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SNDR.N - Q1 2026 Schneider National Inc Earnings Call

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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Thank you for standing by, and welcome to the Schneider National First Quarter 2026 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 afternoon, 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 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 directly 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. Thank you for joining the Schneider call today. First, I want to thank our associates, especially our professional drivers, for their hard work navigating a dynamic quarter and safely supporting our customers. The stress in the market over the last several months is a direct reflection of structural supply rationalization, and we believe this up cycle has now gained its foothold.

While we experienced headwinds from challenging weather and fuel volatility in the quarter, we were ultimately able to mitigate the impact of these factors because of the proactive actions we have taken to position the business to capitalize on improved conditions. This includes execution on our cost and productivity initiatives, investment in differentiated services and capabilities, and a disciplined approach to customer allocation events.

In a moment, Jim will share more perspective on the freight market before Darrell provides a more detailed financial overview of the first quarter results and our 2026 guidance. Then I will share my view on the actions we are taking to position the enterprise for near- and long-term success. After, we'll answer your questions.

With that, I will hand it over to Jim.

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

Thank you, Mark. As we look at the freight market, the momentum we saw as we exited 2025 grew in 2026. As Mark highlighted, the quarter was negatively impacted by unusually disruptive weather in parts of the country where we have significant operations and in areas that are less equipped to manage winter storms.

While weather contributed to initial supply chain disruption, we believe that tighter market conditions that followed our function of capacity attrition we have seen over the last several quarters. The attrition is the culmination of the DOT's actions to improve public safety by addressing noncompliant capacity, including curtailing nondomicile CDLs, enforcing English language proficiency, removing CEL mills and targeting ELDs that enable tampering.

Based on developments to date, we expect this rationalization to occur rapidly as the mere threat of enforcement and proactive actions in certain states are driving more capacity out of the market sooner. We do not believe we have yet reached a new normal for supply, so we expect additional capacity to lead the market from here. [Fill] cost inflation, which is outpacing rate recovery for the long-tailed carriers and upcoming road check are likely to be catalysts for additional drivers to permanently exit.

We believe that we will see more supply exit in totality than what was removed by the 2017 ELD mandate while also restricting the funnel of new entrants. We continue to expect that the removal of this capacity will restore the market to more normal conditions after several years of rational supply dynamics.

With regards to demand, realized volume in the first quarter was a tale of two halves, with adverse weather impacts in the first half, giving way to increase volume in the second half as we support customers who are dealing with stress in their supply chains. Looking at underlying trends, we saw a resilient consumer and signs of life in our industrial end markets, mirrored by what we saw in ISM PMI.

However, overall macro uncertainty has also increased amid rising inflation expectations and diminished prospects for additional rate cuts, which adds demand risk for the balance of the year. While we have not seen any adverse impact to date, we will be monitoring changes closely.

Altogether, the market is seeing increasingly reduced capacity at a time when spot prices are recovering. As a result, many cycle indicators such as tender rejections, spot contract spreads and fleet utilization flashed green in the first quarter with some of these signals at levels last seen during the pandemic.

The encouraging trends seen in March have persisted into April with continued strength in the spot market, traction in rate recovery and volume retention in our allocation events, and indications of moderate customer restocking and seasonal volume activity.

With that, I will turn it over to Darrell to share additional observations on first quarter performance. Darrell?

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

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

Starting with the first quarter results. Enterprise revenues, excluding fuel surcharge were \$1.2 billion, down 1% compared to a year ago. Adjusted income from operations was \$35 million, a 21% decrease year over year. Enterprise adjusted operating ratio increased 70 basis points compared to the first quarter of 2025. Adjusted diluted earnings per share for the first quarter was \$0.12, compared to \$0.16 for the first quarter of 2025.

First quarter results reflected strong execution across the portfolio as well as effectively capitalizing on commercial opportunities. This enabled us to mitigate headwinds from significant storms and fuel volatility. Our actions included traction on our \$40 million cost savings initiatives where we're able to implement additional headcount actions and disciplined execution on our Common Systems integration synergies.

From a segment perspective, Truckload revenues, excluding fuel surcharge, were \$618 million in the first quarter, up 1% year over year. This growth was driven by improvements in revenue per truck per week. Network revenues grew 4% year over year, driven by productivity and price, with revenue per truck per week up 7% year over year and even up 2% sequentially, which is atypical for the first quarter.

This more than offset headcount declines, which reflects a combination of asset efficiency efforts and growing driver scarcity. Dedicated revenue per truck per week was up modestly year over year, reflecting our focus on productivity as we take action on assets where we see opportunity to improve returns.

Truckload operating income was \$20 million, a 20% decline year over year. Operating ratio was 96.7%, an increase of 80 basis points compared to last year. Earnings were negatively impacted by cost headwinds in maintenance and fuel that were exacerbated by the challenges referenced earlier as well as lower gain on sale due to delayed equipment disposal.

Intermodal revenues, excluding fuel surcharge, were \$254 million for the first quarter, down 3% year over year. Revenue per order declined 4% and included impacts from lower length of haul. Volumes grew year-over-year despite a challenging comp related to last year's inventory pull-forward that we referenced on our previous earnings call, marking the eighth consecutive quarter of load growth.

Intermodal operating income was \$11 million, a 21% decrease compared to the same period last year but in line with our expectations, as weather disruptions impacted maintenance costs, but this was offset by cost saving actions, including lower real repositioning costs and realizing the benefits of AI-driven headcount actions. Operating ratio was 95.7%, compared to 94.7% last year.

Logistics revenues, excluding fuel surcharge, totaled \$312 million in the first quarter, down 6% from the same period a year ago, with lower volumes partially offset by higher revenue per order. Logistics income from operations was \$7 million, down \$2 million year over year. Operating ratio was 97.9%, an increase of 30 basis points, primarily due to the impact of lower volumes. This was partially offset by improved net revenue per order, which reflected strong spot and premium project business as well as productivity gains.

Turning to our balance sheet and capital allocation. As of March 31, we had \$399 million in debt and lease obligations and \$228 million in cash and cash equivalents. Our net debt leverage was 0.3 times at the end of the quarter. The strength of our balance sheet leaves us ample dry powder to maintain an investment-grade profile and complete additional accretive acquisitions if the right target becomes available.

We're confident in our proven playbook to select quality accretive targets by delivering synergies and enhancing those brands' ability to grow profitably.

We'll also continue to prioritize robust shareholder returns. In the first quarter, we returned over \$22 million to shareholders in the form of dividends, which we recently raised by 5%, and opportunistic repurchases of shares under a newly authorized share repurchase program.

Net CapEx was \$45 million, compared to \$97 million last year, due to timing of equipment purchases. As a result, free cash flow increased by \$54 million year over year. Looking forward, our CapEx guidance for 2026 remains unchanged and is expected to be in the range of \$400 million to \$450 million. This primarily encompasses the replacement CapEx needed to protect our Asia fleet.

As we move through 2026, our priorities are unchanged, and we remain focused on capital and resource efficiency as we believe we have runway for growth with our existing equipment. Our containers can support double-digit Intermodal growth, and we continue to see positive trends in Truckload productivity. Additionally, we continue to support scaling our power-only and owner-operator capacity to help extract incremental growth over the medium and long term in a capital-efficient way.

As we think about our guidance, since our last update, our confidence in executing our cost program and the realization of supply attrition has grown based on the progress delivered to date. That said, macro uncertainty has increased in the form of higher inflation expectations, softer consumer sentiment and diminished likelihood of additional rate cuts.

These factors push more demand risk to the right. Even so, we also see a constructive demand scenario supported by a resilient consumer, continued improvement in industrial end markets, and support from fiscal policy. As a result, we're maintaining our 2026 EPS guidance of \$0.70 to \$1, which assumes an effective tax rate of approximately 24%.

I'll turn it over to Mark for more detail on our enterprise outlook.

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

Thank you, Darrell. As freight fundamentals continue to move back to more rational conditions, we expect the benefits of the actions we took to structurally improve the business will be increasingly evident. These actions include building on our nimble, multi-modal portfolio, investments and differentiated service capabilities, a disciplined approach to prior allocation events and \$40 million and growing in cost savings actions.

As cycle dynamics shift, we are already rolling out our early cycle playbook to capitalize on improving trends. This includes dynamically shifting our capacity to meet changing customer needs, quickly enacting yield management actions and extracting returns on our cost and productivity efforts, all of which will lead to enhanced operating leverage across our segments.

In Truckload, we were deliberate in how we manage customer allocations through the down cycle, knowing rates have not been where they need to be. In doing so, our spot exposure grew to nearly double its historical levels in Network. This has the dual benefit of allowing Network business to immediately take advantage of improved spot rates and it creates latent capacity to add more accretive contract rated business.

While we remain predominantly contractual in our asset businesses, we must balance our customer commitments with the need for improved rates to support our investments in service, several years of cost inflation and the growing cost of securing capacity.

We saw meaningful traction in the first quarter as spot rates were accretive to overall Network rate in February and March, with strength outpacing normal seasonal patterns. This is the benefit of operating a scale network solution, which was able to capture premium opportunities and help shippers navigate supply chain disruptions whether from storms or broader routing guide breakdowns.

Network will continue to support our customers as cycle conditions shift and the value of our assets become more apparent. Price renewals are now at the highest level since 2021 and shippers are increasingly recognizing that the tightness is not simply winter weather.

A growing number of shippers who have completed their allocation season are returning to us as some carrier rates agreed upon earlier are no longer holding. We expect Network 2026 rate renewals to be in the mid to high single digits for the full year, and we are acting decisively with the most transactional customers where there is more ground to make up and rate recovery. In these instances, we expect to see double-digit increases.

As conditions improve, the focus on doing more with less by tightening our equipment ratios will drive even greater operating leverage. Though there is more to come, we are encouraged by the improvement in Network productivity in the first quarter. We showed strong improvement year-over-year, especially in March. Excluding peak holiday periods, March Network productivity was the strongest it's been since 2023.

In Dedicated, rate improved year over year in versus fourth quarter as we continue to scrutinize our portfolio and ensure assets are being deployed to their highest and best use. Looking forward, we will continue to evaluate performance across our portfolio, enabling further rate improvement, while also benefiting from more accretive dedicated backhaul as spot rates move higher.

As we look at our Dedicated fleet, in the first quarter, we continued to ramp up new accounts that were sold in the back half of 2025. In 2026 to date, we have sold over 150 new trucks, and we're seeing a growing number of our customers asking us to expand their existing fleets. However, in the near term, this will be offset by some incremental churn. We are focused on productivity and portfolio management actions where success will be measured in revenue per truck per week improvements rather than just truck count. Driver capacity will be a constraint as supply tightens, which we believe will generate incremental Dedicated demand. We remain focused on adding durable dedicated solutions.

In Intermodal, Mexico growth continued its momentum, growing double digits. This helped to offset softer Transcon volume and the impact from lapping last year's inventory pull-forward. Looking forward, Intermodal rate traditionally lags the truckload market, which we anticipate will remain the case.

Still we see significant opportunities in 2026 to continue to drive volume and share gains as we lean into our asset-based model, build on the launch of Fast Track and our differentiated Mexico offering while taking advantage of growing over-the-road conversion opportunities amid elevated fuel and rising truckload rates.

We are already seeing over-the-road conversion with customers, and we feel well positioned to capture this growth at high incremental margins given our prior investments in trailing capacity and our ability to effectively recruit and retain company dry drivers.

In Logistics, the earnings recovery from fourth quarter reflects our ability to leverage the complementary nature of being an asset-based provider as the cost of capacity continues to rise. In the first quarter, we were able to positively manage our net revenue per order after experiencing significant squeeze in the fourth quarter.

We became increasingly discerning on what contractual volume was accepted, including in our power-only offering, which is primarily contract rated. This was effective and profitable as we were able to support power-only customers through our Network offering while contractual brokerage volume was backfilled by greater spot opportunities and by project business and specialty verticals that we have cultivated.

In closing, we are encouraged by how the business was able to navigate a dynamic operating environment that included challenges from fuel and weather. Our results are not where they need to be, clearly. Early signals in both the market and our performance gives us greater confidence in our trajectory from here. As freight fundamentals continue to normalize and capacity rationalization progresses, we are more ready than ever to benefit from improving cycle dynamics. Our methodical approach to pricing, cost control and capital allocation, combined with the flexibility of our diversified multimodal portfolio allows us to position the enterprise for strong operating leverage.

With that, thank you for your continued interest in Schneider, and we will now open the line for your questions.

QUESTIONS AND ANSWERS

Operator

Thank you. We will now begin the question-and-answer session.(Operator Instructions)

Tom Wadewitz, UBS.

Thomas Wadewitz - UBS AG - Analyst

Yeah, good afternoon. And it's great to hear a number of these positive conference calls on momentum in the business, right, and see it for Schneider as well. I wanted to ask, Mark or Jim, if you could just give a sense, I think your revenue per load was pretty favorable in Network. You're talking about like mid- to high single-digit contract increases. Is there a chance that you end up being stronger than that? It would seem like just what you got in the first quarter would point to something that maybe could be a bit higher than that.

And then I guess the second question would just be like on Dedicated. How do we think about how that business can move up in an elevating truckload pricing cycle and how quickly that can happen? And maybe what are the levers within that, that you can push so that you get some quick responsiveness on Dedicated as well? Thank you.

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

Yeah, Tom, this is Jim. Thanks for the question. So I'll start with a question on Network and price. And so we gave a little bit of background in terms of what we're seeing through allocation season. But there's a number of ways that we can extract rate. Obviously, there's normal allocation events, there's turnbacks, there's load acceptance and spot. And we're seeing positive trends with each one of those. And so let me give a little bit of color on each one of those.

First of all, with those normal allocation events, what we just shared was we're expecting the renewals in Network to be mid to high single digits for the full year, but we are seeing some signs of momentum building. And those shippers that drove the largest price decreases are experiencing double-digit increases and knowing that they're going to have to make the largest changes.

Then on turnbacks, we're seeing an increase in cost allocation activity. And it's true across the board, but in particular, it's with those most transactional customers again. They're feeling the impact of what they've seen in spot prices. They're trying to avoid that. And so they're going right back out to looking for opportunities to contract that freight.

And then with acceptance, we're seeing more and more shippers that are prioritizing acceptance in their metrics. And that really is a telltale sign that they're not happy with what they're seeing with acceptance, and therefore, willing to take some strategic actions to drive some changes.

And then in spot, our Network spot rate was accretive really for the majority of the quarter. So there's opportunities to continue to lean in on that to drive pricing up to a different level. But really, for us, the 7% increase in revenue per truck per week in Network, price was only a small part of that. An awful lot of what we experienced there was really in productivity. And that's really been our focus.

We want to be able to help our drivers. Number one place that we can help our drivers, our customers and our business is to improve our driver productivity. So I'm really thrilled with the activities that took place there to drive productivity because that's just creating leverage for our organization.

I still believe we have more opportunities to drive productivity. We're in the kind of early stages of implementing AI that's going to help remove some friction for our drivers, that will help us improve their productivity. So I think that there's still some more room to run as it relates to Network there.

Let me jump into Dedicated and hit in terms of the opportunities out there. And again, the focus is that we want to make sure that our Dedicated business is durable through cycles. And so really leaning into our areas of differentiation, especially where it's Specialty Dedicated. And we're executing that early cycle playbook. So the focus in the short term in Dedicated is productivity that's going to drive the most success to earnings growth. And so the focus is measuring on improving our revenue per truck per week rather than just the total truck count.

Now we're not slowing down. We just said that we sold over 150 trucks. We're also seeing customers come back to us and saying that they would like us to increase their fleets after several quarters of shrinkage. We're going to be really disciplined about that because we want to make sure that this is truly a dedicated opportunity, including additional opportunities that are coming in the door.

So we feel good about the prospects there, as well as just when the market improves in total, that gives us opportunity for more backhaul, whether it's contracted backhaul or in the spot. And so I'd expect that we'll continue to improve there as well.

Thomas Wadewitz - UBS AG - Analyst

Do you have a quick thought on timing of that? Is that like you see the revenue per truck per week higher in Network and you waited a couple of quarters? Then you see that same dynamic in Dedicated, or is it quicker than that?

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

I think it's a little bit quicker than that, but we'll see opportunities to be able to fill that in.

Thomas Wadewitz - UBS AG - Analyst

Okay, great. Thank you.

Operator

Scott Group, Wolfe Research.

Scott Group - Wolfe Research LLC - Analyst

Hey, thanks. Afternoon, guys. So Jim, we've got an environment with rising truck rates, high fuel, seemingly still good rail service. It feels like it should be a very good sort of setup for Intermodal. I'm guessing, what are you hearing from customers on that front? And I guess my one real question is, do you think, do we need to be concerned about a longer lag between truck rates and intermodal rates this time? Or do you think it will be similar with what we've seen in the past?

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

Yeah, thanks, Scott. You're absolutely correct in terms of the way customers are starting to look at this, especially the most strategic customers that have moved into acceptance, that there really has been a change in the market condition.

They're looking to take control of their supply chain and how they can react. And so that we're seeing increased demand in terms of how they're thinking about intermodal, what they can allocate to intermodal because the current fuel cost is making a difference as well as their anticipation of what capacity will look like later this year.

And you're absolutely right, we're seeing really great service levels from the railroads. I think the most strategic customers also start to look at this and say, while there's plenty of box capacity, the real constraint in this industry is always dray capacity. And they're looking at who is going to be able to support those opportunities with their own dray. And so we feel really good about that opportunity out there.

In terms of pricing, I think the other thing you have to watch here is that the over-the-road market dropped much further than what Intermodal did. And so in terms of the degree of change, I'm not expecting that we're going to necessarily need to see the same degree of change in Intermodal as over-the-road. But in terms of the timing, typically, we say about two quarters. And from what we can say, we'd say pretty consistent with that, but just not to the same magnitude.

Scott Group - *Wolfe Research LLC - Analyst*

Okay. And then just second question, your point about utilization in one way was interesting because I think in prior markets, prior periods of tightening markets, we typically see unseated tractors go up and utilization goes down. It sounds like you think you can get price annualization this time. Just what's different to let you do that? Because if you can do it, I think it's, be pretty powerful.

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

Yeah, you're right, that is a powerful lever when you can get both of those. And specifically initially here, some of the opportunities for utilization was just better freight availability. Having this, our Network business is split between company drivers, owner-operators, power-only. That gives us more opportunities to take freight and prioritize with our company drivers, and then owner-operators, making sure that we're driving the best mix of freight over to them.

The other thing that's a little bit different is just our access back into our brokerage business to go and find better opportunities to utilize our company drivers, and then really some of the AI that is still really ahead of us. We've had some opportunities, we've utilized this in our Intermodal business, it's removed some of the friction for our drivers, and that's helped out as well. But you bring those together, you're right, Scott, that's a powerful combination.

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

Yeah, Scott, it's Mark. I think the place we feel most favorable about is we were able to increase the productivity, particularly sequentially and certainly year over year, and did so with a pretty disruptive market for us from a weather standpoint where we lost more time than we would typically lose in a winter season, because of the depth of the storms and the location of the storms. So it gives us encouragement that leaning into those actions that we have will be even more powerful, more operating leverage going forward when we have less, even in Green Bay, we expect to have less snow going forward.

Operator

Ravi Shanker, Morgan Stanley.

Ravi Shanker - *Morgan Stanley - Analyst*

Great. Thanks afternoon, everyone. Darrell, I hear you on still there being uncertainties on macro, et cetera. But I reckon your commentary on this call has probably been the most constructive we've heard from anyone so far this earnings season, and yet, you didn't raise the

guide. So I'm just wondering kind of what more you need to see kind of when you will get the confidence that the kind of idiosyncratic tailwinds in the trucking industry are outweighing what may be uncertainty in macro?

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

Yeah. Good question, Ravi. This is Darrell. So as you mentioned and as I mentioned in my remarks, we expected that supply would exit. And I think what you're referring to is that we did see the supply exiting even at a more rapid pace, which is encouraging.

Mark alluded to our cost and productivity initiatives and the fact that we're doubling down on some of those initiatives and those things came through, especially in the face of disruption. So positives coming through Q1, but we're one of the very few of that guide and especially guide for a full year.

So we're one quarter in, we have a whole lot of year left. So while we're encouraged by what we saw in the first quarter, we have to balance that with the rest of the year. And there is some demand risk that was introduced just based on the macro environment.

So as it relates to just inflation and the risk there, expectations on rate cuts and uncertainty there, it's more balancing the fact that there's three quarters left and we have to see more of what we saw in the first quarter persist.

Ravi Shanker - *Morgan Stanley - Analyst*

Understood. Then maybe as a follow-up. Jim, you referred to things you're doing on the AI and tech side a couple of times in the last couple of responses. Can you just elaborate on that a little bit more? Kind of what are you doing? Give us some specific examples of tools or functions that you're particularly excited about? And when we may be able to see some of that kind of drop through to the bottom line and kind of maybe quantify that?

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

Yeah, Ravi, it's Mark. Thanks for the question. And AI and just looking for opportunities to reduce friction in our business, particularly around those places that are facing our driver community and our customer community. Our thought process here is to look where the leverage is from an overall value standpoint. And what we're seeing certainly in the early innings of this is that when you can face those communities and do so by removing queues, so you're getting to information much faster and be able to prioritize.

So let's take an example of a breakdown over the road versus somebody having a radio not working, AI can help us triage through those calls and communication with drivers and get to the right, our people to the right and most impactful situations first and foremost. And so that, A, helps improve our service performance. B, it certainly improves the experience of our drivers and third, it allows us to make better decisions around cost. And so we're looking at that.

I think brokerage gets a lot of play because there's a lot of great use cases. But I will tell you, we are as excited, maybe even more so, into the core businesses of our assets in both Intermodal, and we're doing that across multiple fronts and prioritizing, as I mentioned, on those high-impact areas.

And so that's a combination of our own in-house developed, which is our primary use of AI, but also using some outside capability, particularly around voice, that's really getting our people inside the building pretty excited because it really allows them to be more effective in their job because they're getting to the right work at the right time.

So early innings, but highly encouraged. And we're going to continue to lean in and invest throughout 2026. And so we will, we are seeing it in our business results and we will see more operating leverage going forward.

Ravi Shanker - *Morgan Stanley - Analyst*

Very helpful. Thank you. Mark.

Operator

Daniel Moore, Baird.

Daniel Moore - *Robert W. Baird & Co Inc - Senior Research Analyst*

Yeah. Good afternoon, everybody. Yes. Mark, it occurred to me you're going to retire in July. This is probably your last call. It has been great working with you on both sides of the fence, as both an investor as well as a sell-side analyst. And I just wanted to wish you very best in your retirement

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

Appreciate those kind remarks. Thank you, Dan.

Daniel Moore - *Robert W. Baird & Co Inc - Senior Research Analyst*

Absolutely. So maybe just a couple of quick questions here, kind of the dovetail on Tom and Scott, some of Tom and Scott's questions. I was hoping to maybe get some context around the cadence of rate repair. And so as we look at Network and Dedicated, and Intermodal, all three, if maybe, I don't know if this is a Mark question or a Darrell question or Jim question, but or a Christine question, but maybe if you could just kind of kind of walk us through how we should be thinking about the percentage of each of those divisions working through the renewal process as we calibrate our models? And then that's question number one, many parts.

Question number two is, what was the impact from fuel and weather in the first quarter? Thanks so much.

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

Great, Dan. I'll kick off and I'll let some others chime in here. This is Mark. Clearly, as we look at the allocation events, rate recovery is an incredibly important aspect of what needs to get done as our industry and us as a company have experienced inflation that we haven't fully recovered from over the last couple of years. So first and foremost, really leaning into that.

As you look at the various sectors and segments that we operate in, our Network business, particularly in truck, have a change of rate most pronounced either up or down just because of some of the options that Jim was talking about, how we can kind of play our portfolio.

So we would expect the Network businesses and truck to be the most responsive to the change as it's the most valued capacity in some respects as you go through the kind of the up cycle piece. So encouraged by where we've seen in the first quarter, but we also have a big second quarter as it relates to those type of events, and we expect to get through that successfully.

Dedicated, generally, we're operating under longer-term contracts there, but also have the ability through indexing and other items to get increases based upon kind of where you are in the calendar across that contract. But I would also focus on that there is a great opportunity here because we, in most all of our circumstances outside of really, really specialty-type services, we have the opportunity to share in backhaul opportunities with our customer, bringing them value, and we can get after yield activities in our Dedicated business by having a better pool of freight to choose from to share with our customers.

And then when they have more demand and more demand gets into the mix of our Dedicated fleets and the productivity elements that we're so focused on, also adds additional leverage. So not all of it is rate recovery. It is throughput. And that's why we are really steering towards our success will be seen, first and foremost, in our revenue per truck per week metrics.

And then Jim I think commented on Intermodal, that we still expect to see some lag there. But again, we focus on leading into our key differentiators there, which we're bringing premium products to market, of Fast Track and also our mousetrap that we have, which we see is the absolute best coming in and out of Mexico and the broadening services that we're seeing in other parts of the geography out of Mexico can influence our revenue per order there.

So Jim, any other kind of comment? And then I guess, the fuel kind of weather impact, I'll turn it over to Darrell.

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

Yes. So this is Darrell. So on the question on weather and fuel, based on each of our industry, we go through these types of events every year. I would admit that this past quarter was more impactful, at least in the short term. But there's positives and negatives that go along with it.

So in the negative column, as it relates to short term, we did see some increased maintenance costs, we did see some loss of productivity. But on the flip side, when you have weather events, especially when they're disruptive, it can serve as a catalyst, right?

So as we got into March, we did see some recovery and some opportunities that we capitalized on. So kind of longer-term positives that could come out of that stress. From a fuel standpoint, we did see volatility, some sharp movements in fuel, particularly in the first half of March. A lot of that moderated. So by the time we got to the end of March, most of that was behind us.

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

Yeah. In short term, negative, but to Darrell's point, it also creates catalyst in the combination of tighter capacity and disruption generally has a longer benefit than just the short-term impact of weather and fuel.

Operator

Chris Wetherbee, Wells Fargo.

Chris Wetherbee - *Wells Fargo Securities LLC - Analyst*

Yeah, hey, thanks. Good afternoon, guys. I guess I wanted to come back to the guidance for a moment. And maybe you could just sort of help us sort of book in either side of the guidance. When you issued it a quarter ago, sort of there was hope with kind of different environment that where we feel like we're in with some more constructive progress made to date. So I guess, how do we think about that? What do we need to see to sort of be a little bit more confident towards the high end of the range?

I guess we're beginning to see some of the contract pricing begin to move in the direction. But is it really demand that's the biggest sort of variable that we think about that \$0.70 to \$1? So just any thoughts around how you think about the upside and downside there?

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

Sure. This is Darrell. So you, I think you nailed it with your last comment there in terms of demand, and we're very, very precise when we gave that guidance three months ago that demand was, is a swing factor. So what we expected to play out in terms of capacity and our

self-help actions, including cost productivity. A lot of what Jim talked about in terms of the way that we allocate freight and our revenue management strategies, all of those things played out as we expected, although supply did come out probably at a more rapid pace.

But we always said that to get to the higher end of the range, we needed to see some inflection in demand. So our demand was stable in the first quarter. There is some more risk that was introduced. So the balance is, balancing the optimism from the first quarter was the fact that there is incremental demand risk, which on balance gets us back to our range.

Chris Wetherbee - Wells Fargo Securities LLC - Analyst

We zoom out a little bit, I was wondering if you guys wanted to kind of comment (technical difficulty) the opportunity for (technical difficulty) the course of how this cycle is beginning to shape out. It's a little bit of a different one (technical difficulty)

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

I'm sorry, Chris, you cut out on us halfway through your question there.

Chris Wetherbee - Wells Fargo Securities LLC - Analyst

Sorry, can you guys hear me now?

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

We can.

Chris Wetherbee - Wells Fargo Securities LLC - Analyst

Great. So I was just kind of curious, as you think about the margin opportunity for the business in the context of the cycle that's more sort of supply driven at least for now, how do you think about the opportunity for the truck business? Mid-cycle margins, what can we kind of get back to? And does it take two years of this to get there? Any timing help would be great.

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

Yeah. This is Darrell. I'll start. I'm sure Mark and others will chime in, Jim. So when we set our long-term margin target ranges, we're assuming normal conditions or normalized conditions. And I think everyone would acknowledge that over the past several years, we have not been in a normal environment. So there's been excess capacity and we know it's irrational. We know why there's been that capacity.

But we're seeing signs of that capacity exiting based on a lot of the regulatory actions that are going on. So we believe that we're on a path to getting back to some more normalized earnings, but it's going to take more than one allocation event.

So we do need rate and we do need rate for more than one year. But we're also being balanced that we're not waiting for the market in order to execute on our priorities. So we've seen in the first quarter the benefits of our actions even coming out of the weather disruptions, how we're able to rebound. And that gives us optimism that if we continue to follow the playbook as it relates to cost and productivity and rate discipline, that we'll be on that path or continue on that path.

From a Network standpoint, I think we would all acknowledge that Network has the most ground to cover, but also the inflection opportunities, especially in this cycle are most, I guess, readily apparent there, especially that's where most of the rational capacity has been. So Dedicated,

Intermodal, Logistics, we'd say are all within striking range of our long-term guidance or target ranges, and Network definitely has an upside based on what we've been doing.

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

Yeah. And this is Jim, just to chime in on the network business. This is where that we've been most impacted by that irrational capacity as well as some of the noise that we saw specifically within this quarter early on. So we're executing that early cycle playbook. But I'm really encouraged by what we saw in productivity and price metrics.

And we've talked about that. Gaining this type of productivity, even though that we lost some days during the quarter, I felt really good that that action is still underway. We still have room to grow. And we obviously still have room to grow on price that will get us back to our long-term range.

Chris Wetherbee - *Wells Fargo Securities LLC - Analyst*

Got it. Very helpful. Thanks so much.

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

Thank you, Chris.

Operator

Jordan Alliger, Goldman Sachs.

Jordan Alliger - *Goldman Sachs Group Inc - Analyst*

I just wanted to come back to revenue per truck per week in the network business. I think it was up about 7% in the first quarter. And I know you've talked a fair bit about productivity. But can you maybe talk about the components of that, the miles per truck per week versus revenue per mile? And how do you see that developing from here? And then secondarily, can you talk a bit more about your current spot exposure? And is there an optimal target level in a more, in a stronger Truckload environment? Thanks.

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

Yeah. Thanks, Jordan. Jordan, this is Jim. So on revenue per truck per week, that improvement of 7%. A small amount of that was priced here in Q1. That's the side of it that we say has more opportunity going forward.

The majority of the improvement was in productivity. And there's a number of the actions that we've already talked about here earlier in terms of what we're doing to give more freight options to our company drivers to all of our trucks to be able to be more efficient.

I'd say what's still ahead of us here as opportunity to get a little bit leaner on trucks. And so I think we still have opportunities to drive that further from efficiency with trucks as well as with price and productivity. So all three of those combined give us a little bit of opportunity to grow that.

Our spot exposure, we started talking about this last year, where we were at to come into the low double digits, where previously we were kind of in the mid-single digits. In terms of the ideal place to be, it really depends on where the market is, and we're, we want to handle this

dynamically, be able to have good customer relationships. But there's got to be mutual value created here for both us and for our customers. And so we will pivot from time to time to be able to get the best mix.

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

Yeah. I think certainly, as we've come into the year and went through the allocation events last year, we purposefully put more of our network capacity in spot. We're getting some benefit of that, and we would expect at this point to continue on that path as one of the levers to improve our yields that we mentioned across, whether it's allocation, spot, acceptance. There's multiple levers that we can pull. And so we're optimizing across all of those, but spot is one. And we're encouraged, where that came in the first quarter, we're actually encouraged where we are here in the month of April. And we would expect to use that as a lever going forward.

Jordan Alliger - *Goldman Sachs Group Inc - Analyst*

Thank you.

Operator

Jonathan Chappell, Evercore ISI.

Jonathan Chappell - *Evercore Inc - Analyst*

Thank you. Good afternoon. I want to ask about the Logistics side, I think I asked about this last quarter from the context of the margin was pretty close to zero. And now you turned it around pretty quickly in one quarter in a backdrop that, at least conceptually, was more difficult for traditional brokerage. So is this, was that quarterly improvement more structural, more kind of cost and productivity even though revenue is down? And as we think about the starting point, like Logistics is usually a tougher margin in 1Q, do you just continue to get margin improvement if volume starts to pick up throughout the rest of the year?

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

Thank you. I appreciate the discussion on Logistics because we're really proud of our Logistics business and the differentiation we've created there. And we don't often get to dive into that segment, so I really appreciate that. This is, and you're right, across the industry, there's rising third-party carrier cost, which really can weigh on your contract rate business, which is a significant portion especially of our power-only business. So the recovery in earnings is really just a reflection of our strategy there.

And there's really three parts. First of all, we want to make sure that we're a trusted partner for our customers. So we've made some investments in new capabilities and verticals that have been expanding rapidly. And then when you do that, that differentiation has enabled us to become a sole-source provider in those areas. And because we're a sole-source provider, we've been able to sell some additional value-added services.

And then second, we're seeing some of the early benefits to productivity based on some of the AI enhancements that we've talked about already. That's going to enable us to capture some incremental volume at very low costs. We've structurally lowered that cost to serve.

And then third, it's the complementary nature of being an asset-based provider as in the cost of capacity continues to rise or there's uncertainty ahead enables us to pivot quicker. It gives customers more confidence to utilize our Logistics solution over a non-asset solution. So we believe this is a strategy that's, we have a strong footing and that's going to enable us going forward. Mark?

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

Yeah, we certainly had the net revenue per order squeeze in the fourth quarter. I would also tell you, Jonathan, we were more discerning in the first quarter as it related to acceptance of contract business, particularly for those transactional shippers, so that we could put and go after more spot business.

So we're still, do a good portion of nearly half our business in Logistics is still under the contract phase. But we were able to be a bit more nimble around the edges, and that really came through in the net revenue per order recovery.

And our tools and technology investments, particularly around pricing and acceptance, when there's disruption in the market or inflection in the market, like we saw in the first quarter, we can be very nimble, and the team took advantage and continue to add value to our customer, but do so in a bit smarter way for our bottom line.

Jonathan Chappell - *Evercore Inc - Analyst*

Great. That's all super helpful. And then in the context of the guide, each quarter in '25, the margin kind of deteriorated sequentially, troughed in the fourth quarter. Now you're starting at a basically the same point, but would you say that the anticipation is each quarter is going to improve sequentially and that's how you kind of get to the midpoint as it relates to logistics contribution?

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

Yeah. Jonathan, I think certainly, as you look at our guide, there's improvement to be had here from the first quarter, and we would expect that to occur. And again, as we've discussed broadly, the range from the bottom to the top, in our view, we feel very good about where we are in our controllables, particularly around the cost management, the number of things that Jim has led very effectively within the business around our productivity initiatives.

And so the swing factor, and we have not seen it to date, so admittedly, this is not a current condition, but the swing factor that we stated when we originally gave the guidance and where we sit here today is the demand factor. We've had an incredibly resilient consumer. We are watching consumer sentiment and the impact of fuel on the pocket books. Our customers are very, watching that very closely and are concerned about it.

On the balance though, we're also seeing and being encouraged a bit more on the industrial side with the investments in the manufacturing sector here in the country. So there could be some off balancing, but overall, we just have to make sure that, because we guide for the full year, that we're being balanced towards the gives and takes there.

Jonathan Chappell - *Evercore Inc - Analyst*

No, I understand. I was speaking more to the logistics margin specifically, but.

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

I moved to the enterprise on you, but my bad.

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

(multiple speakers) Mark's comments kind of covered it. We did mention in January and also this past guidance update that our guidance was second half weighted. So if you, we do believe that there will be some seasonality, and seasonality would indicate more earnings in the second half.

Jonathan Chappell - *Evercore Inc - Analyst*

Got it. Thank you, Jim.

Operator

Ariel Rosa, Citigroup.

Ben Moore - *Citigroup - Analyst*

Hi, This is Ben Moore on for Ari. Just adding to Tom's and Dan's question, can you remind us the average length of your Dedicated contracts and how your Dedicated contract renewals are bucketed by percentage each quarter, so we can kind of model out the shape of that lift to dedicated rates throughout the year?

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

Yeah. Our general range, good question. Our general range in Dedicated is three to five years, with the most, if you would take the median, is three. And because of the long tail that we have and the size and scope of our Dedicated at 8,500 trucks, generally, that is fairly evenly distributed. It's not perfectly distributed, but by quarter, by year, on an average of three years, it's one-third of the book is in renewal at, in that calendar year. But as we also talked, we have greater than 92%, 93% retention rate of our Dedicated businesses, or Dedicated contracts, I should say.

Ben Moore - *Citigroup - Analyst*

Perfect. Thank you. Great. And you mentioned the 150 trucks you sold, I think you didn't have many bid conversations in 4Q that could have supported 1Q with implementations. But you expect those to pick up in 2Q and beyond. How are those trending? And how many gross trucks were added in 1Q? And how many are expected to be added in 2Q, 3Q and 4Q?

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

Yes. So what we're, what I want to focus on, our focus here on especially the early cycle is that our focus is going to be on productivity, not just the number of trucks that we have. And so on net, our focus isn't on that metric as much as revenue per truck per week in the Dedicated business, because we see some opportunities to actually pull some trucks out of some existing customers, improve our efficiency there. And so for us, that's the key metric that we're going to be focused on going forward

Ben Moore - *Citigroup - Analyst*

Great. Okay. Thanks so much for the clarification.

Operator

And that concludes our question-and-answer session. I will now turn the call back over to Mark Rourke for closing remarks.

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

Thank you, operator. So once again, I just want to recognize our professional drivers, maintenance technicians and the entire Schneider associate team for their commitment to safely supporting our customers during a quarter that was marked by significant disruptions.

As we discussed here today, we're optimistic that the much anticipated freight recovery, driven by substantial supply reductions has finally taken hold. And our versatile multimodal platform is built to provide us and our customers with flexible freight coverage options.

And this optionality, along with our diligent efforts to manage costs, invest wisely in technology, and prioritize people and asset productivity positions us to achieve strong operating leverage and advance towards our long-term margin goals in the midterm.

And as Dan mentioned and on a personal note, this does mark my 36th and final Schneider earnings call before Jim Filter's transition to President and CEO in July and my move to Executive Chairman. I want to express my heartfelt gratitude to this group and to our shareholders for your steadfast support and thoughtful engagement throughout each of those quarters. It's been both a privilege and a joy.

I also know that with Jim, Darrell and Christyne, you are in great hands moving forward. And as always, we thank you for your interest in the Schneider call.

Operator

This concludes today's conference call. Thank you for your participation. You may now disconnect.

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