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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Thank you for standing by. My name is Joe, and I will be your conference operator today. At this time, I would like to welcome everyone to the Schneider National fourth quarter 2025 earnings call. (Operator Instructions) I would now like to turn the conference 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 will include remarks about future expectations, forecast plans and prospects for Schneider.

These constitute forward-looking statements for the purpose of the safe harbor provisions under applicable federal securities laws. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from current expectations. The company urges investors to review the risks and uncertainties discussed in our SEC filings, including, but not limited to, our most recent annual report on Form 10-K and those risks identified in today's earnings release. All forward-looking statements are made as of the date of this call, and Schneider disclaims any duty to update such statements, except as required by law. In addition, pursuant to Regulation G, reconciliation of 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 over the call to our CEO, Mark Rourke.

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

Thank you, Christyne. Hello, everyone, and thank you for joining the Schneider call today. I want to begin by acknowledging that the fourth quarter results fell short of our expectations. When we provided our update last quarter, October results and market conditions were supportive of finishing 2025 at approximately $0.70 of earnings per share. However, November and much of December were materially more challenged than our guidance had contemplated, reflecting a very truncated peak season and poor weather conditions throughout the Midwest.

We saw momentum as we exited the year, which we believe is a direct result of supply attrition in our industry in the last several months. We believe we're in the early innings of normalizing market conditions, in part due to the various regulatory actions being taken. Importantly, these actions are only driving capacity to exit the market at an accelerated rate, but the ability to backfill new entrants is also increasingly diminished. We expect the full impact will likely be measured in quarters, not months.

Still, the last several years have proved to be a challenging backdrop, and we are not satisfied with our results. During this downturn, we made strides in lowering our cost to serve in Network, changes that are structural and will improve our operating leverage going forward.

At the same time, we have grown our Dedicated offerings to nearly 70% of our fleet, increasing the durability and resilience of our Truckload segment. We've created true differentiation and value in the marketplace in our Intermodal offering and scaled our flexible asset-light tech-enabled solutions, all of which have been supplemented with our accretive acquisitions. We recognize that an improvement in market conditions as needed for the full benefit of these investments to be evident, but we believe we will exit this down cycle more ready than ever to meet a market correction.

We are not simply waiting for improved cycle dynamics. We enter 2026 with more conviction in the importance of continuing to execute our strategic initiatives to drive structural improvement in our business. We are carrying momentum from our cost savings program, including ramping synergies in our acquired companies, leading Intermodal growth, including the recent launch of our Intermodal Fast Track service, heavy Dedicated start-up activity and Network earnings improvement into this year.

I will provide more commentary on our outlook and expectations for 2026. But first, I'm going to hand the call over to Darrell, who will provide more comprehensive overview of fourth quarter results. Darrell?

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

Thank you, Mark, and good afternoon, everyone. I'll review our enterprise and segment financial results for the fourth quarter, along with our year-to-date cash flow trends and provide a capital allocation update. Summaries of our financial results and guidance can be found on Pages 21 through 26 of our investor presentation available on our Investor Relations website. In the fourth quarter, revenues, excluding fuel surcharge, were $1.3 billion, up 4% year over year. Our fourth quarter adjusted income from operations was $38 million, a decline of 15% compared to a year ago.

Adjusted diluted earnings per share for the fourth quarter was $0.13 and $0.20 a year ago.

As Mark referenced, fourth quarter results reflect more challenging market conditions than we previously anticipated in our guidance. October saw steady demand with elements of seasonality, though more subdued than is typical. Our guidance had assumed that trend would persist through the balance of the year, but demand turned sluggish in November, reflecting minimal peak activity as shippers work down inventory, which created a significant volume shortfall versus our expectations. This is exacerbated by the poor weather in the Midwest that brought volume and cost headwinds. However, the sharp reaction of spot rates to the weather disruption demonstrates how the excess of capacity in recent months has brought the market closer to balance.

Volumes remained fairly muted until the back end of December when shippers began to feel the inventory drawdown and more actively sought out additional capacity as routing guys became stressed. This enabled us to realize some premium project business. Still, the strength exiting the year was compressed and not enough to offset the tempered demand that characterized much of the quarter. These more challenged market conditions were also compounded by extended and unplanned auto production shutdowns with certain customers in Dedicated, spiking third-party capacity costs in logistics and heightened health care costs. Market dynamics in the quarter have masked our continued progress on our strategic efforts, including those related to improving asset efficiency and lowering our cost to serve.

We achieved our targeted $40 million of cost savings, including synergies from the Common Systems acquisition. Our momentum will continue in 2026 with an additional $40 million of cost savings, which Mark will detail in his remarks. From a segment perspective, Truckload revenue, excluding fuel surcharge, was $610 million in the fourth quarter, up 9% year over year. Truckload operating income was $23 million, a 16% increase year over year. Operating ratio was 96.2%, an improvement of 30 basis points compared to last year.

The impact of the market was most evident in network, which remained unprofitable. Restoring profitability in network remains a key focus and fourth quarter did see modest year over year improvement as our ongoing cost and productivity actions at least partially offset softer conditions and elevated health care costs. These actions include efforts to improve equipment ratios, rationalize nondriver headcount and increase bill miles per tractor.

As market conditions improved, we did see momentum in December in both productivity and realized price. Dedicated operating income grew year over year, benefiting from an additional two months of Cowan versus 2024, but volumes were not immune to market conditions, and we also saw adverse impact from unplanned auto production shutdowns with select customers.

After two quarters of elevated churn, this moderated in the fourth quarter as expected. Start-ups also picked up as new business wins remain elevated versus the first half of the year, and we finished 2025 with approximately 950 trucks sold. Our fleet count was roughly flat quarter over quarter as productivity enabled us to utilize our existing equipment for implementations. However, start-up activity drove greater-than-expected headwinds to tractor productivity and costs, particularly in driver recruiting. Intermodal revenues, excluding fuel surcharge, were $268 million for the fourth quarter, a 3% decline year over year.

This reflected volume growth of 3%, which was more than offset by mix-related declines in revenue per order. Despite last year's tariff-related pull forward creating a more difficult comp, volumes grew for the seventh quarter in a row. We also continue to outperform the broader market with strength led by Mexico, which grew over 50% year over year. However, demand slowed in December, reflecting an earlier end to peak season after some additional pull forward in the third quarter. Intermodal operating income was $18 million, a 5% increase compared to the same period last year, driven by a solid conversion of our volume growth and the benefit of our cost initiatives, which drove operating ratio to 93.3% or a 50 basis points improvement versus last year.

Logistics revenue, excluding fuel surcharge, totaled $329 million in the fourth quarter, up 2% from the same period a year ago, driven by the Cowan acquisition and an increase in gross revenue per order, offsetting ongoing volume pressure. Logistics income from operations was $3 million, down from $9 million last year, while operating ratio was 99.2%, an increase of 180 basis points. While gross revenue benefited from the spike in spot rates in December, we also saw a disproportionate spike in our purchase transportation, especially in certain geographies such as California, which we believe was exacerbated by regulatory pressure on capacity. This resulted in significant compression in the net revenue per order on our contract-rated business, including power only, even as we're able to leverage our spot exposure to accept and serve the higher spot rated business. Some project-related business materialized late in the quarter, but this only partially offset the net revenue margin compression.

Turning to our balance sheet and capital allocation. As of December 31, 2025, we had $403 million in debt and lease obligations and $202 million of cash and cash equivalents. Our net debt leverage was 0.3x at the end of the quarter, an improvement from 0.5x at the end of the third quarter because of the paydown of $120 million in debt. This also marks continued deleveraging from 0.7x at the end of 2024, enabled by a strong cash flow generation even in a difficult backdrop as we prioritize capital discipline. The strength of our balance sheet gives us ample dry powder to complete additional accretive acquisitions if the right target becomes available while still maintaining an investment-grade profile.

In the fourth quarter, we paid $17 million in dividends and $67 million for the year. During the quarter, we opportunistically repurchased approximately 284,000 shares. On January 26, 2026, the Board of Directors authorized a new stock repurchase program under which $150 million of the company's outstanding common stock may be acquired over the next few years. Under the previous program, we repurchased 4.4 million shares for $110 million. Net CapEx in 2025 was $289 million compared to our guidance of approximately $300 million, primarily due to timing of certain payments.

Free cash flow improved 14% year over year. We expect net CapEx for 2026 to be in the range of $400 million to $450 million. This primarily encompasses the replacement CapEx needed to protect our Asia fleet. We head into 2026 with a continued focus on growing earnings by prioritizing asset efficiency gains over outright equipment growth. Our adjusted earnings per share guidance for the full year 2026 is $0.70 to $1, which assumes an effective tax rate of approximately 24%.

We expect to see supply-driven market improvement and the benefits of our incremental $40 million in cost savings built through 2026. As a result, we anticipate a stronger second half of the year. However, we remain in an environment that's characterized by both inflationary cost pressure and demand uncertainty. The midpoint of our guidance assumes demand is consistent with what we saw for the first half of 2025 with elements of seasonality but no acceleration. Moving from the low end to the high end of our guide assumes varying degrees of demand with the low end assuming modest softening, especially in the consumer sector and the high end reflecting a slight overall pickup in economic activity.

I will now turn the call back to Mark to share more perspective on 2026 expectations and outlook. Mark?

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

Thank you, Darrell. I want to start with my perspective on the freight market as we move into 2026. As outlined earlier, results were marked by conditions that were softer than expected for much of the quarter, though we did experience material tightening in December. The volume follow-through from our customers came primarily towards the very tail end of the quarter. The capacity crunch at year-end caused some of our most transactional customers to push freight into the early days of January.

As the month progressed, conditions reverted to more normal seasonal patterns with spot rates moderating from recent highs. The end of the month also saw severe weather conditions across much of the country, which caused disruption to our operations. However, customers are also feeling the impact and have large backlogs. We are beginning to see premium opportunities to help them work through the disruption. As we look forward, the industry is already feeling the impact of supply rationalization related to regulatory actions in areas such as non-domiciled CDLs, English language proficiency and driver school certifications.

These actions are both removing capacity outright and importantly, restricting the funnel of new entrants. As a result, we expect capacity attrition to continue to ramp, and we continue to believe the impact is likely to be greater than what we saw from the electronic logging mandate in 2017. From here, demand is the largest swing factor in how the cycle evolves. The trajectory of consumer spending, impacts from the big beautiful Bill and interest rate policy all have the potential to significantly influence the timing and magnitude of improvement in market conditions. We closed 2025 with contract price renewals in our expected ranges.

We are far from finished and more progress needs to be made on rate restoration across our service offerings. We are very early in the freight allocation season, but it is clear that customers are increasingly cognizant of the growing supply side risk. While network is a smaller portion of our business today than our history, our spot rate exposure is also at historical highs, which will enable us to quickly capitalize when conditions improve. Our spot exposure will stay elevated in the near term and potentially even beyond 2026 if we feel rates have continued upside amid a significant shift in capacity. Beyond network, we also expect improved cycle dynamics to drive outperformance in rate and volume in our traditional brokerage, along with backhaul gains in Dedicated and stronger over-the-road conversion in intermodal.

We look forward to transitioning to a more supportive market. We also enter 2026 equally as eager to build on the progress we have made in our efforts to drive structural improvement in the business. We will continue to drive growth through differentiation and maintain a disciplined focus on doing more with less. Beginning with our strategic growth initiatives in truckload, network remains a key part of our service offering, but we have made significant progress over the last several years to pivot the portfolio to more of a dedicated configuration. While we are not targeting a specific mix, we will continue to lean into dedicated earnings growth, particularly with specialty equipment solutions, which is now a majority of our pipeline.

We are seeing strength in food and beverage, home improvement and automotive verticals. Our specialty configurations typically have unique equipment or value-added actions by the driver or often both that are not easily replicated, creating durability in the business. We are seeing strong momentum in building the early stages of our pipeline, creating a wide funnel to support continued growth even as new implementations ramped up in the second half of 2025. In Intermodal, while we will not be immune to market conditions, we believe we can continue to drive share gains by leaning into our most differentiated lanes, a direct reflection of our ability to drive win-wins for our customers and for Schneider. We expect Mexico to continue its growth leadership.

The launch of our Fast Track offering, where our service reliability is exceptional will drive incremental growth, and we are already seeing customer interest and conversion. Despite the strong growth in 2025, we see a long runway for over-the-road conversion amid more greenfield market opportunities. This includes opportunities from the changing rail landscape, where we remain engaged with both Eastern railroads. Finally, we'll continue to leverage our multimodal offering to meet our customer needs, however they manifest. In 2026, we will optimize volumes between our network and logistics offering based upon market conditions.

In the near term, more volumes will flow toward network, but as conditions strengthen, logistics will enable us to meet increased demand and scale revenue while maximizing network profitability. As we continue to execute our growth plans, we will remain disciplined in our approach, focusing on growing earnings through operational efficiency regardless of market backdrop. As Darrell mentioned, we achieved our 2025 cost savings program. This was comprised of Cowan synergies, which continued to ramp in the fourth quarter and broader productivity-led cost reductions. We expect these to be structural even as we enter a more robust market.

We have reduced our nondriver headcount by 7%, which was primarily achieved in the second half of the year, bringing momentum into 2026. In 2026, we expect to deliver another $40 million in cost savings as we continue to execute our ongoing initiatives, including incremental benefits from reductions in headcount, further tightening of equipment ratios and additional in-sourcing of third-party spend, including maintenance and drayage expenses. We also continue to roll out Agentic AI throughout all our service offerings in a variety of support functions.

We're already seeing enthusiastic adoption across the enterprise and early payoffs in improving service levels and in lowering our cost to serve. This discipline will also be reflected in our capital spending as we prioritize growing earnings through asset productivity. In Intermodal, even with our market-leading growth in 2025, we believe we can grow up to 20% to 25% without having to add containers. We may add some dray capacity over time, but this will enable us to in-source even more of our drayage capacity, improving productivity and reducing third-party spend. Within Dedicated, we believe we can accommodate much of our growth plans through increased productivity and by reallocating resources away from lower-performing accounts.

We have identified our lowest returning assets and the actions needed to improve them. In many instances, we will work with our customers to drive a win-win. But in instances where we are not, the strength of our new business wins enable us to put our assets to a better and higher use. These actions are already underway, and we expect to have the majority implemented by the second quarter of the year. Taken together, as we noted earlier, we believe the full course of supply rationalization is likely to occur over several quarters and through more than one bid cycle.

We believe 2026 will mark only the beginning of capacity normalization and cyclical recovery, but not in its full breadth. Realizing that full impact as well as the continued execution of our strategy and a more sustained demand inflection marks a clear path to stronger mid-cycle returns beyond 2026. Finally, as you likely saw yesterday, we announced leadership changes. Beginning July 1 of this year, I will assume the role of Executive Chairman of the Board of Directors, and I am pleased Jim Filter will be appointed Schneider's next President and Chief Executive Officer. I am confident in Jim's ability to position the company for its next phase of growth as he brings nearly three decades of Schneider experience and deep operational expertise.

He's been integral in executing our commercial and operational strategies. And now I'd like to turn the call over to Jim for his remarks. Jim?

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

Thank you, Mark, and thank you to the entire Board of Directors for their trust and support. I am honored to take the helm at Schneider. Despite a challenging market in 2025, our actions throughout the year have strengthened our foundation and positioned us to benefit as conditions continue to improve. We are already seeing early signs of improving market conditions as supply rationalization is underway. We remain disciplined, focused and well aligned to capture the upside of a recovering cycle.

With a strong balance sheet, a resilient portfolio and momentum in our strategic initiatives, we are optimistic about the opportunities ahead and confident in our ability to drive earnings and returns higher. As I look forward to stepping into this role, I'm focused on leading Schneider through this next chapter and driving long-term value for our shareholders.

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

Thank you, Jim. And with that, we will open it up for your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Ravi Shanker, Morgan Stanley.

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

Great, thanks, everyone. CEO change at Schneider is not something that happens very often. So I just want to recognize the moment. Mark and Jim, congratulations on the next phases of your career. Maybe kick off with the questions. I think, Mark gave us a sense of what you thought of 2026 so far.

Just in your guide, kind of what bid season is kind of priced in at the midpoint and high end? I think you said expected ranges of pricing. What does that look like? And also, I think, Darrell, you walked through some of the demand side moving parts in the guide. What are the supply side assumptions that underpin your guide?

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

Thank you, Ravi. This is Mark. So maybe we'll just tackle the guide a little bit relative to -- I think your first part of that was price. As we came out of 2025 and really if you break across the portfolio in our network business, even in less constructive, in my view, environment, we were able to get to mid- to low single-digit contract renewals, even if that meant placing some additional capacity in the spot market for the short term. And so we would expect that we're going to continue to lean into price because price recovery is part of what needs to occur to get back to our mid-cycle earnings targets.

We also would expect that increasingly, we need to see some of that in the truckload space as we normally do before we start to see that transpire in Intermodal. And what I'm really proud about the Intermodal group is that we're growing volumes even with different mixes -- mix relative to the revenue per order, a little higher backhaul, a little shorter length of haul, and we're still able to translate that additional volume into incremental margins into the business. And so I think we have a solid path to continue to lead intermodal growth, focusing on our key differentiation markets and remain very bullish there. But maybe, again, a little more time before we see a price catch up to what we expect in truckload.

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

And then, Ravi, as it relates to the supply side, so a pretty wide range, which reflects the uncertainty in the market. But in all points in our guidance, we're expecting supply to continue to exit. There's a lot of momentum as it relates to regulatory enforcement that's driving supply out. We've seen that in 2025, and we expect that to continue into 2026. So one of our baseline assumptions is that capacity will continue to exit.

Now the degree at which and the pace at which that supply exits will determine how we move along from the low end to the high end of the range. From a demand standpoint, at the low end of the range at $0.70. Just as a reminder, we finished the year at $0.63 of EPS. There is an admission that there is some conservatism that's embedded in $0.70. We're assuming that demand conditions at $0.70 are comparable to what we saw towards the end of 2025, the second half.

So softer market conditions. But as we kind of move up the range, we expect more constructive -- more constructive demand picture. So as it relates to the midpoint of the range, we're focused on a lot of things that are within our control. So all the initiatives that Mark outlined in terms of cost, we completed $40 million of cost savings in 2025. We expect to continue and sign up for another $40 million in 2026.

So that's embedded within the midpoint of our range. We're also focused on growing where we have differentiation, intermodal, specialty dedicated. So midpoint assumes that. We also faced some headwinds towards the end of the year, the unplanned auto shutdowns, the heightened health care costs. We don't expect any of those to recur.

So that's all built into our midpoint assumptions.

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

Very good, thank you.

Operator

Jonathan Chappell, Evercore ISI.

Jonathan Chappell - *Evercore Inc - Analyst*

Thank you. Good afternoon. Mark, I wanted to talk about the dedicated revenue per truck per week for a second. If we look at the sequential move from 3Q to 4Q, it looks like it's the lightest it had been in at least 10 years and minus almost 4% year over year. So it just seemed kind of counter seasonal. And I know our models certainly don't line up the years all the time, but it looks like the biggest area of the shortfall in 4Q EPS. So I know there's start-up costs that hit OR, but maybe help explain the dedicated revenue per truck per week and why that may be lagged so much in 4Q.

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

Sure, Jonathan. Thank you for the question. One of the things that are embedded in there is the automotive shutdowns that occurred because of componentry issues, namely around chips, which really affected Dedicated specifically, but also some of our intermodal business coming in and out of Mexico. And so that was unplanned. That was not forecasted well, and our OEMs had to adapt and adjust to that.

And that predominantly hit in the month of November, but it hit most of the month. So unfortunately, that was most prominent in our metrics within Dedicated. And I also mentioned we have three large start-ups, which we anticipated in our guidance relative to the fourth quarter. We have some additional cost issues there relative to capacity and some of the difficulty getting all of that sourced, which also had some impact. So those were the items.

Again, we don't think those are long term in nature. We always have levels of start-up activity, particularly when you sell 950 units throughout the year, but we have three larger start-ups in the fourth quarter.

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

So Darrell. The other thing that is the health care costs that we saw that were heightened in the fourth quarter. Most of that was in Truckload, and the majority of the Truckload wasn't Dedicated.

Jonathan Chappell - *Evercore Inc - Analyst*

Okay, thank you. Just as a follow-up, going back to that $40 million of costs that you're targeting again this year, how much of that is volume/revenue dependent? Because if we just add $40 million to kind of the adjusted net income from '25, you get pretty close to the midpoint of the '26 guide. So is that like $40 million if the fundamentals of the business kind of track as you're expecting and maybe something less than that if we're closer to the low end of the range from a volume or a pricing perspective?

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

Yes. So I think as I mentioned -- this is Darrell, sorry. As I mentioned in the prepared remarks, the $40 million of cost savings, a lot of it is productivity based. So as volume increases, some of those will be more evident. Especially because they're structural.

So as volume returns, the costs aren't going to return at the same pace. There is an acknowledgment at least that we're still in an inflationary environment. So while we do expect that the cost savings will offset much of that, it won't offset all of the inflationary pressure, so that's another factor to consider. So, I'm not sure if that answered the question.

Jonathan Chappell - *Evercore Inc - Analyst*

Yeah, no, that's helpful. Thanks, Darrell, thank you, Mark.

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

Thank you, Jonathan.

Operator

Brian Ossenbeck, JPMorgan.

Brian Ossenbeck - *JPMorgan Chase & Co - Analyst*

Hey, good afternoon. Thanks for taking the questions. Now that the merger application has been filed and I guess, will be refiled, I just wanted to see if you could give some comments if you had some time to digest what maybe some of the domestic intermodal commentary within there might mean for Schneider and how you're kind of viewing that? Also one of your peers filed for Chapter 11. So maybe just some broader comments about the land in domestic intermodal with those two big factors out there.

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

Yes, Brian, thanks. This is Jim. So obviously, all the way through this process, we've been engaged in collaborating with each one of the rails and especially the two Eastern providers. We're very happy with our current provider in the East, but we're continuing to understand information as it emerges. -- there really wasn't any significant new information in the submission.

But everything that has come out just reinforces our confidence in that -- our intermodal team, their ability to assess new services, help us navigate through any opportunities that emerge. And in terms of the overall competitive dynamic in intermodal, we feel very good about our position. We've had seven quarters in a row where we've been able to grow, and we're growing into areas of differentiation. And there's a lot of those. So you think about in Mexico, we're delivering service that's one to three days faster, 99.98% claims free.

It's really -- that's a big advantage, not just to other intermodal carriers, but over the road as well. And now we're leveraging some of our differentiation with Fast Track with shippers that have really high service expectations. So we feel really good relative to all of our competitors. And so we're not immune to market conditions, but I feel like we continue to outperform in our intermodal business.

Brian Ossenbeck - *JPMorgan Chase & Co - Analyst*

All right, thank you, Jim. Darrell, maybe a quick follow-up on CapEx. It looks like it's going up a reasonably decent amount next year. So they're subject to market conditions, perhaps, but maybe you can give a little bit more color in terms of what's in there? It sounded like maybe some of that was equipment. Is that for purely replacement? Or is some growth in there?

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

Yes, sure. Good question. So as it relates to CapEx for the past several quarters, we've been talking about just focusing on growing earnings as opposed to truck count. And we've seen that across Dedicated, Network, Intermodal across the board. So we're focused on doing more with less.

In Dedicated, for example, we're reallocating equipment to higher-yielding business. So our CapEx plan for 2026 is mostly replacement based, just given our focus on keeping our fleet count flat. So we're protecting our age of fleet, and primarily all of the CapEx is replacement.

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

Brian, we also had a little less CapEx this year as we were looking for tariff clarity. That has emerged and clear. And we also had a little bit of timing in the fourth quarter to the first quarter just based upon availability, one facility and some equipment. So that's really the step-up, and it's all, to Daryl's point, virtually in the replacement cycle.

Brian Ossenbeck - *JPMorgan Chase & Co - Analyst*

Okay, thank you and congrats, Mark and Jim.

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

Thank you. Thanks, Brian.

Operator

Ken Hoexter, Bank of America.

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

Hey, great. I'll start off with the same. Mark and Jim, congrats as you each move on to the next phase, well deserved. The auto plant shutdowns, I mean, it seems like such a major differentiation for your business alone. Given that scale, and I guess the last conference you did was in November, was there any thoughts to doing a pre-release or since it's such a change of magnitude to your thoughts on your outcome?

And then I guess, as you look forward to the operating ratio, right? So typically, you deteriorate about 220 basis points into the first quarter at Truckload. And I know you don't do quarterly rollout, but maybe just given the couple of things you threw out there, Darrell, on the timing of cost savings or as the $40 million rolls in, anything you want to kind of talk about differentiation from normal given where we're leaving off and the different dynamics here?

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

Yes, let me take the first one as it related to the automotive. And certainly, one of the items that we've leaned into and diversification of our revenue base is looking for new growth opportunities. Manufacturing was one of those that we had targeted and production part automotive is playing a bigger role in our portfolio, which in many conditions is a very good thing. And there was a lot of uncertainty. Our OEMs didn't know exactly all was going to happen there when that problem occurred.

And so we didn't have full understanding clarity as our customers were working through that. But our -- one of our acquisitions and certainly our organic dedicated growth has had success in the production automotive parts. And so in 2026, that's a development that's a bit more of our story, which we think in the long term is a very good thing, particularly as we continue to leverage our strengths in and out of Mexico and the importance of the automotive industry relative to the Mexico base. So -- we would have liked to have clear visibility to that in a whole host of ways, but that was an emerging issue that a number of our OEMs had to work through, and they worked through that to varying degrees of success to keep production up. So that's really what occurred there and from a transparency standpoint, and then we will follow up on his other question.

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

Yes. The other question on just timing of cost and cost savings. So a lot of the cost savings, again, are structural, but also relate to productivity. The expectation is that the second half of the year shows more improvement, and that follows through also with cost, similar to what we saw in 2025, where there was a ramp throughout the year. Some of the initiatives are going to be consistent throughout the year, such as the nondriver FTE reductions, but anything productivity based would be more back half weighted.

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

Okay. And then as it relates to Intermodal. We're off to a very interesting start, obviously, with the weather conditions and the disruption that we're feeling, but also our customers are feeling. And so we believe there is a backlog of significance across the supply chain just because of the entire breadth of the weather, it looks like we may have another coming at us this weekend.

So I think that comes with opportunity, and it comes with depth of our portfolio that we're going to be able to respond. And I think we'll be able to leverage how we help customers deal with that and be paid reference to the value that we're going to create. And so we're seeing some of that emerge already, Ken, but I think it will come down to what is -- how does that whole quarter play out from the cost, the recovery and the demand catch up. So the company -- and we are poised to take advantage and be there for our customers and -- and it's just -- but it's a really, really disruptive time just based upon the extent of the storm and the impact.

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

Yes. If I could just get one clarification, right? So it seemed like the Cowan fleet total stayed fairly consistent through the year. It didn't look like the fleet dropped off. But Intermodal, your loads really dropped off -- had big load wins in second and third quarter, upper single digits that tailed off in fourth quarter.

Is that the same thing in the auto business on intermodal that you're talking about on the truck rates to John just before?

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

It feels like a sneaky third question, but we're going to go ahead and let that one go. Go ahead.

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

Okay. Thanks, Mark. Really, in -- if you look back at the comps for last year and fourth quarter of last year is when we really started seeing across the industry a pickup in demand. And now there was the threat of tariffs, and then that really carried into the first half of 2025, the pull ahead. And so we continue to grow year over year, which actually is much better than the overall industry.

So from our lens, we really didn't see a drop off. It was really just a matter of tougher comp year over year.

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

Wonderful. Thanks for the time, guys. Appreciate the thoughts. Okay.

Operator

Jordan Alliger, Goldman Sachs.

Jordan Alliger - *Goldman Sachs Group Inc - Analyst*

Just wanted to come back to demand a little bit. Obviously, you alluded to it a few times, but there's been a lot of puts and takes this past '25 with tariffs pull forward, et cetera. There were some indications that we had seen perhaps that inventory at wholesale and retail had drawn down quite a bit and maybe this dovetails a little bit with your comments on the pickup in demand in December. So do you have any context from customers or what have you, how they're feeling about inventory levels as we move into this year? And is there some sense of optimism perhaps that maybe with the various stimulatory effects, we could see a restock type of event for freight?

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

Yes, Jordan, this is Jim. I'll take that one. And so you're absolutely right. As we're going through November, early part of December, we believe end market consumer demand remains stable, but we are seeing customers starting to work down inventory, and that really changed the last two weeks of December. And so there were some restocking activity that was attempting to take place in the last couple of weeks of December.

So there were some shippers that were scrambling for capacity and some of that pushed into January, and we are working through some of that backlog with some shippers that had some freight carryover. And I'd say that it was really the most transactional shippers that had that carryover, as Mark was talking about, also generating some premiums and also some additional cost to ship drivers around. We are still working through that when winter Storm Ford came through. And initially, that created some cost for us as we are getting equipment back up. We've been operating through that.

We're not completely clear, and now we have another storm coming through. And so I think some of this carryover is going to continue for a few more weeks as we look out there. And so we have some of those activities taking place. I'd say that impact is going to be disproportionately negative for the most transactional customers. And historically, when we look at these things, the spot rates, it's not just a quick event.

It goes up higher over multiple weeks, and it starts in the area that's immediately impacted, but then expands beyond that as capacity is dislocated. And then if we look further out on the horizon, there's a lot of positive catalysts that we see out there, whether it's from capital investments as a result of the One Big Beautiful Bill Act, some strong tax refunds, interest rate cuts that search us for home investment again. And so positives out there. But that being said, we've seen some headaches before. And while we are absolutely seeing supply come out of the market already, we're still waiting a little bit for those demand catalysts to convert before we completely underwrite it.

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

Maybe just to put a bow on that, Jordan, as you look at the Logistics Manager Index, you really did see a precipitous drop in inventories at the latter part of the year, particularly in December, which feels consistent with what our experience was in the month of November. which we saw a drop off really in most demand categories and then it really started to bounce back, as Jim said, late in the year when capacity was tight and it's really carried that concept through here through the first several weeks of January. So absolutely, I think that could lead to a more intense replacement or replenishment cycle. We'll have to see. But we think that's lining up more probability in that direction.

Jordan Alliger - *Goldman Sachs Group Inc - Analyst*

Thank you.

Operator

Tom Wadewitz, UBS.

Thomas Wadewitz - *UBS AG - Equity Analyst*

Yeah, good afternoon. Mark and Jim I also want to add my congratulations to both of you. Mark, certainly a pleasure working with you over the years and wish you the best. And likewise, Jim, I'm sure you'll do a great job in the new leading position. Let's see. So I wanted to get your thoughts on if we don't see improvement in demand, how much rate you think you can get from just the supply side, right?

Like you seem pretty optimistic on supply with good reasons, supply reduction. Can you get kind of mid-single digits rate on that with, say, truckload contract rates if you don't get help from demand? Or you think that's going to be -- is that maybe too high a bar?

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

Yes, Tom, thanks. This is Jim. So let me just maybe clarify a little bit on capacity and our position on that, and then I'll step into rates. So generally, we subscribe to the fact that this is an efficient market. And when it's working properly, you see an up cycle that lasts about 18 months, followed by a down cycle that lasts about 18 months.

And here we are four years into a down cycle. So something is different, not normal. We've been talking about shadow capacity for quite a while. And that's coming from non-documented workers that are able to get CDLs, CDL mills graduating students without the investment to become safe drivers, drivers that don't meet the English language proficiency, D1 committing cabotage and ELDs that are self-certified improperly. So the step-up in enforcement that we're starting to see -- that's not only removing capacity, but that's starting to constrict the top of the funnel with new drivers entering.

And in particular, the most irrational capacity is what's exiting. And that's what's we believe, creating a condition that will enable the market to adjust. And we're starting to see that when you have a little bit of tightness out there. We also see it in our own business. We see that in our driver recruiting volume moderating and we've had some buyers of our tractors canceling purchases because of their driver pool shrinking.

And we've seen a sharp contraction in our brokerage carrier count, particularly in regions where non-domicile exposure was outsized in places like California. But it's not an event-based situation. There is no cliff. It's going to take time to play out. So we expect that capacity is going to continue to decline even well after the market reaches equilibrium.

And so it's going to take quarters for us to get there, but this cycle might last longer. And so as we're talking to shippers, I think they're starting to understand that as well because what I've been hearing from shippers more recently is they're focused on the supply risk. They're looking for rate assurance. And they saw this in December. They're seeing it through these storms.

So we have more shippers asking us for multiyear deals. We're seeing that, and they're coming with more mini bids, which tells us there's some disruption. As we talk to the most strategic shippers, they understand our cost and the nature of this industry. So they look at the same my data that we do that says our costs are up about 25% since the -- before the pandemic. Meanwhile, rates haven't moved very much.

And 2019 was a pretty low base. And so this is something that's going to take some time and perhaps it's going to take several bid cycles to play out, but that could also mean that there's a potential for several years of upside.

Thomas Wadewitz - *UBS AG - Equity Analyst*

Right. Okay. Yes. I guess given your framework of how you think it plays out, where you -- where are you most optimistic on improvement? I guess, from a margin perspective in 2026, like do you think Brokerage could really kind of move beyond the squeeze and do really well?

Do you think Intermodal like shippers start to really kind of give you more volume? Or is it all about rate and truck? Just how do you think about where you might see a stronger opportunity for improvement in '26?

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

Yes. Thanks, Tom. So the first place that I would expect that we're going to see that improvement is going to be in our Network business. That's where we have an outsized exposure to the spot market today, higher than what we normally have. So I think there's opportunities to see that move very quickly.

I mentioned Intermodal. I do believe that we're well positioned to capture some additional upside when that Truckload market improves and inventory levels are starting to be replenished that we'll be able to take opportunities there. And then our Logistics business is very nimble. And so I think there -- when there's disruptions out there in the marketplace and customers are looking for a broad portfolio to solve problems, they really become that glue that jumps in and can provide great service to the customer, but also returns back to the enterprise.

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

And Thomas, I'd also add on Dedicated, I think one of the underappreciated facts about Dedicated is the value that you can provide as a multimodal platform that we have relative to backhaul efficiencies. With 8,500 trucks operating in various configurations, there is opportunities to drive value back to the shipper, but also to ourselves relative to margin enhancement. And this is one of the really great places of using Agentic AI to talk to other agent AI to garner efficient volumes on our backhauls that can -- it's a very high incremental margin play for us. And so we're really leaning into that. The scale that we have in Dedicated allows us to really take advantage of that.

And it's also one of the values of having a logistics offering and a network business is because we can leverage those various channels to achieve that. So I'm very bullish as well that with what we have available to us in Dedicated that we can still drive self-help margin improvement on a whole series of approaches and backhaul being one of them.

Thomas Wadewitz - *UBS AG - Equity Analyst*

So do you think you'll see good responsiveness in Dedicated too, I guess, as freight picks up?

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

Yes, I do. Because you look at a couple of things. We had a terrific year of selling 950 units of new business. We didn't see all that obviously translate into the count of the fleet. And that's because we have opportunity now to drive efficiency because some of that churn we experienced last year wasn't true lost business.

It was current customers not having as much demand and that brought a correction in the number of units that we placed against those contracts. So if there's demand improvement, there's automatic improvement in our account structures because of what kind of went backwards a bit in 2025 when they didn't have the demand and plus the margin-enhancing opportunities I'm talking about here with backhaul.

Thomas Wadewitz - *UBS AG - Equity Analyst*

Right. Okay, great. Thanks for the time.

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

Thank you.

Operator

Bruce Chan, Stifel.

Andrew Cox - *Stifel Nicolaus & Company Inc - Analyst*

Hey, good afternoon, team. This is Andrew on for Bruce. I just wanted to discuss consolidation in Dedicated and how you guys are thinking that's going to affect the competitive dynamic. And what's your expectations for the trend of more consolidation in the industry? And maybe what's you guys' appetite for Dedicated M&A at this juncture versus other capital allocation priorities? Thanks.

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

Yes. We -- from a capital allocation standpoint, obviously, organic growth is our number one objective there. But we've been a player in the Dedicated consolidation with three primary Dedicated acquisitions over the last three years. Our balance sheet and our deleveraging even further has allowed us ample opportunity and consider something larger than what we've done to date.

So yes, we have not lost appetite. Each of those acquisitions have done very, very well for us. We've really gained our stride relative to getting after synergies, how to assess those things. And so we're not going to take a stretch and a reach for something just to put something on the board. But we have the ability to leverage what we have in our strengths.

And so very much, we're constantly reviewing. We're leaning in and really more than just Dedicated, but Dedicated has been the place that we saw a really target-rich environment to continue to advance what we believe is a long-term value for our enterprise and long-term value for our shareholders.

Andrew Cox - *Stifel Nicolaus & Company Inc - Analyst*

Agreed, thank you. If I can follow up maybe with one on the intermodal side. I wanted to know how you guys are thinking about the FMC probe. Would you guys think that an adverse ruling here would negatively affect fluidity, service and potentially the road to rail conversion thesis?

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

I'm not sure we caught that front end of that question. Can you do that again, please?

Andrew Cox - *Stifel Nicolaus & Company Inc - Analyst*

Sure. Yes, we -- it's about the FMC probe. We're just wondering if an adverse effect -- adverse ruling there would affect fluidity and service?

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

Yes. I think primarily what that impact would be on the ocean side rather than the -- for domestic carriers.

Andrew Cox - *Stifel Nicolaus & Company Inc - Analyst*

Domestic intermodal.

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

Yes, for domestic intermodal.

Andrew Cox - *Stifel Nicolaus & Company Inc - Analyst*

I'll pass it back to you.

Operator

Chris Wetherbee, Wells Fargo.

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

Yeah, hey, thanks, good afternoon, guys, and congrats, Mark, and congrats, Jim. Best of luck to you guys. I guess I wanted to ask about network profitability. So I guess, what do you think the steps are or maybe what do you need to see from a market perspective, whether it be pricing, demand, some combination of that to get network back to profitability? And I guess maybe in the range, $0.70 to $1, kind of how do you sort of bookend that at the low end?

Is sort of network gotten back to profitability at the high end, it is? I guess I'm trying to get a sense of how to think about that within the range as well.

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

Yes, Chris, thank you. And certainly, network has been most impacted by the cycle here and the overcapacity of the market. And there's really two things that we think are paramount for us is what we're working relative to how do we put additional productivity across our assets. In fact, one of the benefits of having just a little bit of recovery in the month of December, we had a multiyear high relative to our billed miles per truck and actually had -- it didn't really make up for the whole quarter of the tepid demand, but just that whole tightening of capacity really led and the demand picture led us to a very solid result there in addition to some price capture, which is really the second thing. We have not adequately recovered in that market, particularly the cost inflation that has occurred that Jim referenced just a couple of minutes ago.

So it's a combination of those two levers predominantly. We like the size of the business where it's at. We're not after a particular mix. And the other thing that we're looking to do to help it recover here is leverage our logistics capability alongside our network business to optimize across power-only brokerage and our assets. And we believe in an increasingly increasing demand market, we'll be able to take care of the assets first and then leverage some of these other opportunities that we have to scale our business and take additional volume without putting additional capital in, but really focusing on the margin recovery of network.

But it's going to take both productivity and some price recovery.

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

And this is Jim. Just to add on to that, what encourages me is that when we saw spot prices increase here multiple times over the last six weeks, we've increased our exposure to spot to take advantage of those opportunities. And to me, that's the start of driving change into that business.

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

Okay. And any thoughts around the range and how to think about Network profitability for '26?

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

Yes, this is Darrell. What I would say is that even -- just to add on to Jim's point, even in a softer backdrop in 2025 and even in the fourth quarter of the year, we did see improvement in earnings in network without the benefit of price, right, or significant benefit of price. So as we get more productive and as volume comes through, as Mark said, we do believe that there's an outsized leverage that we'll see, first of all, in network. As it relates to specific guidance, we don't give guidance by sector, but there's an expectation of meaningful improvement given the initiatives that we're after.

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

Okay. And then just a quick follow-up on the Intermodal side, just the pricing in the fourth quarter. Any, I guess, maybe yield in the fourth quarter, maybe any comment about how you're thinking about bid season might start to be developing as you think about 2026?

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

Yes. Thanks. This is Jim. So as we look at last year, our contract renewals remained flat. But by leaning into our areas of differentiation through the allocation season, we're able to continue to grow and grow off of a base where we're already growing, including in a market that has some pretty difficult comps.

And so in terms of pricing, there is a little bit of pressure that was driven by doing more backhaul. It's a little bit more mix related. Also, there were fewer instances of premium opportunities in the fourth quarter, given the shorter and earlier peak season that we talked about in the third quarter, so we didn't have that benefit. As we're looking going forward, I expect that we're going to continue to lean into those areas of differentiation and be able to grow through the allocation season.

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

Yes. So the improvement in Intermodal did not come with -- in an improving market of premiums or a project work in this fourth quarter.

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

Yes. Just to tack on to that, for the year, we delivered nearly 20% operating income growth for Intermodal with a little help in the market, and that's really because of growing in areas of differentiation.

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

Got it thanks so much for the time I appreciate it.

Operator

Ari Rosa, Citigroup

Ariel Rosa - *Citi Infrastructure Investments LLC - Analyst*

Hi, good afternoon. So I wanted to ask -- get your thoughts on how you think about normalized mid-cycle earnings potential. There's a lot of moving pieces, obviously, with the cost-cutting initiatives and the acquisitions that you've done that you referenced, especially as I think it was Mark who mentioned it might take a couple of bid cycles to get back there. Just how are you thinking about what mid-cycle earnings could look like for the business? And if it -- if it takes a couple of bid seasons or bid cycles, does that mean we're talking about something beyond '27? Is it really kind of '28 or '29 before we start to see that type of performance from the business? Thank you.

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

Great. Thank you for the question, Ari. Yes, we think -- certainly, we're not guiding out to '28 and '29, but we think we can certainly get traction -- meaningful traction towards our long-term targets across our various sectors. We don't think we'll probably get all the way there, obviously, through one cycle in the 2026 season, but I certainly don't -- I wouldn't want to leave the impression that it's going to take the '28 to '29. We'll provide more updates as we get through the year on how we're progressing in the business.

But we think this market, and I always like to look what's different now than what maybe you came into last year's condition. There's just, in our view, more favorability certainly on the supply side. There appear to be more catalysts on the demand side, and we're experiencing just in these most recent events, the really fragile nature of what happens when you get demand and capacity a little bit closer.

And so again, how well those things and the speed from which that demand and the capacity hits, I think, will be -- will dictate the speed from which we get back to the mid-cycle returns. We have a lot of self-help items that we have that we can get there and make material improvement without it being just what's going on in the broader market.

Operator

Thank you. We've run out of time. That concludes our Q&A session. This does conclude today's conference call. You may now disconnect.
