Truckload operating income was $20 million, a 16% decline year-over-year. Operating ratio was 96.8%, an increase of 130 basis points compared to last year.

The majority of claims-related costs discussed earlier were reflected in our Truckload segment. Restoring profitability in Network remains a key focus of our cost initiatives, including efforts to improve equipment ratios, consolidate facilities, streamline nondriver headcount and reduce unbilled miles. Dedicated operating income benefited from the addition of Cowan, but was also adversely impacted by the claims-related costs as well as churn that was highlighted in the second quarter.

The latter dynamic was exacerbated in the short term as a result of retaining equipment in areas where we had line of sight to new start-ups, though this was partially offset for the segment as a whole by deploying some equipment into network. Intermodal revenues, excluding fuel surcharge, were $281 million for the third quarter, up 6% year-over-year. This reflected volume growth of 10%, which more than offset the mix impact in revenue per order.

©2025 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

The third quarter marks the sixth consecutive quarter of year-over-year volume growth in the segment. Intermodal operating income was $17 million, a 7% increase compared to the same period last year, reflecting the strong volume growth, which more than offset headwinds from claims-related costs and maintenance expense. Operating ratio was 94%, an improvement compared to the third quarter of 2024.

Logistics revenue, excluding fuel surcharge, totaled $332 million in the third quarter, up 6% from the same period a year ago, driven by Cowan acquisition and growth in Power Only. Logistics income from operations was $6 million, down 16% year-over-year. Operating ratio was 98.1%, an increase of 50 basis points, primarily due to lower brokerage volumes, partially offset by productivity gains.

Turning to our balance sheet and capital allocation. As of September 30, 2025, we had $522 million in debt and lease obligations and $194 million of cash and cash equivalents. Our net debt leverage was 0.5 times at the end of the quarter, an improvement from 0.6 times at the end of the second quarter. In the third quarter, we paid $17 million in dividends and $50 million for the year.

Net CapEx was $108 million compared to $93 million last year due to the timing of purchases of transportation equipment. As a result, free cash flow declined in the quarter. As we continue to grapple with macro uncertainty, disciplined capital allocation remains our focus. Our organic growth aligned with our strategic initiatives is our first priority, but our asset productivity efforts enables us to execute on this growth in a capital-efficient way.

In Dedicated, we have the bandwidth to meet new demand by leveraging our productivity initiatives and reallocating resources away from lower-performing operations. In Intermodal, our investments to date have left us well positioned to grow up to 25% with our current trailing equipment. We now expect net CapEx to be approximately $300 million for the full year compared to $325 million to $375 million previously.

The reduction was primarily related to our decision to pause tractor orders originally planned for November and December builds, which had been included in our previous capital plans. This decision was driven by the actions we outlined related to productivity and asset efficiency, and it allowed the enterprise to manage the impact of new tariffs as we reevaluate our total cost of ownership model.

This will drive higher free cash flow without placing an undue burden on our fleet age. We continue to be well positioned to act opportunistically to enhance shareholder value, including through accretive acquisitions and share repurchases.

Moving to our updated full year 2025 guidance. Our adjusted earnings per share guidance for the full year 2025 is now approximately $0.70, which assumes an effective tax rate of approximately 24%. The new guidance incorporates the impact of higher-than-expected claims-related costs in the third quarter, the majority of which we assume will not repeat in the fourth quarter, though insurance remains inflationary overall.

As such, excluding this impact, the new guidance is aligned with the low end of our previous range, which had assumed more tempered seasonality in the second half of the year. For our Truckload network business, we expect volume trends to remain sub-seasonal and spot rate conditions will be an important swing factor. Dedicated earnings are expected to benefit from the pickup in new business implementations, though start-up friction costs will be felt as they ramp up.

For our Intermodal segment, we continue to expect roughly flat pricing for the remainder of the year, which assumes minimal peak surcharges. Similarly, we believe there was some degree of pull forward in the third quarter, which could drive an earlier end to peak season than is typical, but we continue to expect our volume growth to be above market. Our Logistics segment outlook reflects continued pressure on Truckload volumes, which is likely to continue to weigh on operating income despite solid execution in managing net revenue per order.

In closing, while market conditions have yet to materially improve, there are clear catalysts on the supply side that have emerged, which have the potential to significantly shift market dynamics. Regardless, we're not standing idly by. We're offsetting certain areas of tepid market conditions by leaning into our areas of strength, which is helping to drive incremental volume opportunity and enabling us to remain disciplined on our broader strategies.

At the same time, we continue to execute on our acquisition synergies while looking to do more with less across the enterprise, a reflection of capital discipline and our efforts to lower cost to serve in any market condition.

©2025 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Jordan Alliger, Goldman Sachs.

Jordan Alliger - *Goldman Sachs Group Inc - Analyst*

I wanted to ask about Dedicated. You said that the win rate, I think, had accelerated 3 times or considerably versus the first half. And I'm just sort of curious, would you say those wins are sort of Schneider-specific taking business from other carriers? Or is it more industry-driven demand, such as private fleets deciding they want to move back to Dedicated et cetera?

Mark Rourke - *Schneider National Inc - President, Chief Executive Officer, Director*

Jordan, thank you for the question. The vast majority of those wins were in our pipeline. And so our pipeline started to convert at a more accelerated rate in the second half, which we're really pleased about because it really does set us up well against our strategic intent, which is to grow predominantly in the Specialty segment, which is what we consider to be our most favored target because of its characteristics of durability and unique special services that we can bring with the strength of our dedicated offering, our balance sheet, et cetera.

It's where we can really offer our most differentiation. So we're pleased. Now of course, when you have some churn that we outlined in the second quarter and when you have the new start-ups, you have some friction that goes on because all those things don't perfectly sync up between some accounts that are going away and the new ones that are coming onboarded.

And we expect that we'll still have some of that in the fourth quarter, but are looking at least at this juncture that we'll have that largely behind us as we go into 2026. But our pipeline remains strong. We expect that we'll still have a great opportunity to continue our momentum in Dedicated, which is at the heart of our truckload strategy.

Jordan Alliger - *Goldman Sachs Group Inc - Analyst*

Yes. And then just a follow-up. The friction you mentioned in the start-up costs, it sounds like that will be behind you, I guess, you just said in '26, but is there a sense for timing? I know you've mentioned also you'll start to see gains in revenue per truck per week. Can you maybe talk about the timing of the friction easing and the ramping?

Mark Rourke - *Schneider National Inc - President, Chief Executive Officer, Director*

When you're growing Dedicated, Jordan, you're always having some element of start-up and friction associated with that. And we also have identified how we can best serve our margin restoration actions, which will also include working on some of our lower operating performing margin accounts. And our primary objective there is to work with the customer to come up with a collaborative way for both organizations to win.

But when that's not possible either because the business changed or strategy changed or it's just not possible, then we're going to look to upgrade and use that capital to redeploy to more favorable margin profile business, which is what's in our pipeline. So we'll always have some level of that.

©2025 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

We just had an extraordinary amount in the third quarter just because of the magnitude of the new business start-up and the timing sometimes of when you exactly expect the timing of the startup and exactly expect the ramp down is not always perfectly predictable, but we had an inordinate amount of that in the third quarter.

Operator

Tom Wadewitz, UBS.

Thomas Wadewitz - *UBS AG - Equity Analyst*

So let's see. I guess, one quick follow-up on the Dedicated and then I wanted to ask you about kind of broader truckload market view. Mark, I think you mentioned -- (multiple speakers)

Mark Rourke - *Schneider National Inc - President, Chief Executive Officer, Director*

You're follow-up is going to be qualified on Jordan's question, Tom?

Thomas Wadewitz - *UBS AG - Equity Analyst*

No.

Mark Rourke - *Schneider National Inc - President, Chief Executive Officer, Director*

Just kidding, go ahead.

Thomas Wadewitz - *UBS AG - Equity Analyst*

So on specialized, so I guess, I think, like trailers being specialized and maybe some of you got what you got from Cowan that is -- it's like sticky. How do you think -- and you highlighted that, right, like the sticky Dedicated business. How much of the current book of Dedicated is specialized trailing equipment or whatever other kind of dimensions you would use to say, oh, it's really specialized.

Can you give us a sense of just how much of that is in the kind of stickier category? And I don't know if that evolves over time or just how you think about that?

Mark Rourke - *Schneider National Inc - President, Chief Executive Officer, Director*

Yes. Well, certainly, that's our focus around our pipeline and the things that we're most targeted towards, Tom. But we do and we always think that standard equipment will have a place in our portfolio. Some of it is not only our standard equipment, but it might be what the customer brings to bear. So there's a spectrum of Dedicated solutions across the board, and they're all important.

But what we're really focused on is we want over time more percentage of our book, which we believe is, again, more sticky and the renewal rates are much, much higher because you're getting into more specialty services beyond just delivering products from point A to point B.

So our new business and our portfolio is skewed to specialty equipment, but we still have and we will always have standard equipment solutions as well, particularly around the retail support, DC to store and some of those operations that are critical to our customer base.

©2025 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

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

And Tom, this is Jim. Just one add-on to that as we've made acquisitions, specifically, we've been focusing in on our growth there and acquiring companies that have more of a specialty lens, something that they are able to help us differentiate out there in the market, and it's just become a larger percentage of our total pipeline.

Thomas Wadewitz - *UBS AG - Equity Analyst*

So, if you say skewed, I guess it implies maybe over half would be specialty, something like that. I don't know. I don't want to parse words too much, but --

Mark Rourke - *Schneider National Inc - President, Chief Executive Officer, Director*

Yes, well over half. Well over half, yes.

Thomas Wadewitz - *UBS AG - Equity Analyst*

Well over half. Okay. And just on broader truckload market, I mean, I think this topic has been coming up across for the different providers, and you obviously have a great look -- a broad look on the market. The regulatory actions seem like they could have a really large impact, right? And so you've got that, but then you got kind of October freight seems poor, worse than normal seasonality.

You said August, September sub-seasonal. So it's like you got two factors to supply/demand and which is the more visible or more dominant driver when you look into '26? So I don't know how you kind of set those up. If you get 200,000 trucks out of the market and freight demand is still poor, is the market a lot tighter? Or how do you think about those pieces and kind of how much we should focus on one or the other when we look at the truckload market in '26?

Mark Rourke - *Schneider National Inc - President, Chief Executive Officer, Director*

Sure, Tom. Won't have full discussion about 2026 just yet, but I guess I would look at where we're going to finish this year, and let's maybe look back a year ago to this time. We do believe that the supply picture is much more constructive going into 2026 for all the notes that you just related there. We can see obvious impacts in our Power Only business. We can see obvious impacts to non-domiciled CDL in some of our brokerage carriers. We can see it really across the spectrum, and it's real, and it's having an impact now.

And we only think that, that's going to continue to ramp. So the constructive nature of the supply side going into next year is, in our view, much different than what came into 2025, which also wasn't necessarily overly robust demand environment. So I think we have different factors at play. You throw in the lack of new Class 8 builds, the pipeline there, the tariff impacts that are yet to come and be felt.

I just think all of that puts more pressure on the supply side. So a dynamic that we really haven't had for a number of years, which I think is going to be quite constructive. Of course, the wildcard is the demand side, harder to predict that.

But I think I'm confident that Schneider is going to be able to better handle those dynamics across our portfolio with our optionality of offering and services. And I think that's going to be a more positive setup for the Schneiders of the world heading into 2026.

©2025 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

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

And Mark, just -- this is Jim. Just one add on to that. This is something our customers are already talking to us about this because they are concerned about the mix of carriers that they're running with running -- coming into this changing marketplace and seeking to get ahead of this.

Operator

Ravi Shanker, Morgan Stanley.

Ravi Shanker - *Morgan Stanley & Co Ltd - Equity Analyst*

Great. Thanks for the comments on the supply side here. How is that influencing your bid rate conversations for 2026, the early conversations you're having? Kind of if customers are concerned, kind of can you try to be opportunistic here and maybe go for mid- to high single digits?

Mark Rourke - *Schneider National Inc - President, Chief Executive Officer, Director*

Thanks, Ravi. Thanks for the question. As you look at 2025, even without some of those factors, we were able to achieve mid- to low single-digit increases in our network business -- truck business in 2025. And so we do believe we need to have and the industry needs to have more rate recovery in 2026.

At this juncture with customers, we're predominantly just in the kind of the strategy phase of the allocation season for 2026. So we're in a series of discussions, just where their priorities are, what their strategies are and how we might best align with those.

And so I don't have a lot to report yet on what 2026 renewals look like. But we do believe that the environment, as I mentioned, because of the supply side is more constructive as we go into next year.

Ravi Shanker - *Morgan Stanley & Co Ltd - Equity Analyst*

Understood. And maybe a follow-up there. Obviously, a very weird environment with demand continuing to remain reasonably soft, but then supply maybe tightening up a little bit. How does that influence Power Only, in particular, on the Logistics side going into next year? And kind of do you think supply alone will be able to drive kind of rates and market tightening next year? Or do you really need to see the demand side also pick up?

Mark Rourke - *Schneider National Inc - President, Chief Executive Officer, Director*

Yes. I think we have to ultimately see both. But again, being more constructive on the supply side, I think, will help. I think there will likely be a more flight to quality from a customer standpoint. We are seeing impacts in certain elements of our Power Only carrier base, who may have more reliance on some of those capacity types that are most under fire here based upon the increased regulation -- regulatory enforcement.

But so far, we've been able to adapt and adjust with others and continue to see that being a very viable part of our Truckload Network offering to our customer base, Ravi. So -- but there are going to be challenges there, and that's why we're confident that this is kind of a real effort. And what we're going to lean into is how we just help ourselves become more productive with our assets, how we use emerging tools and AI and others to help us be more effective in our cost to serve our people costs and our investments there.

So we'll continue to adapt to the environment. But overall, I do think the supply side issue is real. We've been talking about it on this call for several quarters that I thought it was an underappreciated fact. And now I think it's becoming more visible to more players throughout the industry, particularly our customers.

©2025 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

Operator

Jonathan Chappell, Evercore.

Jonathan Chappell - *Evercore Inc - Analyst*

Jim, as it relates to Intermodal, obviously, really strong load growth or order growth. But the sequential move in revenue per load is down, which kind of bucked the trend of most IMCs and the rails themselves. So just wondering if that's a mix and kind of a shorter haul issue?

And you mentioned -- or I think Darrell mentioned kind of flat RPU through the rest of the year. Are you trying to manage for volume throughput and potentially efficiency at this point of the cycle and kind of worry about the price element of it later?

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

Yes, John, first of all, we'd say that if you adjust for mix, our rate didn't change. We were no different than anyone else. We were flat as we went through renewals this year. And the growth that we're seeing, it's really a function of the strategic actions we've taken over these last couple of years that's differentiating our business. We've been able to expand in new verticals like automotive, improve service levels.

And that's what really drove the larger allocations as we went through the first half of the year that we have been talking about. And then this quarter, what you're really seeing is the realization of those awards that we had in the first half of the year. And we think that really positions us well when the market starts to recover that we'll grow that business even further. But yes, it's not just a reflection of price.

Mark Rourke - *Schneider National Inc - President, Chief Executive Officer, Director*

Yes. Year-over-year, Jonathan, the impact on mix is less transcon and more East and more Mexico, where the growth overcame some of the contraction in the West just because of some of the -- we expect some of the pull forward was most prominent there, but also trying to stay disciplined not to overextend our repositioning costs beyond how we could adequately have yields in the business. So we tried to be smart about how we allocated our resources and that more Mexico and more East.

Jonathan Chappell - *Evercore Inc - Analyst*

Okay. Yes, that makes complete sense and 100% related. A lot of talk this quarter about moving [chest] pieces as it relates to share shift in Intermodal, I guess, particularly in the Southeast. You mentioned, Jim, some of these are wins that you had before that are starting to come through now. But are you also a beneficiary of some of the disruption around the potential merger that seems to be happening among the rail partners?

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

Yes. I think it's still a little bit soon to say that there's a bunch of disruption related to the merger. I think really what you're saying is what I talked about earlier that we've had this differentiation, and we've been able to leverage that differentiation to grow our business.

Operator

David Hicks, Raymond James.

©2025 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

David Hicks - *Raymond James - Analyst*

I wanted to follow up on Intermodal. Yes, it's obviously been three months since you announced -- (technical difficulty) acquisition. At the time you were taking a wait-and-see approach, kind of where we sit today? Are you positioning the network any differently kind of ahead of any potential combination? Kind of what have your customers been saying kind of on the subject?

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

Yes, David, this is Jim. Really, it's still very early in this process, and we're very engaged with the rails as the process is evolving. There's still a lot more details that need to reveal themselves. And when they do, we'll be able to start saying more about that. But we're really confident in our Intermodal team, our customers have a lot of confidence in our team. We've navigated two of these changes over the last couple of years. And obviously, we came out of it stronger than we went into those, and that's what really enabled our market share growth.

David Hicks - *Raymond James - Analyst*

Great. And then the box turns obviously inflected up pretty sharply here in 3Q, and you're also taking containers out of the intermodal network. Kind of where do you see that -- those box turns ultimately going as we kind of launch into '26? And obviously, you have a lot of excess growth potential. So do you see any need for investment in your container fleet from here?

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

Yes. We really don't see a need to make additional investments into our trailing equipment. It was a nice improvement here in the quarter based on the volume growth. The reduction in trailing equipment is really just a function of normal salvages coming out of our business, but there's nothing planful of reducing that any further.

But in terms of where box count or container turns go, it's really just a function of our ability to continue to onboard more customers, get greater allocations going forward, growing our areas of differentiation. And then with a more supportive truckload market, I believe that will enable growth in terms of intermodal.

But ultimately, we're seeing better and better performance from the rails. That's also -- our company dray is very effective. And that tells me we can get back to container turns that we've had historically or even better. And that's where Darrell had mentioned 25% volume growth with this current trailing equipment.

Operator

Brian Ossenbeck, JPMorgan.

Brian Ossenbeck - *JPMorgan Chase & Co - Analyst*

Two ones on, -- I guess, the strategy and how you're balancing the assets during these times. So Mark, first for you in terms of the spot exposure, you mentioned there's still a little bit more of that than, I guess, you'd normally like or plan to have in the network business. So maybe you can put a little bit more context around where that is, how it's trended through the year? And if you think you're kind of at the high point of that spot exposure or if there's other things you might need to do to address that heading into next year?

©2025 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

Mark Rourke - *Schneider National Inc - President, Chief Executive Officer, Director*

On the network side, we, historically and typically because of our contract focus, have been in the 5% to 6% range just on repositioning normal market imbalances, et cetera. This has been a bit more purposeful as we've gone through allocation and looking at where we can get operating leverage as we do not sign up for business that we don't think in the long term is in our best interest.

And so we really have two options at that point in an improving -- leaning into an improving spot market because of some of the other items that we made -- we've talked about here earlier or we redeploy it on future better contract business.

And so as we sit here today, Brian, we're probably double what we typically are because we want to make sure that we leave ourselves optionality and leverage into the business to redeploy in the -- where the returns will be more favorable. And so double what we would historically be is where we're presently at. And we'll likely carry that into 2026.

Brian Ossenbeck - *JPMorgan Chase & Co - Analyst*

Okay. And then, Jim, I guess, a similar question on intermodal network balance. I think you made some comments about the focus on where the growth was and I guess, where it wasn't. Again, was that purposeful from a rate and return perspective? Or was that more of a network balance when you think about East and West and balancing out some of the lanes across the network?

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

Yes. Thanks, Brian. It was intentional in terms of growing into our areas of strength, growing into Mexico, where we have a lot of differentiation, both in terms of our velocity and really superior claims ratio there. So we want to be able to grow there. In terms of what's going on with the West, we had an opportunity to take more backhaul freight and earn more backhaul freight.

So that also had an impact in terms of our overall pricing as it shows here in our results. And then in the East, we were able to work with some customers that we knew we'd be able to provide a superior service and that enabled us to grow as well.

Mark Rourke - *Schneider National Inc - President, Chief Executive Officer, Director*

Yes. I would highlight on the intermodal margin business with not only growing the volume 10%, but having some of the headwinds that associated with the claims expense and what we would anticipate more short-term setup issues on maintenance of the trailing equipment, we still improved margins.

And so I think we continue to lean into having an effective balanced network playing to our differentiators, again, should allow us then to accelerate our margin performance in an improving truck market. As we're already starting to see some over-the-road conversion, but we think there's much more ahead of us relative to what we can adequately and effectively serve for our customers that is presently moving over the road.

Operator

Bascome Majors, Susquehanna.

Bascome Majors - *Susquehanna Financial Group LLLP - Analyst*

Mark, early on in your prepared remarks, you made a somewhat provocative comment about the supply side rationalization, not just the English language and immigration enforcement, but also what's happening with new truck orders could be more impactful to the market than the ELD saga of 2017, '18.

©2025 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

Can you high level, walk us through looking back what Schneider's view on how much capacity exit the market because of the ELD mandate at the time? And maybe if you're willing to bottoms up from these two or three factors affecting the market into next year, just help us size those up in a really sort of succinct way.

Mark Rourke - *Schneider National Inc - President, Chief Executive Officer, Director*

Sure, Bascome. I'll try to do my best at a very, very high level. We would assess back in '17 that the ELD or electronic logging device had somewhere in the 3% to 4% impact on capacity coming out of the industry. And as we look at the confluence of factors that we're talking about presently that we outlined that we think it's north of that.

So how far north, it's hard for us to predict. But when we can see it already evident in certain parts of our business and our trade partners, I can -- it's our belief that it is real and it's manifesting and it should only accelerate from here.

Operator

Reed Seay, Stephens.

Joe Enderlin - *Stephens Inc - Analyst*

This is Joe Enderlin on for Reed. It sounds like you have a more positive outlook on the supply side for 2026, given the regulatory changes. Could you maybe just give some additional thoughts on the demand environment, be it for the Network business, Dedicated or Specialized? Are you seeing any green shoots of better demand from those customers, as more pivot to asset-based offerings and your value proposition?

And then looking to next year, what do you view as the biggest potential demand catalysts? Or are you more so just expecting more stable demand with capacity rationalization to drive an acceleration from here?

Mark Rourke - *Schneider National Inc - President, Chief Executive Officer, Director*

Sure. We would obviously characterize the demand picture as being fairly steady, if unspectacular. And so I think the consumer has held in there very well. All the metrics that you see associated with the consumer has been fairly steady. What has been -- what has not been much of a catalyst to date for us has been the industrial side of the economy.

As you look at the ISM and other indexes, we've been in the contraction phase there for a very, very long time. Can the Big Beautiful Bill, some of the rate cut activity, the project work that's going on in the building side of the industrial economy, can that be something that finally turns into a demand catalyst in 2026?

We think it's, again, a more constructive environment for that. But then the question is how firm is the consumer and how does that portend for next year. And we are obviously in conversations with our customers. They're in various levels of optimism and concern based upon which segment of the economy that they serve. So it's a little bit of a mixed bag.

And so we don't have a great prediction at this juncture about the demand picture yet, but it's been incredibly steady. And even though it's sub-seasonal, it's increased in the third quarter a little bit. We see some improved demand as compared to September here in October, but we would still consider it less than what would typically be a building period for a peak holiday season.

So that's -- as we look in the short term, next year, Jim, I don't know maybe some other comments you have as our recent conversations with customers, but --

©2025 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

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

Yes, this is Jim. And the first thing we think about is having a really broad portfolio of customers that we're operating with within each one of these segments. And then we're specifically targeting who are those customers and those segments that are most likely to grow. And so that's where we've been allocating our assets just to prepare us for any market change that's ahead of us.

Operator

Ken Hoexter, Bank of America.

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

Mark, Darrell, Jim, Christyne, maybe following up on that, talk about the speed of change, right? So what's happened? You've cut estimates a couple of times this year, but it sounded like you were building into July and then into the second half and then August, September, things really changed. And it sounds like you're still talking sub-seasonal into October. Maybe just to understand the backdrop here with the fading demand being sub-seasonal.

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

Yes. This is Darrell. I'll start here. So if you recall, when we gave our guidance in July, we talked about varying levels of seasonality that could play out. So on the low end of the range, which was $0.70, $0.75 at the time, we described that as a scenario where we saw subdued demand. That's largely how the third quarter played out.

So if you adjust for the claims-related cost, that was a $0.07 headwind that I talked about in my prepared remarks, we're pretty much aligned with the low end of our previous range. So it's really a function of what did seasonality look like, which was more subdued, which was one of our scenarios in terms of a downside.

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

So it's -- you're not -- again, if you add the $0.07 back and you get closer to the bottom end, you're not saying things are deteriorating faster in October. It's just a little sub -- I just want to understand the magnitude of your comment there.

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

Yes. Absolutely.

Mark Rourke - *Schneider National Inc - President, Chief Executive Officer, Director*

Absolutely. It's improving from September, but still at a sub-seasonal level to a typical October is what we would frame it as Ken. So not suggesting it's getting worse in October.

©2025 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

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

And Mark, maybe or Darrell, just digging into that, right? So like normally, at this point, you're seeing some project business. Is that what you're talking about kind of sub-seasonal, still not -- I think you mentioned that in the opening comments, right? So still delayed on those conversations? Or I just want to understand how peak season kind of pans out from here, the pre-shipping versus that just it's not happening.

Mark Rourke - *Schneider National Inc - President, Chief Executive Officer, Director*

Yes. Peak season, a component of that generally is project work, specialty seasonal business. It's not the entire definition of seasonality because there's a number of customers that ship additional volumes that aren't necessarily project-based. But we've had a series of discussions with customers. We have a series of structures in place with customers to address seasonal project work.

The question is how prominent will they actually have to have the demand to utilize those structures. And so we're prepared. We're ready to pivot. We have the capacity, particularly in our network business ready to go to those type of yield opportunities. So our -- so the question just becomes how prevalent are they through the season and which customers find themselves in a position to deploy them.

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

And then just totally big picture, if I can step back for a sec. Autonomous is not something we've heard about much yet we've got now two companies in the public market. What's your relationship and your testing phase? Where are you? And where do you think it's developing at this point?

Mark Rourke - *Schneider National Inc - President, Chief Executive Officer, Director*

All right. You're breaking our rules here. We did really well on the three question rule today, Ken.

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

I'll take it offline.

Mark Rourke - *Schneider National Inc - President, Chief Executive Officer, Director*

But -- so real quickly on the autonomous vehicle, yes, we've been aligned really since the get-go with -- and looking at and assessing who we think the winners are going to be ultimately in this space. And our belief continues to be those who are best aligned with OEMs who are engineering from the ground up, have the best mousetrap. And presently, we are testing actively with both Aurora and Torc, are our two primary. And those are the folks that we've aligned to and continue to advance the process with.

Operator

Chris Wetherbee, Wells Fargo.

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

I guess, I just wanted to ask a question about sort of the current environment. So have you guys seen the spot market in October get stronger sequentially? I think there's been a little bit of debate around that. We see the load boards and what they tell us. But when you talk to companies, you can get sort of different answers about what they're seeing. So maybe some perspective on what you're seeing actually in the spot market in the month of October.

©2025 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

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

Yes. Thanks, Chris. This is Jim. You're absolutely right. You're seeing a lot of variety here across different markets. And part of that relates back to what we were just talking about. There's parts of the country where there are carriers avoiding those states where there is additional enforcement. We've seen some bankruptcies that creates pockets of demand that are popping up.

And -- but at the same time, we mentioned that while there's some seasonality, it's a little bit normal than what we normally feel or what we normally experience here. So you put those in, it's a little bit choppy out there right now. And so we're focused on deploying our assets to where we get the best returns.

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

Okay. So it sounds like maybe geographically isolated, there are some pockets, but not widespread in terms of improvement sequentially.

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

Market by market.

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

Okay. Super helpful. And then just really quick on the Dedicated side, revenue per truck per week. I think you talked about a little disruption. Just wanted to get a sense of the drivers of the sequential decline in that number.

And then I think, Mark, you noted that, that probably gets better as we move. Is that a fourth quarter comment? I just want to understand some of the moving parts in revenue per truck per week in Dedicated.

Mark Rourke - *Schneider National Inc - President, Chief Executive Officer, Director*

Yes, Chris, part of it when you were in the state of flux of a ramp down or ramp up, you had just underutilized assets. So the truck count is in the denominator, but the revenue isn't as clean because you're in various stages of ramp up and ramp down. So it's an inefficient period.

And so that really gets manifested in the revenue per truck per week. It's not so much a pricing element as there -- there are some elements of price, obviously, in revenue per week. But when we're talking about the friction, it's just the underutilized asset because of that gaseous state, as I call it.

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

Yes, we have clear visibility -- this is Jim, clear visibility to these new businesses that we're ramping up. We want to make sure that we have that equipment available, ready to go. And it's just not perfect timing between when we're taking equipment off of one operation and then moving it over to another. And so I expect that as we go through Q4 that we'll have that business starting up. And that's ultimately what's going to enable us to drive margin improvement.

Operator

Bruce Chan, Stifel.

©2025 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

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

Maybe I want to touch on your productivity improvements and especially some of the early efforts in AI that you talked about, certainly a lot of discussion about that this earnings season. You mentioned the $40 million cost opportunity. How much of that is assumed for this year? How much do you have budgeted for next year?

And maybe just some general thoughts around how you're thinking about the incremental opportunity from there, especially in an up cycle. I imagine it's a little bit more pronounced in logistics. Maybe you've got some routing and utilization opportunities in Dedicated. So any color there would be great.

Mark Rourke - *Schneider National Inc - President, Chief Executive Officer, Director*

Sure. This is Darrell. So I'll start. So the $40 million is an annual target, but it includes synergies, including Cowan. So in our opening remarks, we talked about just the sequential improvement in margins for Cowan. So that's just the impact of the synergies coming through in the numbers. But a big part of that $40 million is productivity based, as you mentioned, not just people productivity, but also asset productivity.

So from a people standpoint, Mark mentioned some headcount reductions that were targeted in the nondriver side. From an asset perspective, we're tightening asset ratios. So as it relates to tractor-to-driver ratios, continue to tractor ratios as well. And that's coming through also in our CapEx spend. We're reducing unbilled miles. We're looking at third-party spend. We're looking at facilities.

So we're on track for that $40 million. We said previously that those costs are expected to ramp throughout the year, and we're seeing that more back half weighted.

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

Savings.

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

Savings, right. The savings would ramp. but we're not done, right? So everything that we're doing here is structural in nature to lower cost to serve. We've seen that coming through. We talked about intermodal improving margin. So we're always looking for incremental ways to add to those savings targets. So a lot of that is continuing on the asset productivity front, continuing on the people productivity front and just looking at things that are sustainable in nature going forward.

Mark Rourke - *Schneider National Inc - President, Chief Executive Officer, Director*

Yes. Certainly, the AI, the Agentic AI, in particular, we think holds great promise. As we mentioned, our logistics business and brokerage generally becomes a great test bed for us to deploy new technologies, very, very encouraged by it. We believe it's going to be a key driver of our ability to grow our business at a much different rate than we have to grow our people to achieve that growth.

And we are presently deploying across multiple work streams in our business, both on the support function, but our line of services that support either drivers that support customers or supports our third-party carriers. And ultimately, just taking the work that's less value-added that we can get in a much more efficient way as opposed to deploying people resources against it, helped us with certainly some of the numbers of the headcount performance that we've had this year, but we think it has great promise, and we're continuing to lean in. And it's a combination of what we're doing in-house and what we're collaborating with others on.

©2025 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

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

Okay. Got it. That's very clear. So just to follow up, any thoughts on how to quantify the tech-based productivity benefit beyond the $40 million synergy target?

Mark Rourke - *Schneider National Inc - President, Chief Executive Officer, Director*

Yes. It's -- what we said double-digit productivity on the people side. In some quarters, it's several fold that on very effective AI can -- we've experienced 50% to 60% improvement. So there's a lot of leverage and operating leverage in our cost structure there, and we -- increasingly, we'll be looking to leverage that further.

Operator

Jason Seidl, TD Cowen.

Jason Seidl - *Cowen and Company LLC - Analyst*

I wanted to go back, Mark, to your comments as you sort of compare this future capacity issue to back to the ELDs because I think that's probably the only really comparable event. But it was a much different event, right?

Because people were able to find workarounds with the ELDs that are still in existence to this day. Is the capacity that we're expecting to come out, could that actually last maybe a little bit longer and give us more of an up cycle for the truckload sector?

And also, are there anything that you're starting to see in conversations with insurance companies and/or clients around non-domicile drivers that could maybe accelerate this a little bit beyond the norm?

Mark Rourke - *Schneider National Inc - President, Chief Executive Officer, Director*

Jason, it's Mark. It's very insightful, and we're soon to be on our insurance circuit here. So I might have more to discuss about that next time we get together. But it's a very logical extension of the issue relative to some of the very pronounced headline activity around this issue as it relates from a safety perspective.

But I think you're right, this is not just adapting and changing. This is actually taking capacity out of the industry, not only what's in it, but it also stems the flow of backfill because it just changes the dynamic of the entire pool that gets associated with being a professional driver. And so credentials are important.

We do think safety can be -- is impacted by the quality of training, the quality of the infrastructure at a carrier. And so we think this is, a, the right thing to do, but also certainly, we think has a staying power relative to the overall capacity pool that's available for professional truck driving.

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

Maybe one more add here, Jason, was when you go back to the ELD implementation that was implemented and carriers were onboarding these a matter of months or sometimes just weeks ahead of the requirement. And then everything was stabilized after that. This is something that's going to play out over the next two years.

©2025 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

So just because we get to a level of equilibrium, capacity will continue to come out. There isn't a spot where it starts to regrow. And that's why it's really important that we're having our discussions with our customers. Customers are being strategic, not just about what the market is right now, but through the lifetime of the allocation event.

Jason Seidl - *Cowen and Company LLC - Analyst*

That makes sense. And so for my follow-up question, I promise I'll keep it at two. I just wanted to talk about sort of the near-term weakness that most companies are sort of calling out here in the marketplace because it doesn't feel like the industrial market got that much worse.

Is some of this related to the government shutdown? And then in that light, when you look at your food and beverage exposure, is there a potential exposure for the SNAP benefits running out to you guys?

Mark Rourke - *Schneider National Inc - President, Chief Executive Officer, Director*

Yes. We're not probably versed enough to understand the entire government impact here or seeing it. We do -- and we have seen a trade down from our customer base relative to a big box retail perhaps down to the discount retail is really a very healthy part of the segment base now of our distribution of retail customers. And so I think that possibly could be related, Jason.

But again, I would just caution, I think the demand level has been relatively stable. It just hasn't fallen typical seasonal patterns. And so I think maybe that's -- at least that's our view. It's the kind of the lift that you would normally see in September in the quarter that the lift that you would normally see perhaps to start peak season here in October. It doesn't mean that it's eroding. It just means it's not growing at the kind of historic levels, which we've been in the last couple of years, quite frankly.

So maybe before more supply driven, this one, perhaps maybe more demand driven, but I wouldn't interpret everything to mean that it's going -- that it's eroding.

Operator

And we've reached the end of our question-and-answer session, and this does conclude today's conference call. We thank you for your participation, and you may now disconnect.

DISCLAIMER

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2025, Refinitiv. All Rights Reserved.

©2025 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV