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DELTA REPORT

10-Q

WERN - WERNER ENTERPRISES INC

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	962
CHANGES	333
DELETIONS	356
ADDITIONS	273

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

[Mark one]

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2023 March 31, 2024

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number: 0-14690

WERNER ENTERPRISES, INC.

(Exact name of registrant as specified in its charter)

Nebraska	**47-0648386**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
14507 Frontier Road	
Post Office Box 45308	
Omaha , Nebraska	**68145-0308**
(Address of principal executive offices)	**(Zip Code)**

(402**)** 895-6640
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 Par Value	WERN	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As ofNovember 6, 2023, 63,394,945 May 2, 2024, 63,412,833 shares of the registrant's common stock, par value $0.01 per share, were outstanding.

WERNER ENTERPRISES, INC.

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PART I

FINANCIAL INFORMATION

Cautionary Note Regarding Forward-Looking Statements:

This Quarterly Report on Form 10-Q contains historical information and forward-looking statements based on information currently available to our management. The forward-looking statements in this report, including those made in Item 2 (Management's Discussion and Analysis of Financial Condition and Results of Operations) of Part I, are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, as amended. These safe harbor provisions encourage reporting companies to provide prospective information to investors. Forward-looking statements can be identified by the use of certain words, such as "anticipate," "believe," "estimate," "expect," "intend," "plan," "project" and other similar terms and language. We believe the forward-looking statements are reasonable based on currently available information. However, forward-looking statements involve risks, uncertainties and assumptions, whether known or unknown, that could cause our actual results, business, financial condition and cash flows to differ materially from those anticipated in the forward-looking statements. A discussion of important factors relating to forward-looking statements is included in Part I, Item 1A (Risk Factors) of our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 ("2022 2023 Form 10-K"). Readers should not unduly rely on the forward-looking statements included in this Form 10-Q because such statements speak only to the date they were made. Unless otherwise required by applicable securities laws, we undertake no obligation or duty to update or revise any forward-looking statements contained herein to reflect subsequent events or circumstances or the occurrence of unanticipated events.

Item 1. Financial Statements.

WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

		Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands, except per share amounts)	(In thousands, except per share amounts)	2023	2022	2023	2022

(In thousands, except per share amounts)					
(In thousands, except per share amounts)					
Operating revenues					
Operating revenues					
Operating revenues	Operating revenues	$ 817,744	$ 827,606	$ 2,461,554	$ 2,428,487
Operating expenses:	Operating expenses:				
Operating expenses:					
Operating expenses:					
Salaries, wages and benefits					
Salaries, wages and benefits					
Salaries, wages and benefits	Salaries, wages and benefits	268,054	264,443	802,742	760,078
Fuel	Fuel	90,369	111,985	259,523	325,852
Fuel					
Fuel					
Supplies and maintenance					
Supplies and maintenance					
Supplies and maintenance	Supplies and maintenance	60,181	68,009	193,370	187,690
Taxes and licenses	Taxes and licenses	25,852	25,016	76,685	72,640
Taxes and licenses					
Taxes and licenses					
Insurance and claims					
Insurance and claims					
Insurance and claims	Insurance and claims	31,261	34,501	104,552	103,064
Depreciation and amortization	Depreciation and amortization	74,586	70,397	223,797	206,097
Depreciation and amortization					
Depreciation and amortization					
Rent and purchased transportation					
Rent and purchased transportation					
Rent and purchased transportation	Rent and purchased transportation	224,556	187,449	661,866	569,802
Communications and utilities	Communications and utilities	4,555	3,720	13,957	11,427
Communications and utilities					
Communications and utilities					
Other					
Other					
Other	Other	430	(14,175)	(13,422)	(42,858)
Total operating expenses	Total operating expenses	779,844	751,345	2,323,070	2,193,792
Total operating expenses					
Total operating expenses					
Operating income					
Operating income					
Operating income	Operating income	37,900	76,261	138,484	234,695
Other expense (income):	Other expense (income):				
Other expense (income):					
Other expense (income):					
Interest expense					
Interest expense					

Interest expense	Interest expense	8,661	2,778	24,716	6,004
Interest income	Interest income	(1,727)	(392)	(5,178)	(980)
Loss (gain) on investments in equity securities, net		34	(114)	36	(14,403)
Interest income					
Interest income					
Loss on investments in equity securities					
Loss on investments in equity securities					
Loss on investments in equity securities					
Loss from equity method investment					
Loss from equity method investment					
Loss from equity method investment	Loss from equity method investment	110	—	954	—
Other	Other	284	77	377	276
Total other expense (income)		7,362	2,349	20,905	(9,103)
Other					
Other					
Total other expense, net					
Total other expense, net					
Total other expense, net					
Income before income taxes					
Income before income taxes					
Income before income taxes	Income before income taxes	30,538	73,912	117,579	243,798
Income tax expense	Income tax expense	7,034	17,987	28,521	59,229
Income tax expense					
Income tax expense					
Net income					
Net income					
Net income	Net income	23,504	55,925	89,058	184,569
Net loss (income) attributable to noncontrolling interest	Net loss (income) attributable to noncontrolling interest	200	(874)	(249)	(3,479)
Net loss (income) attributable to noncontrolling interest					
Net loss (income) attributable to noncontrolling interest					
Net income attributable to Werner					
Net income attributable to Werner					
Net income attributable to Werner	Net income attributable to Werner	$ 23,704	$ 55,051	$ 88,809	$ 181,090
Earnings per share:	Earnings per share:				
Earnings per share:					
Earnings per share:					
Basic					
Basic					
Basic	Basic	$ 0.37	$ 0.87	$ 1.40	$ 2.81
Diluted	Diluted	$ 0.37	$ 0.86	$ 1.39	$ 2.79
Diluted					
Diluted					
Weighted-average common shares outstanding:					
Weighted-average common shares outstanding:					

Weighted-average common shares outstanding:	Weighted-average common shares outstanding:				
Basic	Basic	63,390	63,386	63,360	64,433
Basic					
Basic					
Diluted	Diluted	63,737	63,782	63,703	64,819
Diluted					
Diluted					

See Notes to Consolidated Financial Statements (Unaudited).

WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

		Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	(In thousands)	**2023**	**2022**	**2023**	**2022**
(In thousands)					
(In thousands)					
Net income					
Net income					
Net income	Net income	$ 23,504	$ 55,925	$ 89,058	$ 184,569
Other comprehensive income (loss):	Other comprehensive income (loss):				
Other comprehensive income (loss):					
Other comprehensive income (loss):					
Foreign currency translation adjustments					
Foreign currency translation adjustments					
Foreign currency translation adjustments	Foreign currency translation adjustments	(1,333)	(708)	4,410	398
Change in fair value of interest rate swaps, net of tax	Change in fair value of interest rate swaps, net of tax	(694)	1,857	(1,768)	6,771
Other comprehensive income (loss), net		(2,027)	1,149	2,642	7,169
Change in fair value of interest rate swaps, net of tax					
Change in fair value of interest rate swaps, net of tax					
Other comprehensive income, net					
Other comprehensive income, net					
Other comprehensive income, net					
Comprehensive income					
Comprehensive income					
Comprehensive income	Comprehensive income	21,477	57,074	91,700	191,738
Comprehensive loss (income) attributable to noncontrolling interest	Comprehensive loss (income) attributable to noncontrolling interest	200	(874)	(249)	(3,479)
Comprehensive loss (income) attributable to noncontrolling interest					

Comprehensive loss (income) attributable to noncontrolling interest					
Comprehensive income attributable to Werner	Comprehensive income attributable to Werner	$ 21,677	$ 56,200	$ 91,451	$ 188,259
Comprehensive income attributable to Werner					
Comprehensive income attributable to Werner					

See Notes to Consolidated Financial Statements (Unaudited).

WERNER ENTERPRISES, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS

(In thousands, except share amounts)	(In thousands, except share amounts)	September 30, 2023	December 31, 2022	(In thousands, except share amounts)	March 31, 2024	December 31, 2023
		(Unaudited)			(Unaudited)	
ASSETS	**ASSETS**					
Current assets:	Current assets:					
Current assets:						
Current assets:						
Cash and cash equivalents	Cash and cash equivalents	$ 42,754	$ 107,240			
Accounts receivable, trade, less allowance of $10,636 and $10,271, respectively		449,786	518,815			
Cash and cash equivalents						
Cash and cash equivalents						
Accounts receivable, trade, less allowance of $9,101 and $9,337, respectively						
Other receivables	Other receivables	26,417	29,875			
Inventories and supplies	Inventories and supplies	17,251	14,527			
Prepaid taxes, licenses and permits	Prepaid taxes, licenses and permits	7,931	17,699			
Other current assets	Other current assets	100,669	74,459			
Total current assets	Total current assets	644,808	762,615			
Property and equipment		2,952,430	2,885,641			
Property and equipment, at cost						
Less – accumulated depreciation	Less – accumulated depreciation	965,540	1,060,365			
Property and equipment, net	Property and equipment, net	1,986,890	1,825,276			
Goodwill	Goodwill	129,104	132,717			
Intangible assets, net	Intangible assets, net	88,994	81,502			

Other non-current assets	Other non-current assets	344,666	295,145	
Total assets	Total assets	$3,194,462	$3,097,255	
LIABILITIES, TEMPORARY EQUITY AND STOCKHOLDERS' EQUITY	**LIABILITIES, TEMPORARY EQUITY AND STOCKHOLDERS' EQUITY**			
Current liabilities:	Current liabilities:			
Checks issued in excess of cash balances		$ 14,659	$ —	
Current liabilities:				
Current liabilities:				
Accounts payable				
Accounts payable				
Accounts payable	Accounts payable	129,008	124,483	
Current portion of long-term debt	Current portion of long-term debt	3,750	6,250	
Insurance and claims accruals	Insurance and claims accruals	73,206	78,620	
Accrued payroll	Accrued payroll	48,851	49,793	
Accrued expenses				
Accrued expenses				
Accrued expenses	Accrued expenses	27,719	20,358	
Other current liabilities	Other current liabilities	32,471	30,016	
Total current liabilities	Total current liabilities	329,664	309,520	
Long-term debt, net of current portion	Long-term debt, net of current portion	686,250	687,500	
Other long-term liabilities	Other long-term liabilities	52,579	59,677	
Insurance and claims accruals, net of current portion	Insurance and claims accruals, net of current portion	238,080	244,946	
Deferred income taxes	Deferred income taxes	336,726	313,278	
Deferred income taxes				
Deferred income taxes				
Total liabilities	Total liabilities	1,643,299	1,614,921	
Commitments and contingencies	Commitments and contingencies			Commitments and contingencies
Temporary equity - redeemable noncontrolling interest	Temporary equity - redeemable noncontrolling interest	38,948	38,699	
Stockholders' equity:	Stockholders' equity:			
Common stock, $0.01 par value, 200,000,000 shares authorized; 80,533,536 shares issued; 63,390,516 and 63,223,003 shares outstanding, respectively		805	805	

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Common stock, $0.01 par value, 200,000,000 shares authorized; 80,533,536 shares issued; 63,412,833 and 63,444,681 shares outstanding, respectively			
Common stock, $0.01 par value, 200,000,000 shares authorized; 80,533,536 shares issued; 63,412,833 and 63,444,681 shares outstanding, respectively			
Common stock, $0.01 par value, 200,000,000 shares authorized; 80,533,536 shares issued; 63,412,833 and 63,444,681 shares outstanding, respectively			
Paid-in capital	Paid-in capital	133,038	129,837
Retained earnings	Retained earnings	1,938,694	1,875,873
Accumulated other comprehensive loss	Accumulated other comprehensive loss	(8,650)	(11,292)
Treasury stock, at cost; 17,143,020 and 17,310,533 shares, respectively		(551,672)	(551,588)
Treasury stock, at cost; 17,120,703 and 17,088,855 shares, respectively			
Total stockholders' equity	Total stockholders' equity	1,512,215	1,443,635
Total liabilities, temporary equity and stockholders' equity	Total liabilities, temporary equity and stockholders' equity	$3,194,462	$3,097,255

See Notes to Consolidated Financial Statements (Unaudited).

WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

		Nine Months Ended September 30,			Three Months Ended March 31,	
(In thousands)	(In thousands)	2023	2022	(In thousands)	2024	2023
Cash flows from operating activities:	Cash flows from operating activities:					
Net income	Net income	$ 89,058	$184,569			
Net income						
Net income						
Adjustments to reconcile net income to net cash provided by operating activities:	Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization						
Depreciation and amortization						

Depreciation and amortization	Depreciation and amortization	223,797	206,097
Deferred income taxes	Deferred income taxes	23,775	10,262
Gain on disposal of property and equipment	Gain on disposal of property and equipment	(39,346)	(62,659)
Non-cash equity compensation	Non-cash equity compensation	8,671	9,120
Insurance and claims accruals, net of current portion	Insurance and claims accruals, net of current portion	(6,866)	1,469
Loss (gain) on investments in equity securities, net		36	(14,403)
Loss on investments in equity securities			
Loss from equity method investment	Loss from equity method investment	954	—
Other	Other	(4,741)	(5,056)
Changes in certain working capital items:	Changes in certain working capital items:		
Accounts receivable, net			
Accounts receivable, net			
Accounts receivable, net	Accounts receivable, net	69,079	(32,258)
Other current assets	Other current assets	(12,135)	3,922
Accounts payable	Accounts payable	5,844	21,061
Other current liabilities	Other current liabilities	(2,107)	10,592
Net cash provided by operating activities	Net cash provided by operating activities	356,019	332,716
Cash flows from investing activities:	Cash flows from investing activities:		
Additions to property and equipment	Additions to property and equipment	(530,085)	(379,902)
Additions to property and equipment			
Additions to property and equipment			
Proceeds from sales of property and equipment	Proceeds from sales of property and equipment	155,924	125,830
Net cash invested in acquisition	Net cash invested in acquisition	(188)	705
Investment in equity securities, net		(2,865)	(20,250)
Investment in equity securities			

Payment to acquire equity method investment	Payment to acquire equity method investment	(2,645)	—
Issuance of notes receivable		(25,000)	—
Purchase of promissory note			
Decrease in notes receivable	Decrease in notes receivable	2,809	4,870
Net cash used in investing activities	Net cash used in investing activities	(402,050)	(268,747)
Cash flows from financing activities:	Cash flows from financing activities:		
Repayments of short-term debt	Repayments of short-term debt	(33,750)	(3,750)
Repayments of short-term debt			
Repayments of short-term debt			
Proceeds from issuance of short-term debt	Proceeds from issuance of short-term debt	30,000	—
Repayments of long-term debt	Repayments of long-term debt	(50,000)	(100,000)
Proceeds from issuance of long-term debt		50,000	250,000
Change in checks issued in excess of cash balances		14,659	—
Dividends on common stock			
Dividends on common stock			
Dividends on common stock	Dividends on common stock	(25,333)	(23,946)
Repurchases of common stock	Repurchases of common stock	—	(110,400)
Tax withholding related to net share settlements of restricted stock awards	Tax withholding related to net share settlements of restricted stock awards	(5,554)	(3,704)
Other cash flows from financing activities		—	(750)
Net cash provided by (used in) financing activities		(19,978)	7,450
Net cash used in financing activities			
Net cash used in financing activities			
Net cash used in financing activities			
Effect of exchange rate fluctuations on cash	Effect of exchange rate fluctuations on cash	1,523	68
Net increase (decrease) in cash and cash equivalents	Net increase (decrease) in cash and cash equivalents	(64,486)	71,487
Cash and cash equivalents, beginning of period	Cash and cash equivalents, beginning of period	107,240	54,196
Cash and cash equivalents, end of period	Cash and cash equivalents, end of period	$ 42,754	$125,683
Supplemental disclosures of cash flow information:	**Supplemental disclosures of cash flow information:**		

Interest paid	Interest paid	$ 25,299	$ 5,664
Interest paid			
Interest paid			
Income taxes paid	Income taxes paid	17,140	38,797
Supplemental schedule of non-cash investing and financing activities:	**Supplemental schedule of non-cash investing and financing activities:**		
Notes receivable issued upon sale of property and equipment			
Notes receivable issued upon sale of property and equipment			
Notes receivable issued upon sale of property and equipment	Notes receivable issued upon sale of property and equipment	$ 1,968	$ 3,771
Change in fair value of interest rate swaps	Change in fair value of interest rate swaps	(1,768)	6,772
Property and equipment acquired included in accounts payable	Property and equipment acquired included in accounts payable	4,701	7,143
Property and equipment disposed included in other receivables	Property and equipment disposed included in other receivables	—	190
Dividends accrued but not yet paid at end of period	Dividends accrued but not yet paid at end of period	8,875	8,216
Contingent consideration associated with acquisitions	Contingent consideration associated with acquisitions	(800)	—

See Notes to Consolidated Financial Statements (Unaudited).

WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS’ EQUITY AND TEMPORARY EQUITY - REDEEMABLE NONCONTROLLING INTEREST
(Unaudited)

	Three Months Ended September 30, 2023						
(In thousands, except share and per share amounts)	Common Stock	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders’ Equity	Temporary Equity - Redeemable Noncontrolling Interest
BALANCE, June 30, 2023	$ 805	$ 130,694	$ 1,923,865	$ (6,623)	$ (551,671)	$ 1,497,070	$ 39,148
Net income attributable to Werner	—	—	23,704	—	—	23,704	—
Net income (loss) attributable to noncontrolling interest	—	—	—	—	—	—	(200)
Other comprehensive loss	—	—	—	(2,027)	—	(2,027)	—
Dividends on common stock ($0.14 per share)	—	—	(8,875)	—	—	(8,875)	—
Equity compensation activity, 1,020 shares	—	(36)	—	—	(1)	(37)	—
Non-cash equity compensation expense	—	2,380	—	—	—	2,380	—
BALANCE, September 30, 2023	$ 805	$ 133,038	$ 1,938,694	$ (8,650)	$ (551,672)	$ 1,512,215	$ 38,948

	Three Months Ended March 31, 2024

(In thousands, except share and per share amounts)	Common Stock		Paid-In Capital		Retained Earnings		Accumulated Other Comprehensive Loss		Treasury Stock		Total Stockholders' Equity		Temporary Equity - Redeemable Noncontrolling Interest	
BALANCE, December 31, 2023	$	805	$	134,894	$	1,953,385	$	(9,684)	$	(551,061)	$	1,528,339	$	38,607
Net income attributable to Werner		—		—		6,312		—		—		6,312		—
Net loss attributable to noncontrolling interest		—		—		—		—		—		—		(64)
Other comprehensive income		—		—		—		618		—		618		—
Purchases of 167,818 shares of common stock		—		—		—		—		(6,550)		(6,550)		—
Dividends on common stock ($0.14 per share)		—		—		(8,878)		—		—		(8,878)		—
Equity compensation activity, 135,970 shares		—		(4,422)		—		—		335		(4,087)		—
Non-cash equity compensation expense		—		2,250		—		—		—		2,250		—
BALANCE, March 31, 2024	$	805	$	132,722	$	1,950,819	$	(9,066)	$	(557,276)	$	1,518,004	$	38,543

Three Months Ended September 30, 2022

Three Months Ended March 31, 2023

(In thousands, except share and per share amounts)	(In thousands, except share and per share amounts)	Common Stock	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders' Equity	Temporary Equity - Redeemable Noncontrolling Interest
BALANCE, June 30, 2022		$ 805	$124,065	$1,777,092	$ (14,584)	$(543,506)	$ 1,343,872	$ 38,552
BALANCE, December 31, 2022								
Net income attributable to Werner	Net income attributable to Werner	—	—	55,051	—	—	55,051	—
Net income attributable to noncontrolling interest	Net income attributable to noncontrolling interest	—	—	—	—	—	—	874
Other comprehensive income	Other comprehensive income	—	—	—	1,149	—	1,149	—
Purchases of 215,204 shares of common stock		—	—	—	—	(8,287)	(8,287)	—
Dividends on common stock ($0.13 per share)	Dividends on common stock ($0.13 per share)	—	—	(8,216)	—	—	(8,216)	—
Equity compensation activity, 1,692 shares		—	(54)	—	—	8	(46)	—
Dividends on common stock ($0.13 per share)								
Dividends on common stock ($0.13 per share)								
Equity compensation activity, 153,931 shares								
Non-cash equity compensation expense	Non-cash equity compensation expense	—	3,035	—	—	—	3,035	—
Distribution to noncontrolling interest		—	—	—	—	—	—	(750)

Three

(In thousands, except share and per share amounts)	Common Stock	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	To Stockh Equ

BALANCE, September 30, 2022	$ 805	$127,046	$1,823,927	$ (13,435)	$(551,785)	$ 1,386,558	$ 38,676
BALANCE, March 31, 2023							
BALANCE, March 31, 2023							
BALANCE, March 31, 2023							

See Notes to Consolidated Financial Statements (Unaudited).

WERNER ENTERPRISES, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND TEMPORARY EQUITY - REDEEMABLE NONCONTROLLING INTEREST (CONTINUED)

(Unaudited)

	Nine Months Ended September 30, 2023						
(In thousands, except share and per share amounts)	Common Stock	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders' Equity	Temporary Equity - Redeemable Noncontrolling Interest
BALANCE, December 31, 2022	$ 805	$ 129,837	$ 1,875,873	$ (11,292)	$ (551,588)	$ 1,443,635	$ 38,699
Net income attributable to Werner	—	—	88,809	—	—	88,809	—
Net income attributable to noncontrolling interest	—	—	—	—	—	—	249
Other comprehensive income	—	—	—	2,642	—	2,642	—
Dividends on common stock ($0.41 per share)	—	—	(25,988)	—	—	(25,988)	—
Equity compensation activity, 167,513 shares	—	(5,470)	—	—	(84)	(5,554)	—
Non-cash equity compensation expense	—	8,671	—	—	—	8,671	—
BALANCE, September 30, 2023	$ 805	$ 133,038	$ 1,938,694	$ (8,650)	$ (551,672)	$ 1,512,215	$ 38,948

	Nine Months Ended September 30, 2022						
(In thousands, except share and per share amounts)	Common Stock	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders' Equity	Temporary Equity - Redeemable Noncontrolling Interest
BALANCE, December 31, 2021	$ 805	$ 121,904	$ 1,667,104	$ (20,604)	$ (441,659)	$ 1,327,550	$ 35,947
Net income attributable to Werner	—	—	181,090	—	—	181,090	—
Net income attributable to noncontrolling interest	—	—	—	—	—	—	3,479
Other comprehensive income	—	—	—	7,169	—	7,169	—
Purchases of 2,710,304 shares of common stock	—	—	—	—	(110,400)	(110,400)	—
Dividends on common stock ($0.38 per share)	—	—	(24,267)	—	—	(24,267)	—
Equity compensation activity, 122,245 shares	—	(3,978)	—	—	274	(3,704)	—
Non-cash equity compensation expense	—	9,120	—	—	—	9,120	—
Distribution to noncontrolling interest	—	—	—	—	—	—	(750)
BALANCE, September 30, 2022	$ 805	$ 127,046	$ 1,823,927	$ (13,435)	$ (551,785)	$ 1,386,558	$ 38,676

See Notes to Consolidated Financial Statements (Unaudited).

WERNER ENTERPRISES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(1) Basis of Presentation and Recent Accounting Pronouncements

Basis of Presentation

The accompanying unaudited interim consolidated financial statements include the accounts of Werner Enterprises, Inc. and its subsidiaries (collectively, the “Company” or “Werner”). Noncontrolling Redeemable noncontrolling interest on the consolidated condensed balance sheets represents the portion of a consolidated entity in which we do not have a direct equity ownership. In these notes, the terms “we,” “us,” or “our” refer to Werner Enterprises, Inc. and its subsidiaries. All significant intercompany accounts and transactions relating to these entities have been eliminated.

These consolidated financial statements have been prepared in accordance with the U.S. Securities and Exchange Commission (SEC) (“SEC”) instructions to Form 10-Q and, in the opinion of management, reflect all adjustments, which are all of normal recurring nature, necessary to present fairly the financial condition, results of operations and cash flows for the periods presented in conformity with U.S. generally accepted accounting principles (“GAAP”). These consolidated financial statements do not include all information and footnotes required by GAAP for complete financial statements; although in management’s opinion, the disclosures are adequate so that the information presented is not misleading.

Operating results for the three and nine months ended September 30, 2023 March 31, 2024 are not necessarily indicative of the results that may be expected for the year ending December 31, 2023 December 31, 2024. In the opinion of management, the information set forth in the accompanying consolidated condensed balance sheets is fairly stated in all material respects in relation to the consolidated balance sheets from which it has been derived.

These consolidated financial statements and notes thereto should be read in conjunction with the consolidated financial statements and accompanying notes contained in our 2022 2023 Form 10-K.

(2) Business Acquisitions

Developments during **Recently Issued Accounting Pronouncements, Not Yet Effective:** In November 2023, the nine months ended September 30, 2023 related Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2023-07 *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, with the objective of improving financial reporting, primarily through enhanced disclosures about significant segment expenses. The provisions of this update are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, using a retrospective approach. We are evaluating the impact of adopting ASU 2023-07, and we expect this ASU to only impact our 2022 business acquisitions are discussed below.

ReedTMS

On November 5, 2022, we acquired 100% of the equity interests in Reed Transport Services, Inc. and RTS-TMS, Inc., doing business as ReedTMS Logistics (“ReedTMS”), for a final purchase price of $108.6 million after including the disclosures with no impacts of working capital adjustments, cash acquired, net present value of future insurance payments, and contingent consideration. ReedTMS is an asset-light logistics provider and dedicated truckload carrier that offers a comprehensive suite of freight brokerage and truckload solutions to a diverse customer base. The our results of operations, cash flows, and financial condition.

In December 2023, FASB issued ASU 2023-09 *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, with the objective of enhancing the transparency and decision usefulness of income tax information through income tax disclosure improvements, primarily related to the rate reconciliation and income taxes paid information. The provisions of this update are effective for ReedTMS annual periods beginning after December 15, 2024, using a prospective approach. Retrospective application is permitted. We are included in evaluating the impact of adopting ASU 2023-09, and we expect this ASU to only impact our consolidated financial statements beginning November 5, 2022. Pro forma information for this acquisition is not provided as it did not have a material impact on disclosures with no impacts to our consolidated operating results.

Baylor

On October 1, 2022, we acquired 100% of the equity interests in FAB9, Inc., doing business as Baylor Trucking, Inc. (“Baylor”), for a final purchase price of $89.0 million after including the impacts of working capital adjustments, cash acquired, and contingent consideration. Baylor operates in the east central and south central United States. The results of operations, for Baylor are included in our consolidated cash flows, and financial statements beginning October 1, 2022. Pro forma information for this acquisition is not provided as it did not have a material impact on our consolidated operating results. No measurement period adjustments were recorded during the nine months ended September 30, 2023.

Purchase Price Allocations

We accounted for the ReedTMS and Baylor purchases using the acquisition method of accounting under GAAP. The purchase price of each acquisition has been allocated to the assets acquired and liabilities assumed using market data and valuation techniques. The purchase price allocations for ReedTMS and Baylor were considered final as of June 30, 2023.

The following table summarizes the purchase price allocation for ReedTMS, including any adjustments (in thousands):

	November 5, 2022 Opening Balance sheet as Reported at December 31, 2022	Adjustments (1)	November 5, 2022 Opening Balance sheet as Reported at September 30, 2023
Purchase Price			
Cash consideration paid	$ 116,989	$ —	$ 116,989 (2)
Cash and cash equivalents acquired	(12,120)	—	(12,120)
Contingent consideration arrangement	5,000	(800)	4,200 (3)
Working capital surplus (deficiency)	(689)	188	(501)
Total purchase price (fair value of consideration)	109,180	(612)	108,568
Purchase Price Allocation			
Current assets	52,531	49	52,580

Property and equipment	35,000	(12,485)	22,515
Intangible assets	12,000	15,300	27,300
Other non-current assets	7,927	(1)	7,926
Total assets acquired	107,458	2,863	110,321
Current liabilities	(45,497)	(389)	(45,886)
Other long-term liabilities	(5,622)	527	(5,095)
Total liabilities assumed	(51,119)	138	(50,981)
Goodwill	$ 52,841	$ (3,613)	$ 49,228

(1) The measurement period adjustments were recorded during the three months ended March 31, 2023. No material statement of income effects were identified with these adjustments.

(2) Includes $0.9 million related to the net present value of future insurance payments. At closing, $11.5 million of the cash consideration was placed in escrow to secure certain indemnification obligations of the sellers and to cover post-closing adjustments. During the three months ended March 31, 2023, we received $2.1 million from escrow for post-closing adjustments. The remaining balance of the escrow, except for $0.5 million, was returned to the sellers. In exchange, the sellers obtained a $10.0 million Standby Letter of Credit with the Company named as beneficiary.

(3) The contingent earnout liability is recorded in other current liabilities on the consolidated condensed balance sheets as of September 30, 2023 and in other long-term liabilities as of December 31, 2022. For additional information regarding the valuation of the contingent liability, see Note 6 – Fair Value. condition.

(3) (2) Revenue

Revenue Recognition

Revenues are recognized over time as control of the promised services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those services.

The following table presents our revenues disaggregated by revenue source (in thousands):

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
Truckload Transportation Services	Truckload Transportation Services	$ 572,195	$ 621,866	$ 1,730,717	$ 1,793,899
Truckload Transportation Services					
Truckload Transportation Services					
Werner Logistics					
Werner Logistics					
Werner Logistics	Werner Logistics	230,252	187,138	683,470	580,007
Inter-segment eliminations	Inter-segment eliminations	(4,402)	(402)	(13,185)	(1,749)
Inter-segment eliminations					
Inter-segment eliminations					
Transportation services					
Transportation services					
Transportation services	Transportation services	798,045	808,602	2,401,002	2,372,157
Other revenues	Other revenues	19,699	19,004	60,552	56,330
Other revenues					
Other revenues					
Total revenues	Total revenues	$ 817,744	$ 827,606	$ 2,461,554	$ 2,428,487
Total revenues					
Total revenues					

The following table presents our revenues disaggregated by geographic areas in which we conduct business (in thousands). Operating revenues for foreign countries include revenues for (i) shipments with an origin or destination in that country and (ii) other services provided in that country. If both the origin and destination are in a foreign country, the revenues are attributed to the country of origin.

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
United States	United States	$ 769,524	$ 765,559	$ 2,317,133	$ 2,247,307
United States					
United States					
Mexico					
Mexico					
Mexico	Mexico	38,941	50,681	118,092	145,433
Other	Other	9,279	11,366	26,329	35,747
Other					
Other					
Total revenues	Total revenues	$ 817,744	$ 827,606	$ 2,461,554	$ 2,428,487
Total revenues					
Total revenues					

Contract Balances and Accounts Receivable

A receivable is an unconditional right to consideration and is recognized when shipments have been completed and the related performance obligation has been fully satisfied. At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the accounts receivable, trade, net, balance was $449.8 417.5 million and $518.8 million $444.9 million, respectively. Contract assets represent a conditional right to consideration in exchange for goods or services and are transferred to receivables when the rights become unconditional. At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the balance of contract assets was $8.2 8.6 million and $8.9 million $7.4 million, respectively. We have recognized contract assets within the other current assets financial statement caption on the consolidated condensed balance sheets. These contract assets are considered current assets as they will be settled in less than 12 months.

Contract liabilities represent advance consideration received from customers and are recognized as revenues over time as the related performance obligation is satisfied. At September 30, 2023March 31, 2024 and December 31, 2022, 2023, the balance of of contract liabilities was $1.2 million $1.1 million and $0.9 million, respectively. respectively. The amount of revenues recognized in the nine three months ended September 30, 2023 March 31, 2024 that was included in the December 31, 2022 2023 contract liability balance was $0.9 million. We have recognized contract liabilities within the accounts payable and other current liabilities financial statement captions on the consolidated condensed balance sheets. These contract liabilities are considered current liabilities as they will be settled in less than 12 months.

Performance Obligations

We have elected to apply the practical expedient in Accounting Standards Codification (“ASC”) Topic 606, *Revenue From Contracts With Customers*, to not disclose the value of remaining performance obligations for contracts with an original expected length of one year or less. Remaining performance obligations represent the transaction price allocated to future reporting periods for freight shipments started but not completed at the reporting date that we expect to recognize as revenue in the period subsequent to the reporting date; transit times generally average approximately 3 days.

During the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, revenues recognized from performance obligations related to prior periods (for example, due to changes in transaction price) were not material.

(4) (3) Goodwill and Intangible Assets

Goodwill represents the excess of cost over the fair value of net identifiable tangible and intangible assets acquired in business combinations. The following table summarizes There were no changes in the carrying amount of goodwill by segment for the nine three months ended September 30, 2023 (in thousands): March 31, 2024.

	TTS	Werner Logistics	Total
Balance as of December 31, 2022	$ 53,897	$ 78,820	$ 132,717
Purchase accounting adjustments (1)	(7,841)	4,228	(3,613)
Balance as of September 30, 2023	$ 46,056	$ 83,048	$ 129,104

(1) The purchase accounting adjustments consist of post-closing adjustments related to net assets assumed in the acquisition of ReedTMS. For additional information regarding these purchase accounting adjustments, see Note 2.

The following table presents acquired intangible assets (in thousands):

	September 30, 2023			December 31, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
March 31, 2024					March 31, 2024	December 31, 2023

	Gross Carrying Amount							Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	Customer relationships	$ 80,200	$ (11,985)	$68,215	$64,900	$ (5,714)	$59,186						
Trade names	Trade names	24,600	(3,821)	20,779	24,600	(2,284)	22,316						
Total intangible assets	Total intangible assets	$104,800	$ (15,806)	$88,994	$89,500	$ (7,998)	$81,502						

Amortization expense on intangible assets was $2.5 million and $7.8 million $2.8 million for the three and nine months ended September 30, 2023, respectively, March 31, 2024 and $1.4 million and $4.1 million for the three and nine months ended September 30, 2022, 2023, respectively, and is reported in depreciation and amortization on the consolidated statements of income. As of September 30, 2023 March 31, 2024, we estimate future amortization expense for intangible assets will be $2.5 million $7.6 million for the remainder of 2023, 2024, and $10.1 million for each of the five succeeding fiscal years.

(5)

(4) Leases

We have entered into operating leases primarily for real estate. The leases have terms which range from 1 year to 18 years, and some include options to renew. Renewal terms are included in the lease term when it is reasonably certain that we will exercise the option to renew.

Operating leases are included in other non-current assets, other current liabilities and other long-term liabilities on the consolidated condensed balance sheets. These assets and liabilities are recognized based on the present value of future minimum lease payments over the lease term at commencement date, using our incremental borrowing rate because the rate implicit in each lease is not readily determinable. We have certain contracts for real estate that may contain lease and non-lease components which we have elected to treat as a single lease component. Lease expense for operating leases is recognized on a straight-line basis over the lease term. Variable lease expense is recognized in the period in which the obligation for those payments is incurred. Lease expense is reported in rent and purchased transportation on the consolidated statements of income.

The following table presents balance sheet and other operating lease information (dollars in thousands):

	September 30, 2023	December 31, 2022
Balance Sheet Classification		
Right-of-use assets (recorded in other non-current assets)	$ 36,537	$ 40,963
Current lease liabilities (recorded in other current liabilities)	$ 9,059	$ 9,396
Long-term lease liabilities (recorded in other long-term liabilities)	29,160	32,897
Total operating lease liabilities	$ 38,219	$ 42,293
Other Information		
Weighted-average remaining lease term for operating leases	6.30 years	6.43 years
Weighted-average discount rate for operating leases	3.6 %	3.3 %

	March 31, 2024	December 31, 2023
Right-of-use assets (recorded in other non-current assets)	$ 34,339	$ 34,814
Current lease liabilities (recorded in other current liabilities)	$ 8,937	$ 9,017
Long-term lease liabilities (recorded in other long-term liabilities)	27,112	27,495
Total operating lease liabilities	$ 36,049	$ 36,512
Weighted-average remaining lease term for operating leases	6.06 years	6.15 years
Weighted-average discount rate for operating leases	3.8 %	3.6 %

The following table presents the maturities of operating lease liabilities as of September 30, 2023 March 31, 2024 (in thousands):

Maturity of Lease Liabilities			
2023 (remaining)		$	2,604
2024			9,958
2024 (remaining)			
2025	2025		8,046

2026	2026		6,354
2027	2027		4,459
2028			
Thereafter	Thereafter		10,884
Total undiscounted operating lease payments	Total undiscounted operating lease payments	$	42,305
Less: Imputed interest	Less: Imputed interest		(4,086)
Present value of operating lease liabilities	Present value of operating lease liabilities	$	38,219

Cash Flows

During the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, right-of-use assets of $3.8 million $1.9 million and $12.4 million $1.5 million, respectively, were recognized as non-cash asset additions that resulted from new operating lease liabilities. Cash paid for amounts included in the present value of operating lease liabilities was $8.4 million $2.7 million and $5.9 million $2.9 million for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively, and are included in operating cash flows.

Operating Lease Expense

Operating lease expense was $5.7 million $4.4 million and $17.8 million $6.2 million for the three and nine months ended September 30, 2023, respectively, March 31, 2024 and $5.4 million and $15.8 million for the three and nine months ended September 30, 2022, 2023, respectively. This expense included $2.8 million $2.7 million and $8.8 million $3.0 million for long-term operating leases for the three and nine months ended September 30, 2023, respectively, March 31, 2024 and $2.2 million and $6.6 million for the three and nine months ended September 30, 2022, respectively, for long-term operating leases, 2023, with the remainder for variable and short-term lease expense**.**

Lessor Operating Leases

We are the lessor of tractors and trailers under operating leases with initial terms of 2 3 to 10 8 years. We recognize revenue for such leases on a straight-line basis over the term of the lease. Revenues were $2.8 million $2.4 million and $8.2 million $2.7 million for the three and nine months ended September 30, 2023, respectively, March 31, 2024 and $3.3 million and $9.6 million for the three and nine months ended September 30, 2022, 2023, respectively.

The following table presents information about the maturities of these operating leases as of September 30, 2023 March 31, 2024 (in thousands):

2023 (remaining)		$	2,378
2024			4,772
2024 (remaining)			
2025	2025		315
2026	2026		324
2027	2027		82
2028			
Thereafter	Thereafter		—
Total	Total	$	7,871

(6) (5) Fair Value

Fair Value Measurement — Definition and Hierarchy

ASC 820-10, *Fair Value Measurement*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date.

ASC 820-10 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability, developed based on market data obtained from sources independent of the Company. Unobservable inputs reflect our own assumptions about the assumptions market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels, as follows:

Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities that we have the ability to access.

Level 2 — Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Such inputs include quoted prices in markets that are not active, quoted prices for similar assets and liabilities in active and inactive markets, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 — Unobservable inputs for the asset or liability, where there is little, if any, observable market activity or data for the asset or liability.

In general, and where applicable, we use quoted prices in active markets for identical assets or liabilities to determine fair value. This pricing methodology applies to our Level 1 assets and liabilities. If quoted prices in active markets for identical assets and liabilities are not available to determine fair value, then we use quoted prices for similar assets and liabilities or inputs other than the quoted prices that are observable, either directly or indirectly. This pricing methodology would apply to Level 2 assets and liabilities.

The following table presents the fair value hierarchy for our assets and liabilities measured at fair value on a recurring basis (in thousands):

	Level in Fair Value Hierarchy	March 31, 2024	Level in Fair Value Hierarchy	Fair Value March 31, 2024	December 31, 2023
Assets:					
Other non-current assets:					
Other non-current assets:					
Other non-current assets:					
Equity securities (1)					
Equity securities (1)					
Equity securities (1)					
Liabilities:					
Other long-term liabilities:	Level in Fair Value Hierarchy				

	Level in Fair Value Hierarchy	Fair Value September 30, 2023	December 31, 2022
Assets:			
Other non-current assets:			
Equity securities (1)	1	$ 552	$ 723
Liabilities:			
Other current liabilities:			
Contingent consideration associated with acquisitions	3	$ 4,390	$ —
Other long-term liabilities: Other long-term liabilities:			
Contingent consideration associated with acquisitions	3	8,793	13,400
Total liabilities		$ 13,183	$13,400

Other long-term liabilities:	
Contingent consideration associated with acquisition	
Contingent consideration associated with acquisition	

Contingent consideration associated with acquisition

(1) Represents our investments investment in an autonomous technology companies. company. For additional information regarding the valuation of these this equity securities, security, see Note 7 6 – Investments.

The following table presents changes in the fair value of our contingent earnout liabilities (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	Three Months Ended March 31, Three Months Ended March 31, Three Months Ended March 31,			
	2024 2024 2024			
Balance at beginning of period Balance at beginning of period	$ 13,028	$ 2,500	$ 13,400	$ 2,500
Measurement period adjustment associated with the acquisition of ReedTMS (1)	—	—	(800)	—
Balance at beginning of period				
Balance at beginning of period				
Measurement period adjustment associated with the acquisition of ReedTMS Logistics (1)				
Measurement period adjustment associated with the acquisition of ReedTMS Logistics (1)				
Measurement period adjustment associated with the acquisition of ReedTMS Logistics (1)				
Change in fair value				
Change in fair value				
Change in fair value Change in fair value	155	—	583	—
Balance at end of period Balance at end of period	$ 13,183	$ 2,500	$ 13,183	$ 2,500
Balance at end of period				
Balance at end of period				

(1) The measurement period adjustment was recorded in goodwill on the consolidated condensed balance sheet.

The estimated fair values of our contingent consideration arrangements are based upon probability-adjusted inputs for each acquired entity. Additionally, as the liability is stated at present value, the passage of time alone will increase the estimated fair value of the liability each reporting period. Change in fair value is recorded in other operating expenses on the consolidated statements of income.

Our We have ownership interests in investments, primarily Mastery Logistics Systems, Inc. (“MLSI”) and Fleet Defender, Inc. , which do not have readily determinable fair values and are accounted for using the measurement alternative in ASC 321, *Investments - Equity Securities*. Our ownership interest in Autotech Fund III, L.P. (“Autotech Fund III”) is accounted for under ASC 323, “*Investments - Equity Method and Joint Ventures*.” For additional information regarding the valuation of these investments, see Note 7 6 – Investments.

Fair Value of Financial Instruments Not Recorded at Fair Value

Cash and cash equivalents, accounts receivable trade, and accounts payable are short-term in nature and accordingly are carried at amounts that approximate fair value.

The carrying amount of our fixed-rate debt not measured at fair value on a recurring basis was $90.0 million $87.5 million and $93.8 million $88.8 million as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. The estimated fair value of our fixed-rate debt using the income approach, based on its net present value, discounted at our current borrowing rate, was $86.6 million $86.8 million and $87.2 million $86.7 million as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively (categorized as Level 2 of the fair value hierarchy). The carrying amount of our variable-rate long-term debt approximates fair value due to the duration of our credit arrangement and the variable interest rate (categorized as Level 2 of the fair value hierarchy).

(7) (6) Investments

Equity Investments without Readily Determinable Fair Values

Our strategic equity investments without readily determinable fair values include primarily consist of our investment in MLSI, a transportation management systems company, and Fleet Defender, Inc., a platform cybersecurity company for fleet owners. company. MLSI is developing a cloud-based transportation management system using MLSI's SaaS technology which we have agreed to license. These Our investments are being accounted for under ASC 321 using the measurement alternative and are recorded in other noncurrent assets on the consolidated condensed balance sheets. We record changes in the values of these our investments based on events that occur that would indicate the values have changed, in loss (gain) on investments in equity securities on the consolidated statements of income. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the value of our investment in MLSI was $89.8 million, and $86.8 million, respectively, and the value of our investment in Fleet Defender, Inc. was $250 thousand.

The following table summarizes the activity related to our other equity investments without readily determinable fair values during was $327 thousand and $316 thousand, respectively. No gains or losses were recorded for the periods presented (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Investment in equity securities	$ 3,000	$ —	$ —	$ 20,250
Upward adjustments (1)	—	—	—	28,638

(1) During 2022, investments by third-parties resulted in the remeasurements of our investment in MLSI. Our updated investment values were based upon the prices paid by third parties.

three months ended March 31, 2024 and 2023. As of September 30, 2023 March 31, 2024, cumulative upward adjustments on our equity securities without readily determinable fair values totaled $56.8 million.

Equity Investments with Readily Determinable Fair Values

We own a strategic minority equity investments investment in an autonomous technology companies, company, which are is being accounted for under ASC 321 and are is recorded in other noncurrent assets on the consolidated condensed balance sheets. We record changes in the value of these investments, based on the share prices reported by Nasdaq, in loss (gain) on investments in equity securities on the consolidated statements of income. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the value of these investments this investment was $0.6 million $0.2 million and $0.7 million $0.3 million, respectively. For additional information regarding the fair value of these this equity investments, investment, see Note 6 5 – Fair Value.

The following table summarizes the activity related to our equity investments with readily determinable fair values during the periods presented (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Loss (gain) on investments in equity securities, net	$ 34	$ (114)	$ 36	$ 14,235
Portion of unrealized loss (gain) for the period related to equity securities still held at the reporting date	35	(114)	28	14,235

	Three Months Ended March 31,	
	2024	2023
Loss on investments in equity securities	$ 138	$ 81
Portion of unrealized loss for the period related to equity securities still held at the reporting date	138	81

Equity Method Investment

In January 2023, we committed to make a $20.0 million investment in Autotech Fund III (the “Fund”) pursuant to a limited partnership agreement. The Fund is managed by Autotech Ventures, a venture capital firm focused on ground transportation technology. Our interest, which represents an ownership percentage of less than 20%, is being accounted for under ASC 323, "*Investments - Equity Method and Joint Ventures*." As a limited partner, we will make periodic capital contributions toward this total commitment amount. As of March 31, 2024, our cumulative contributions in the Fund were $4.4 million. We contributed $2.6 million $1.1 million and $2.1 million to the Fund during the nine three months ended September 30, 2023. March 31, 2024 and 2023, respectively. As of September 30, 2023 March 31, 2024 and December 31, 2023, the value of our investment in the Fund was $1.7 million $3.3 million and $2.3 million, respectively, and is recorded in other noncurrent assets on the

consolidated condensed balance sheets. The carrying amount of the Fund as of September 30, 2023 March 31, 2024 approximates its fair value as of June 30, 2023 December 31, 2023, as this is the most recent information available to us at this time. We recognized a loss of $0.1 million and $1.0 million from the Fund for the three and nine months ended September 30, 2023 March 31, 2024, respectively, which is reported in loss from equity method investment on the consolidated statements of income. No earnings or losses were recognized for the three months ended March 31, 2023.

(8) Notes Receivable

We provide financing to some individuals who want to become independent contractors by purchasing a tractor from us and leasing their services to us. We maintain a primary security interest in the tractor until the independent contractor pays the note balance in full. On January 24, 2023, we purchased a $25.0 million subordinated promissory note from MLSI with a maturity date of January 24, 2030. The proceeds of the promissory note may be used by MLSI for working capital and general business purposes, including a limited amount for possible repayment of certain advances. There are no scheduled principal payments due on the MLSI promissory note until the maturity date, and interest accrues at 7.5% compounded annually, with the first accrued interest payment due on January 24, 2028, and at the end of each calendar year thereafter. The independent contractor notes receivable, MLSI subordinated promissory note, and other notes receivable are included in other current assets and other non-current assets in the consolidated condensed balance sheets.

The following table presents our notes receivable (in thousands):

	September 30, 2023	December 31, 2022
Independent contractor notes receivable	$ 7,432	$ 8,287
MLSI subordinated promissory note	25,000	—
Other notes receivable	7,935	7,921
Notes receivable	40,367	16,208
Less current portion	2,603	2,691
Notes receivable – non-current	$ 37,764	$ 13,517

We also provide financing to some individuals who attended our driver training schools. The student notes receivable is included in other receivables and other non-current assets in the consolidated condensed balance sheets. The following table presents our student notes receivable (in thousands):

	September 30, 2023	December 31, 2022
Student notes receivable	$ 64,720	$ 63,351
Allowance for doubtful student notes receivable	(22,945)	(23,491)
Total student notes receivable, net of allowance	41,775	39,860
Less current portion, net of allowance	13,433	12,574
Student notes receivable – non-current	$ 28,342	$ 27,286

(9) (7) Debt and Credit Facilities

On December 20, 2022, we entered into a $1.075 billion unsecured credit facility with a group of lenders (the "2022 Credit Agreement"), replacing our previous unsecured credit facility with BMO Harris Bank N.A. ("BMO Harris"), dated May 14, 2019, as amended, and the credit agreement with Wells Fargo Bank, National Association, dated March 25, 2022. facilities. The 2022 Credit Agreement is scheduled to mature on December 20, 2027 and has a $100.0 million maximum limit for the aggregate amount of letters of credit issued.

Revolving credit loans drawn under the 2022 Credit Agreement bear interest, at our option, at (i) the Base Rate (the highest of (a) the Prime Rate, (b) the Federal Funds Rate plus 0.50%, or (c) the one-month Term SOFR plus 1.10%), plus a margin ranging between 0.125% and 0.750%, or (ii) Term SOFR plus 0.10% and a margin ranging between 1.125% and 1.750%. Swingline loans drawn under the 2022 Credit Agreement bear interest at the Base Rate, as defined above, plus a margin ranging between 0.125% and 0.750%. The 2022 Credit Agreement also requires us to pay quarterly (i) a letter of credit commission on the daily amount available to be drawn under such standby letters of credit at rates ranging between 1.125% and 1.750% per annum and (ii) a nonrefundable commitment fee on the average daily unused amount of the commitment at rates ranging between 0.125% and 0.250% per annum. The margin, letter of credit commission, and commitment fee rates are based on our ratio of net funded debt to earnings before interest, income taxes, depreciation and amortization ("EBITDA"). There are no scheduled principal payments due on the 2022 Credit Agreement until the maturity date, and interest is payable in arrears at periodic intervals not to exceed three months. In July 2023 and April 2024, we entered into additional variable-for-fixed interest rate swap agreements for notional amounts of $130.0 million and $75.0 million, respectively, to further limit our exposure to increases in interest rates on a portion of our variable-rate indebtedness (see Note 11, Subsequent Event, for additional information regarding the April 2024 swap agreement).

On June 30, 2021, we entered into a $100.0 million unsecured fixed-rate term loan commitment with BMO Harris, with quarterly principal payments of $1.25 million and a final payment of principal and interest due and payable on May 14, 2024

(" ("BMO Term Loan"). We are currently planning to repay the remaining outstanding principal balance under the BMO Term Loan in May 2024 using proceeds from the 2022 Credit Agreement. The outstanding principal balance of the BMO Term Loan bears interest at a fixed rate of 1.28%, payable quarterly in arrears.

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, our outstanding debt totaled $690.0 million $597.5 million and $693.8 million $648.8 million, respectively. As of September 30, 2023 March 31, 2024, we had an outstanding revolving credit loan balance of $600.0 million $510.0 million under the 2022 Credit Agreement, including (i) $320.0 million $230.0 million at a variable interest rate of 6.67%, (ii) $150.0 million which is effectively fixed at 2.88% with interest rate swap agreements through May 2024, (iii) $40.0 million which is effectively fixed at 6.20% with interest rate swap agreements through July 2025, and (iv) $90.0 million which is effectively fixed at 5.87% with interest rate swap agreements through July 2026. Subsequent to the end of the quarter, in October 2023, April 2024, we borrowed an additional $15.0 million $30.0 million under our revolving line of credit. The $1.075 billion of Our total available borrowing capacity under our the 2022 Credit Agreement at September 30, 2023 was $559.1 million as of March 31, 2024, is further reduced by $51.0 million after considering $5.9 million in stand-by letters of credit under which we are obligated. In addition, as of September 30, 2023 March 31, 2024, we had $90.0 million $87.5 million outstanding under the BMO Term Loan at a fixed interest rate of 1.28%.

Availability of such funds under the current debt agreements is conditional upon various customary terms and covenants. Such covenants include, among other things, two financial covenants requiring us (i) not to exceed a maximum ratio of net funded debt to EBITDA and (ii) to exceed a minimum ratio of EBITDA to interest expense. As of September 30, 2023 March 31, 2024, we were in compliance with these covenants.

At September 30, 2023 March 31, 2024, the aggregate future maturities of long-term debt by year are as follows (in thousands):

2023 (remaining)		$	2,500
2024			87,500
2024 (remaining)			
2025	2025		—
2026	2026		—
2027	2027		600,000
2028			
Total	Total	$	690,000

(10) (8) Commitments and Contingencies

We have committed to property and equipment purchases of approximately $94.6 million $188.3 million at September 30, 2023 March 31, 2024.

We are involved in certain claims and pending litigation, including those described herein, arising in the ordinary course of business. The majority of these claims relate to bodily injury, property damage, cargo and workers' compensation incurred in the transportation of freight, as well as certain class action litigation related to personnel and employment matters. We accrue for the uninsured portion of contingent losses from these and other pending claims when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Based on the knowledge of the facts, management believes the resolution of claims and pending litigation, taking into account existing reserves, will not have a material adverse effect on our consolidated financial statements. Moreover, the results of complex legal proceedings are difficult to predict, and our view of these matters may change in the future as the litigation and related events unfold.

On May 17, 2018, in Harris County District Court in Houston, Texas, a jury rendered an adverse verdict against the Company in a lawsuit arising from a December 30, 2014 accident between a Werner tractor-trailer and a passenger vehicle. On July 30, 2018, the court entered a final judgment against Werner for $92.0 million, including pre-judgment interest.

The Company has premium-based liability insurance to cover the potential outcome from this jury verdict. Under the Company's insurance policies in effect on the date of this accident, the Company's maximum liability for this accident is $10.0 million (plus pre-judgment and post-judgment interest) with premium-based coverage that exceeds the jury verdict amount. As a result of this jury verdict, the Company had recorded a liability of $38.3 million $40.4 million as of September 30, 2023 March 31, 2024, and $34.1 million $39.8 million as of December 31, 2022 December 31, 2023. Under the terms of the Company's insurance policies, the Company is the primary obligor of the verdict, and as such, the Company has also recorded a $79.2 million receivable from its third-party insurance providers in other non-current assets and a corresponding liability of the same amount in the long-term portion of insurance and claims accruals in the consolidated condensed balance sheets as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

The Company pursued an appeal of this verdict, and on May 18, 2023, the Texas Court of Appeals overruled Werner's appeal and affirmed the trial court's judgment. The Company has since filed a Petition for Review with the Texas Supreme Court, seeking further review of the Texas Court of Appeals decision. No assurances can be given regarding whether the Texas Supreme Court will accept the Company's petition to review or the outcome of any such review.

We have been involved in class action litigation in the U.S. District Court for the District of Nebraska, in which the plaintiffs allege that we owe drivers for unpaid wages under the Fair Labor Standards Act ("FLSA") and the Nebraska Wage Payment

and Collection Act and that we failed to pay minimum wage per hour for drivers in our Career Track Program, related to short break time and sleeper berth time. The period covered by this class action suit is August 2008 through March 2014. The case was tried to a jury in May 2017, resulting in a verdict of $0.8 million in plaintiffs' favor on the short break matter and a verdict in our favor on the sleeper berth matter. As a result of various post-trial motions, the court awarded $0.5 million to the plaintiffs for attorney fees and costs. Plaintiffs appealed the post-verdict amounts awarded by the trial court for fees, costs and liquidated damages, and the Company filed a cross appeal on the verdict that was in plaintiffs' favor. The United States Court of Appeals for the Eighth Circuit denied Plaintiffs' appeal and granted Werner's appeal, vacating the judgment in favor of the plaintiffs. The appellate court sent the case back to the trial court for proceedings consistent with the appellate court's opinion. On June 22, 2020, the trial court denied Plaintiffs' request for a new trial and entered judgment in favor of the Company, dismissing the case with prejudice. On July 21, 2020, Plaintiffs' counsel filed a notice of appeal of that dismissal. On August 3, 2022, the Eighth Circuit Court of Appeals vacated the district court's judgment and remanded the case, for the trial court to determine whether the plaintiffs should be granted a new trial on the short break claim. On January 10, 2023, the trial court denied Plaintiff's motion for a new trial and entered judgment in Werner's favor on all claims. Plaintiffs again have appealed the case

to the Eighth Circuit Court of Appeals. As of September 30, 2023 March 31, 2024, we have an accrual for the jury's award, attorney fees and costs in the short break matter and had not accrued for the sleeper berth matter.

We are also involved in certain class action litigation in which the plaintiffs allege claims for failure to provide meal and rest breaks, unpaid wages, unauthorized deductions and other items. Based on the knowledge of the facts, management does not currently believe the outcome of these class actions is likely to have a material adverse effect on our financial position or results of operations. However, the final disposition of these matters and the impact of such final dispositions cannot be determined at this time.

(11) (9) Earnings Per Share

Basic earnings per share is computed by dividing net income attributable to Werner by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing net income attributable to Werner by the weighted average number of common shares outstanding plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method. Dilutive potential common shares include outstanding restricted stock awards. Performance awards are excluded from the calculation of dilutive potential common shares until the threshold performance conditions have been satisfied. There are no differences in the numerators of our computations of basic and diluted earnings per share for any periods presented.

The computation of basic and diluted earnings per share is shown below (in thousands, except per share amounts).

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
Net income attributable to Werner	Net income attributable to Werner	$ 23,704	$ 55,051	$ 88,809	$ 181,090
Net income attributable to Werner					
Net income attributable to Werner					
Weighted average common shares outstanding					
Weighted average common shares outstanding					
Weighted average common shares outstanding	Weighted average common shares outstanding	63,390	63,386	63,360	64,433
Dilutive effect of stock-based awards	Dilutive effect of stock-based awards	347	396	343	386
Dilutive effect of stock-based awards					
Dilutive effect of stock-based awards					
Shares used in computing diluted earnings per share					
Shares used in computing diluted earnings per share					
Shares used in computing diluted earnings per share	Shares used in computing diluted earnings per share	63,737	63,782	63,703	64,819
Basic earnings per share	Basic earnings per share	$ 0.37	$ 0.87	$ 1.40	$ 2.81
Basic earnings per share					
Basic earnings per share					
Diluted earnings per share	Diluted earnings per share	$ 0.37	$ 0.86	$ 1.39	$ 2.79
Diluted earnings per share					
Diluted earnings per share					

(12) (10) Segment Information

We have two reportable segments – Truckload Transportation Services ("TTS") and Werner Logistics.

The TTS segment consists of two operating units, Dedicated and One-Way Truckload. These units are aggregated because they have similar economic characteristics and meet the other aggregation criteria described in the accounting guidance for segment reporting. Dedicated provides truckload services dedicated to a specific customer, generally for a retail distribution center or manufacturing facility, utilizing either dry van or specialized trailers. One-Way Truckload is comprised of the following operating fleets: (i) the medium-to-long-haul van ("Van") fleet transports a variety of consumer nondurable products and other commodities in truckload quantities over irregular routes using dry van trailers, including Mexico cross-border routes; (ii) the expedited ("Expedited") fleet provides time-sensitive truckload services utilizing driver teams; (iii) the regional short-haul ("Regional") fleet provides comparable truckload van service within geographic regions across the United States; and (iv) the Temperature Controlled fleet provides truckload services for temperature sensitive products over irregular routes utilizing temperature-controlled trailers. Revenues for the TTS segment include a small amount of non-trucking revenues which consist primarily of the intra-Mexico portion of cross-border shipments delivered to or from Mexico where we utilize a third-party capacity provider.

The Werner Logistics segment is a non-asset based transportation and logistics provider. Werner Logistics provides services throughout North America and generates the majority of our non-trucking revenues through three operating units. These three Werner Logistics operating units are as follows: (i) Truckload Logistics, which uses contracted carriers to complete shipments for brokerage customers and freight management customers for which we offer a full range of single-source logistics management services and solutions; (ii) the intermodal Intermodal ("Intermodal") unit offers rail transportation through alliances with rail and drayage providers as an alternative to truck transportation; and (iii) Werner Final Mile ("Final Mile") offers residential and commercial deliveries of large or heavy items using third-party agents, independent contractors, and Company employees with two-person delivery teams operating a liftgate straight truck.

We generate other revenues from our driver training schools, transportation-related activities such as third-party equipment maintenance and equipment leasing, and other business activities. None of these operations meets the quantitative reporting thresholds. As a result, these operations are grouped in "Other" in the tables below. "Corporate" includes revenues and

expenses that are incidental to our activities and are not attributable to any of our operating segments, including gains and losses on sales of property and equipment not attributable to our operating segments.

We do not prepare separate balance sheets by segment and, as a result, assets are not separately identifiable by segment. Based on our operations, certain revenue-generating assets (primarily tractors and trailers) are interchangeable between segments. Depreciation for these interchangeable assets is allocated to segments based on the actual number of units utilized by the segment during the period. Other depreciation and amortization is allocated to segments based on specific identification or as a percentage of a metric such as average number of tractors. Inter-segment eliminations represent transactions between reporting segments that are eliminated in consolidation.

The following tables summarize our segment information (in thousands):

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
Revenues by Segment	Revenues by Segment				
Revenues by Segment					
Revenues by Segment					
Truckload Transportation Services					
Truckload Transportation Services					
Truckload Transportation Services	Truckload Transportation Services	$ 572,195	$ 621,866	$ 1,730,717	$ 1,793,899
Werner Logistics	Werner Logistics	230,252	187,138	683,470	580,007
Werner Logistics					
Werner Logistics					
Other					
Other					
Other	Other	19,212	18,469	59,089	54,928
Corporate	Corporate	487	535	1,463	1,402
Corporate					
Corporate					
Subtotal					

Subtotal					
Subtotal	Subtotal	822,146	828,008	2,474,739	2,430,236
Inter-segment eliminations	Inter-segment eliminations	(4,402)	(402)	(13,185)	(1,749)
Inter-segment eliminations					
Inter-segment eliminations					
Total	Total	$ 817,744	$ 827,606	$ 2,461,554	$ 2,428,487
Total					
Total					

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
		Three Months Ended March 31,			
		Three Months Ended March 31,			
		Three Months Ended March 31,			
		2024			
		2024			
		2024			
Operating Income (Loss) by Segment					
Operating Income (Loss) by Segment					
Operating Income (Loss) by Segment	Operating Income (Loss) by Segment				
Truckload Transportation Services	Truckload Transportation Services	$ 38,846	$ 74,117	$ 134,991	$ 214,214
Truckload Transportation Services					
Truckload Transportation Services					
Werner Logistics					
Werner Logistics					
Werner Logistics	Werner Logistics	2,012	5,145	11,304	26,316
Other	Other	(150)	(1,091)	313	(185)
Other					
Other					
Corporate					
Corporate					
Corporate	Corporate	(2,808)	(1,910)	(8,124)	(5,650)
Total	Total	$ 37,900	$ 76,261	$ 138,484	$ 234,695
Total					
Total					

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
		Three Months Ended March 31,			
		Three Months Ended March 31,			
		Three Months Ended March 31,			
		2024			

		2024			
		2024			
Depreciation and Amortization by Segment					
Depreciation and Amortization by Segment					
Depreciation and Amortization by Segment	Depreciation and Amortization by Segment				
Truckload Transportation Services	Truckload Transportation Services	$ 67,819	$ 64,579	$ 202,276	$ 189,283
Truckload Transportation Services					
Truckload Transportation Services					
Werner Logistics					
Werner Logistics					
Werner Logistics	Werner Logistics	3,682	2,423	11,606	7,042
Other	Other	2,946	2,875	8,733	8,347
Other					
Other					
Corporate					
Corporate					
Corporate	Corporate	139	520	1,182	1,425
Total	Total	$ 74,586	$ 70,397	$ 223,797	$ 206,097
Total					
Total					

(11) Subsequent Event

In April 2024, we entered into an additional variable-for-fixed interest rate swap agreement for a notional amount of $75.0 million, maturing in April 2027. Under the terms of the interest rate swap agreement, we will receive monthly variable-rate interest payments based on one-month Term SOFR, and make monthly fixed-rate interest payments as specified in the interest rate swap agreement.

We have designated this interest rate swap agreement as a cash flow hedge. Changes in fair value of an outstanding derivative in a cash flow hedge will be recorded in other comprehensive income (loss) in the consolidated statements of comprehensive income until earnings are impacted by the hedged transaction.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Management's Discussion and Analysis of Financial Condition and Results of Operations (the "MD&A") summarizes the financial statements from management's perspective with respect to our financial condition, results of operations, liquidity and other factors that may affect actual results. The MD&A is organized in the following sections:

- Overview
- Results of Operations
- Liquidity and Capital Resources
- Regulations
- Critical Accounting Estimates

The MD&A should be read in conjunction with our 2022 2023 Form 10-K.

Overview:

We have two reportable segments, Truckload Transportation Services ("TTS") TTS and Werner Logistics, and we operate in the truckload and logistics sectors of the transportation industry. In the truckload sector, we focus on transporting consumer nondurable products that generally ship more consistently throughout the year. In the logistics sector, besides managing transportation requirements for individual customers, we provide additional sources of truck capacity, alternative modes of transportation, a North American delivery network and systems analysis to optimize transportation needs. Our success depends on our ability to efficiently and effectively manage our resources in the delivery of truckload transportation and logistics services to our customers. Resource requirements vary with customer demand, which may be subject to seasonal or general economic conditions. Our ability to adapt to changes in customer transportation requirements is essential to efficiently deploy resources and make capital investments in tractors and trailers (with respect to our TTS segment) or obtain qualified third-party capacity at a reasonable price (with respect to our Werner Logistics segment). We may also be affected by our customers' financial failures or loss of customer business.

Revenues for our TTS segment operating units (Dedicated and One-Way Truckload) are typically generated on a per-mile basis and also include revenues such as stop charges, loading and unloading charges, equipment detention charges and equipment repositioning charges. To mitigate our risk to fuel price increases, we recover additional fuel surcharge revenues from our customers that generally recoup a majority of the increased fuel costs; however, we cannot assure that current recovery levels will continue in future periods. Because fuel surcharge revenues fluctuate in response to changes in fuel costs, we identify them separately and exclude them from the statistical calculations to provide a more meaningful comparison between periods. The key statistics used to evaluate trucking revenues, net of fuel surcharge, are (i) average revenues per tractor per week, (ii) average percentage of empty miles (miles without trailer cargo), (iii) average trip length (in loaded miles) and (iv) average number of tractors in service. General economic conditions, seasonal trucking industry freight patterns and industry capacity are important factors that impact these statistics. Our TTS segment also generates a small amount of revenues categorized as non-trucking revenues, which consist primarily of the intra-Mexico portion of cross-border shipments delivered to or from Mexico where the TTS segment utilizes a third-party capacity provider. We exclude such revenues from the statistical calculations.

Our most significant resource requirements are company drivers, independent contractors, tractors, and trailers with respect to our TTS segment and qualified third-party capacity providers with respect to our Werner Logistics segment. Independent contractors supply their own tractors and drivers and are responsible for their operating expenses. Our financial results are affected by company driver and independent contractor availability and the markets for new and used revenue equipment. We are self-insured for a significant portion of bodily injury, property damage and cargo claims; workers' compensation claims; and associate health claims (supplemented by premium-based insurance coverage above certain dollar levels). For that reason, our financial results may also be affected by driver safety, medical costs, weather, legal and regulatory environments and insurance coverage costs to protect against catastrophic losses.

The operating ratio is a common industry measure used to evaluate our profitability and that of our TTS segment operating fleets. The operating ratio consists of operating expenses expressed as a percentage of operating revenues. The most significant variable expenses that impact the TTS segment are driver salaries and benefits, fuel, fuel taxes (included in taxes and licenses expense), payments to independent contractors (included in rent and purchased transportation expense), supplies and maintenance and insurance and claims. As discussed further in the comparison of operating results for third first quarter 2023 2024 to third first quarter 2022, 2023, several industry-wide issues have caused, and could continue to cause, costs to increase in future periods. These issues include shortages of drivers or independent contractors, changing fuel prices, changing used truck and trailer pricing, compliance with new or proposed regulations and tightening of the commercial truck liability insurance market. Our main fixed costs include depreciation expense for tractors and trailers and equipment licensing fees (included in taxes and licenses expense). The TTS segment requires substantial cash expenditures for tractor and trailer purchases. We fund these purchases with net cash from operations and financing available under our existing credit facility, as management deems necessary.

We provide non-trucking services primarily through the three operating units within our Werner Logistics segment (Truckload Logistics, Intermodal, and Final Mile). Unlike our TTS segment, the Werner Logistics segment is less asset-intensive and is instead dependent upon qualified associates, information systems and qualified third-party capacity providers. The largest expense item related to the Werner Logistics segment is the cost of purchased transportation we pay to third-party capacity providers. This expense item is recorded as rent and purchased transportation expense. Other operating expenses consist primarily of salaries, wages and benefits, as well as depreciation and amortization, supplies and maintenance, and other general expenses. We evaluate the Werner Logistics segment's financial performance by reviewing operating expenses and operating income expressed as a percentage of revenues. Purchased transportation expenses as a percentage of revenues can be impacted by the rates charged to customers and the costs of securing third-party capacity. We have a mix of contracted long-term rates and variable rates for the cost of third-party capacity, and we cannot assure that our operating results will not be adversely impacted in the future if our ability to obtain qualified third-party capacity providers changes or the rates of such providers increase.

Results of Operations:

The following table sets forth the consolidated statements of income in dollars and as a percentage of total operating revenues and the percentage increase or decrease in the dollar amounts of those items compared to the prior year.

		Three Months Ended (3ME) September 30,				Nine Months Ended (9ME) September 30,				Percentage Change in Dollar Amounts	
		2023		2022		2023		2022		3ME	9ME
		Three Months Ended (3ME) March 31,									
		Three Months Ended (3ME) March 31,									
		Three Months Ended (3ME) March 31,								Percentage Change in Dollar Amounts	
	2024										
(in thousands)											
(in thousands)											
(in thousands)	(in thousands)	$	%	$	%	$	%	$	%		
Operating revenues	Operating revenues	$817,744	100.0	$827,606	100.0	$2,461,554	100.0	$2,428,487	100.0	(1.2)	1.4
Operating revenues											
Operating revenues											
Operating expenses:											
Operating expenses:											

Operating expenses:	Operating expenses:										
Salaries, wages and benefits	Salaries, wages and benefits	268,054	32.8	264,443	32.0	802,742	32.6	760,078	31.3	1.4	5.6
Salaries, wages and benefits											
Salaries, wages and benefits											
Fuel											
Fuel											
Fuel	Fuel	90,369	11.0	111,985	13.5	259,523	10.5	325,852	13.4	(19.3)	(20.4)
Supplies and maintenance	Supplies and maintenance	60,181	7.4	68,009	8.2	193,370	7.9	187,690	7.7	(11.5)	3.0
Supplies and maintenance											
Supplies and maintenance											
Taxes and licenses											
Taxes and licenses											
Taxes and licenses	Taxes and licenses	25,852	3.2	25,016	3.0	76,685	3.1	72,640	3.0	3.3	5.6
Insurance and claims	Insurance and claims	31,261	3.8	34,501	4.2	104,552	4.2	103,064	4.2	(9.4)	1.4
Insurance and claims											
Insurance and claims											
Depreciation and amortization											
Depreciation and amortization											
Depreciation and amortization	Depreciation and amortization	74,586	9.1	70,397	8.5	223,797	9.1	206,097	8.5	6.0	8.6
Rent and purchased transportation	Rent and purchased transportation	224,556	27.5	187,449	22.6	661,866	26.9	569,802	23.5	19.8	16.2
Rent and purchased transportation											
Rent and purchased transportation											
Communications and utilities											
Communications and utilities											
Communications and utilities	Communications and utilities	4,555	0.6	3,720	0.5	13,957	0.6	11,427	0.5	22.4	22.1
Other	Other	430	—	(14,175)	(1.7)	(13,422)	(0.5)	(42,858)	(1.8)	(103.0)	(68.7)
Other											
Other											
Total operating expenses											
Total operating expenses											
Total operating expenses	Total operating expenses	779,844	95.4	751,345	90.8	2,323,070	94.4	2,193,792	90.3	3.8	5.9
Operating income	Operating income	37,900	4.6	76,261	9.2	138,484	5.6	234,695	9.7	(50.3)	(41.0)
Total other expense (income), net		7,362	0.9	2,349	0.3	20,905	0.8	(9,103)	(0.3)	213.4	(329.6)
Operating income											
Operating income											
Total other expense, net											
Total other expense, net											
Total other expense, net											
Income before income taxes											
Income before income taxes											
Income before income taxes	Income before income taxes	30,538	3.7	73,912	8.9	117,579	4.8	243,798	10.0	(58.7)	(51.8)

Income tax expense	Income tax expense	7,034	0.8	17,987	2.1	28,521	1.2	59,229	2.4	(60.9)	(51.8)
Income tax expense											
Income tax expense											
Net income											
Net income											
Net income	Net income	23,504	2.9	55,925	6.8	89,058	3.6	184,569	7.6	(58.0)	(51.7)
Net loss (income) attributable to noncontrolling interest	Net loss (income) attributable to noncontrolling interest	200	—	(874)	(0.1)	(249)	—	(3,479)	(0.1)	(122.9)	(92.8)
Net loss (income) attributable to noncontrolling interest											
Net loss (income) attributable to noncontrolling interest											
Net income attributable to Werner	Net income attributable to Werner	$ 23,704	2.9	$ 55,051	6.7	$ 88,809	3.6	$ 181,090	7.5	(56.9)	(51.0)
Net income attributable to Werner											
Net income attributable to Werner											

The following tables set forth the operating revenues, operating expenses and operating income for the TTS segment and certain statistical data regarding our TTS segment operations, as well as statistical data for the One-Way Truckload and Dedicated operating units within TTS.

		Three Months Ended September 30,				Nine Months Ended September 30,			
		2023		2022		2023		2022	
TTS segment (in thousands)	TTS segment (in thousands)	$	%	$	%	$	%	$	%
TTS segment (in thousands)									
TTS segment (in thousands)									
Trucking revenues, net of fuel surcharge									
Trucking revenues, net of fuel surcharge									
Trucking revenues, net of fuel surcharge	Trucking revenues, net of fuel surcharge	$ 482,169		$ 503,677		$ 1,462,037		$ 1,464,246	
Trucking fuel surcharge revenues	Trucking fuel surcharge revenues	82,735		111,173		247,713		309,629	
Trucking fuel surcharge revenues									
Trucking fuel surcharge revenues									
Non-trucking and other operating revenues									
Non-trucking and other operating revenues									

Non-trucking and other operating revenues	Non-trucking and other operating revenues	7,291		7,016		20,967		20,024	
Operating revenues	Operating revenues	572,195	100.0	621,866	100.0	1,730,717	100.0	1,793,899	100.0
Operating revenues									
Operating revenues									
Operating expenses									
Operating expenses									
Operating expenses	Operating expenses	533,349	93.2	547,749	88.1	1,595,726	92.2	1,579,685	88.1
Operating income	Operating income	$ 38,846	6.8	$ 74,117	11.9	$ 134,991	7.8	$ 214,214	11.9
Operating income									
Operating income									

		Three Months Ended September 30,				Nine Months Ended September 30,			
		Three Months Ended March 31,							
		Three Months Ended March 31,							
		Three Months Ended March 31,							
TTS segment									
TTS segment									
TTS segment	TTS segment	2023	2022	% Change		2023	2022	% Change	
Average tractors in service	Average tractors in service	8,226	8,513	(3.4)	%	8,379	8,346	0.4	%
Average tractors in service									
Average tractors in service									
Average revenues per tractor per week (1)									
Average revenues per tractor per week (1)									
Average revenues per tractor per week (1)	Average revenues per tractor per week (1)	$ 4,509	$ 4,551	(0.9)	%	$ 4,474	$ 4,499	(0.6)	%
Total tractors (at quarter end)	Total tractors (at quarter end)								
Total tractors (at quarter end)									
Total tractors (at quarter end)									
Company									
Company									
Company	Company	7,905	8,335	(5.2)	%	7,905	8,335	(5.2)	%
Independent contractor	Independent contractor	265	245	8.2	%	265	245	8.2	%
Independent contractor									
Independent contractor									
Total tractors									
Total tractors									
Total tractors	Total tractors	8,170	8,580	(4.8)	%	8,170	8,580	(4.8)	%

Total trailers (at quarter end)	Total trailers (at quarter end)	27,150	25,825	5.1 %	27,150	25,825	5.1 %
Total trailers (at quarter end)							
Total trailers (at quarter end)							
One-Way Truckload							
One-Way Truckload							
One-Way Truckload	One-Way Truckload						
Trucking revenues, net of fuel surcharge (in 000's)	Trucking revenues, net of fuel surcharge (in 000's)	$ 175,690	$ 189,620	(7.3) %	$ 535,644	$ 564,553	(5.1) %
Trucking revenues, net of fuel surcharge (in 000's)							
Trucking revenues, net of fuel surcharge (in 000's)							
Average tractors in service							
Average tractors in service							
Average tractors in service	Average tractors in service	2,972	3,154	(5.8) %	3,079	3,107	(0.9) %
Total tractors (at quarter end)	Total tractors (at quarter end)	2,910	3,150	(7.6) %	2,910	3,150	(7.6) %
Total tractors (at quarter end)							
Total tractors (at quarter end)							
Average percentage of empty miles							
Average percentage of empty miles							
Average percentage of empty miles	Average percentage of empty miles	14.43 %	13.00 %	11.0 %	14.18 %	12.39 %	14.4 %
Average revenues per tractor per week (1)	Average revenues per tractor per week (1)	$ 4,548	$ 4,624	(1.6) %	$ 4,460	$ 4,659	(4.3) %
Average revenues per tractor per week (1)							
Average revenues per tractor per week (1)							
Average % change in revenues per total mile (1)							
Average % change in revenues per total mile (1)							
Average % change in revenues per total mile (1)	Average % change in revenues per total mile (1)	(4.8) %	2.5 %		(4.4) %	11.7 %	
Average % change in total miles per tractor per week	Average % change in total miles per tractor per week	3.3 %	(4.2) %		0.1 %	(8.3) %	

Average % change in total miles per tractor per week							
Average % change in total miles per tractor per week							
Average completed trip length in miles (loaded)							
Average completed trip length in miles (loaded)							
Average completed trip length in miles (loaded)	Average completed trip length in miles (loaded)	564	668	(15.6) %	595	691	(13.9) %
<u>Dedicated</u>	<u>Dedicated</u>						
<u>Dedicated</u>							
<u>Dedicated</u>							
Trucking revenues, net of fuel surcharge (in 000's)							
Trucking revenues, net of fuel surcharge (in 000's)							
Trucking revenues, net of fuel surcharge (in 000's)	Trucking revenues, net of fuel surcharge (in 000's)	$ 306,479	$ 314,057	(2.4) %	$ 926,393	$ 899,693	3.0 %
Average tractors in service	Average tractors in service	5,254	5,359	(2.0) %	5,300	5,239	1.2 %
Average tractors in service							
Average tractors in service							
Total tractors (at quarter end)							
Total tractors (at quarter end)							
Total tractors (at quarter end)	Total tractors (at quarter end)	5,260	5,430	(3.1) %	5,260	5,430	(3.1) %
Average revenues per tractor per week (1)	Average revenues per tractor per week (1)	$ 4,488	$ 4,508	(0.4) %	$ 4,482	$ 4,404	1.8 %
Average revenues per tractor per week (1)							
Average revenues per tractor per week (1)							

(1) Net of fuel surcharge revenues.

The following tables set forth the Werner Logistics segment's revenues, purchased transportation expense, other operating expenses (primarily salaries, wages and benefits expense), total operating expenses, and operating income, as well as certain statistical data regarding the Werner Logistics segment.

		Three Months Ended September 30,				Nine Months Ended September 30,			
		2023		2022		2023		2022	
<u>Werner Logistics segment (in thousands)</u>	<u>Werner Logistics segment (in thousands)</u>	$	%	$	%	$	%	$	%

Werner Logistics segment (in thousands)									
Werner Logistics segment (in thousands)									
Operating revenues									
Operating revenues									
Operating revenues	Operating revenues	$ 230,252	100.0	$ 187,138	100.0	$ 683,470	100.0	$ 580,007	100.0
Operating expenses:	Operating expenses:								
Operating expenses:									
Operating expenses:									
Purchased transportation expense									
Purchased transportation expense									
Purchased transportation expense	Purchased transportation expense	194,921	84.7	154,960	82.8	568,816	83.2	478,722	82.6
Other operating expenses	Other operating expenses	33,319	14.4	27,033	14.5	103,350	15.1	74,969	12.9
Other operating expenses									
Other operating expenses									
Total operating expenses	Total operating expenses	228,240	99.1	181,993	97.3	672,166	98.3	553,691	95.5
Operating income		$ 2,012	0.9	$ 5,145	2.7	$ 11,304	1.7	$ 26,316	4.5
Total operating expenses									
Total operating expenses									
Operating income (loss)									
Operating income (loss)									
Operating income (loss)									

		Three Months Ended September 30,				Nine Months Ended September 30,			
Werner Logistics segment	Werner Logistics segment	2023	2022	% Change		2023	2022	% Change	
Werner Logistics segment									
Werner Logistics segment									
Average tractors in service									
Average tractors in service									
Average tractors in service	Average tractors in service	37	54	(31.5)	%	36	55	(34.5)	%
Total tractors (at quarter end)	Total tractors (at quarter end)	41	50	(18.0)	%	41	50	(18.0)	%
Total tractors (at quarter end)									
Total tractors (at quarter end)									
Total trailers (at quarter end)	Total trailers (at quarter end)	2,865	2,045	40.1	%	2,865	2,045	40.1	%
Total trailers (at quarter end)									
Total trailers (at quarter end)									

Three Months Ended September 30, 2023 March 31, 2024 Compared to Three Months Ended September 30, 2022 March 31, 2023

Operating Revenues

Operating revenues decreased 1.2% 7.6% for the three months ended September 30, 2023 March 31, 2024, compared to the same period of the prior year. When comparing third first quarter 2024 to first quarter 2023, to third quarter 2022, TTS segment revenue revens ues decreased $49.7 million $37.2 million, or 8.0% 6.3%, and Werner Logistics revenues increased $43.1 million decreased $26.2 million, or 23.0% 11.5%.

The freight market remained challenging in third quarter and into October 2023. Dedicated freight demand in third first quarter 2023 remained 2024 was steady, absent isolated fleet losses, and we anticipate a the Dedicated pipeline of opportunities that we can capitalize on. remains strong, but competitive. One-Way Truckload continued and Werner Logistics volumes reflected normal seasonality while revenues and profitability were impacted by ongoing pricing pressure. Inclement weather further negatively impacted One-Way and Werner Logistics in first quarter 2024. We expect the challenging freight market to be challenged by overall market conditions with less freight available, elevated exposure to transactional spot rates, significant pricing pressure, continue through second quarter and rapidly rising fuel prices in third quarter 2023. Logistics volume and revenues continued to perform well in third quarter 2023. Despite a very competitive marketplace, we expect continued solid volume in Logistics. into the second half of 2024.

Trucking revenues, net of fuel surcharge, decreased 4.3% 4.7% in third first quart quarter 2023 er 2024 compared to third first quarter 2022 2023 due to a 3.4% 7.3% decrease in the average number of tractors in service, and partially offset by a 0.9% decrease 2.8% increase in average revenues per tractor per week, net of fuel surcharge. During third first quarter 2023, 2024, One-Way Truckload average revenues per total mile, net of fuel surcharge surcharge, decreased 4.8% 5.1%, as One-Way Truckload remained challenged by elevated transactional spot exposure and ongoing pricing pressure. Dedicated average revenues per tractor per week, net of fuel surcharge, decreased 0.4% increased 1.3%, as third quarter 2023 was negatively impacted by one less business day. despite losing a few fleets to changes in the supply chain approach for select customers and isolated competitive pricing. We continue to expect average revenues per total mile, net of fuel surcharge, for the One-Way Truckload fleet to be down decrease in a range of a decrease 6% to 3% in the first half of 9% to a decrease of 7% in fourth quarter 2023 2024 compared to fourth quarter 2022, as we expect a more muted peak season. We expect the One-Way freight market to stabilize in fourth quarter 2023, with minimal impact from the peak season. first half of 2023. We continue to expect Dedicated average revenues per tractor per week, net of fuel surcharge, to remain flat or increase up to 3% in 2023 2024 compared to 2022, 2023, as Dedicated demand remains steady, and we anticipate a the pipeline of opportunities that we can capitalize on. in Dedicated to continue to be strong, but competitive.

The average number of tractors in service in the TTS segment decreased 3.4% 7.3% to 8,226 7,935 in third first quarter 2023 2024 from 8,513 8,561 in third first quarter 2022 2023, as we decreased our fleet size to adjust to the challenging freight market conditions. We ended third first quarter 2023 2024 with 8,170 7,810 tractors in the TTS segment, a year-over-year decrease of 410 665 tractors compared to the end of third first quarter 2022, 2023, and a sequentia sequentil al decrease of 115 190 tractors compared to the end of second fourth quarter 2023. Within TTS, our Dedicated unit ended third first quarter 2023 2024 with 5,260 5,080 tractors (or 64% 65% of our total TTS segment tractors) fleet) compared to 5,430 5,345 tractors (or 63%) a year ago. The Dedicated environment has become more competitive through this prolonged weak freight market. We are receiving new business awards in our Dedicated unit to assist with backfilling lost business, and we foresee potential for growth in our Dedicated unit in the second half of the year; although, we recognize the challenge and believe it is reasonable to lower our fleet size expectations at this time while we focus on maintaining price and margin discipline across our portfolio. We currently expect our fleet size at the end of 2023 2024 to be lower by decrease in a range of 6% to 3% to 5% when compared to the fleet size at the end of 2022 to adapt to a softer freight market. 2023. We cannot predict whether future driver shortages, if any, will adversely affect our ability to maintain would have a further adverse effect on our fleet size. If such a driver market shortage were to occur, it could result in a further fleet size reduction, reductions, and our results of operations could be adversely affected.

Trucking fuel surcharge revenues decreased 25.6% 17.3% to $82.7 million $73.0 million in third first quarter 2023 2024 from $111.2 million $88.3 million in third first quarter 2022. While diesel fuel prices rose rapidly during third quarter 2023, average diesel fuel prices in third quarter 2023 were much lower than in third quarter 2022. 2023. These revenues represent collections from customers for the increase in fuel and fuel-related expenses, including the fuel component of our independent contractor cost (recorded as rent and purchased transportation expense) and fuel taxes (recorded in taxes and licenses expense), when diesel fuel prices rise. Conversely, when fuel prices decrease, fuel surcharge revenues decrease. To lessen the effect of fluctuating fuel prices on our margins, we collect fuel surcharge revenues from our customers for the cost of diesel fuel and taxes in excess of specified base fuel price levels according to terms in our customer contracts. Fuel surcharge rates generally adjust weekly based on an independent U.S. Department of Energy fuel price survey which is released every Monday. Our fuel surcharge programs are designed to (i) recoup higher fuel costs from customers when fuel prices rise and (ii) provide customers with the benefit of lower fuel costs when fuel prices decline. These programs generally enable us to recover a majority, but not all, of the fuel price increases. The remaining portion is generally not recoverable because it results from empty and out-of-route miles (which are not billable to customers) and tractor idle time. Fuel prices that change rapidly in short time periods also impact our recovery because the surcharge rate in most programs only changes once per week.

Werner Logistics revenues are generated by its three operating units. Werner Logistics revenues exclude revenues for full truckload shipments transferred to the TTS segment, which are recorded as trucking revenues by the TTS segment. Werner Logistics also recorded revenue and brokered freight expense of $4.4 million $4.1 million in third first quarter 2024 and $5.3 million in first quarter 2023 and $0.4 million in third quarter 2022 for certain shipments performed by the TTS segment (also recorded as trucking revenue by the TTS segment), and these transactions between reporting segments are eliminated in consolidation. In third first quarter 2023, 2024, Werner Logistics revenues increased $43.1 million decreased $26.2 million, or 23.0%, primarily due to growth from the ReedTMS acquisition. 11.5%. Truckload Logistics revenues (77% (76% of total Werner Logistics segment revenues) increased by 48% decreased 13% in third first quarter 2023, 2024, driven by an increase a decrease in shipments due to the ReedTMS acquisition, partially offset by and a decline in revenues revenue per shipment. Final Mile revenues (12% of total Werner Logistics segment revenues) increased $3.7 million $1.1 million or 16% 5% in third first quarter 2024, despite a softer market for discretionary spending on big and bulky products. Intermodal revenues (12% of total Werner Logistics segment revenues) decreased 15% in first quarter 2024, due to lower revenue per shipment, partially offset by an increase in shipments. Werner Logistics had an operating loss of $2.3 million in first quarter 2024 compared to operating income of $4.9 million in first quarter 2023, and its operating margin percentage decreased to (1.2)% in first quarter 2024 from 2.2% in first quarter 2023. Intermodal revenues (11% of Logistics revenues) decreased 40% Adverse weather combined with a competitive freight and rate market in third first quarter 2023, due to a modest decline in shipments and lower revenues per shipment. The 2024 impacted Werner Logistics operating income decreased to $2.0 million revenue and profitability despite normal seasonality in third quarter 2023 from $5.1 million in third quarter 2022, due to rate compression, new business implementations, volume and higher operating expenses. maintaining high client retention. We expect challenges to the Truckload Logistics operating income to continue margins will remain challenged in the near term. near-term, but may improve later in the year through cost saving initiatives and further synergies realized from the integration of our acquired companies.

Operating Expenses

Our operating ratio (operating expenses expressed as a percentage of operating revenues) was 95.4% 98.0% for the three months ended September 30, 2023 March 31, 2024 and 90.8% 93.6% for the three months ended September 30, 2022, primarily due to lower gains on sales of property and equipment and continued inflationary pressure in third quarter 2023 compared to third quarter 2022. March 31, 2023. Expense items that impacted the overall operating ratio are described on the following pages. The tables on pages 22 19 through 24 21 show the consolidated statements of income in dollars and as a percentage of total operating revenues and the percentage increase or decrease in the dollar amounts of those items compared to the same period of the prior year, as well as the operating ratios, operating margins, and certain statistical information for our two reportable segments, TTS and Werner Logistics.

Salaries, wages and benefits increased $3.6 million decreased $2.9 million or 1.4% 1.1% in third first quarter 2024 compared to first quarter 2023 compared to third quarter 2022 and increased 0.8% 2.3% as a percentage of operating revenues to 32.8% 34.5%. The higher lower dollar amount of salaries, wages and benefits expense in the third first quarter of 2023 2024 was due primarily to increased decreased non-driver pay and the impact of 3.4 million fewer company tractor miles in the first quarter 2024, partially offset by lower higher benefit costs. The increase decrease in non-driver pay was primarily due to a larger smaller average number of non-driver employees, including the impact from our ReedTMS and Baylor acquisitions. employees. Non-driver salaries, wages and benefits in our non-trucking Werner Logistics segment increased 38% decreased 7% in third first quarter 2023 2024 compared to third first quarter 2022, primarily as a result of the ReedTMS acquisition. 2023.

We renewed our workers' compensation insurance coverage on April 1, 2023 April 1, 2024. Our coverage levels are the same as the prior policy year. We continue to maintain a self-insurance retention of $2.0 million per claim. Our workers' compensation insurance premiums for the policy year beginning April 2023 were flat compared to 2024 are $0.3 million higher than the previous policy year.

While we currently believe the driver recruiting and retention market may be less difficult in the near term, a competitive driver market presents labor challenges for customers and carriers alike. Several factors impacting the driver market include a declining number of, and increased competition for, driver training school graduates, aging truck driver demographics and increased truck safety regulations. We continue to take significant actions to strengthen our driver recruiting and retention as we strive to be the truckload employer of choice, including competitive driver pay, providing a modern tractor and trailer fleet with the latest safety equipment and technology, investing in our driver training school network and offering a wide variety of driving positions including daily and weekly home time opportunities. We are unable to predict whether we will experience future driver shortages or maintain our current driver retention rates. If such a driver shortage were to occur and additional driver pay rate increases became necessary to attract and retain drivers, our results of operations would be negatively impacted to the extent that we could not obtain corresponding freight rate increases.

Fuel decreased $21.6 million $13.8 million or 19.3% 15.1% in third first quarter 2024 compared to first quarter 2023 compared to third quarter 2022 and decreased 2.5% 0.9% as a percentage of operating revenues to 11.0% 10.1%, primarily due to much lower average diesel fuel prices, and 3.4 million fewer company tractor

miles in third first quarter 2023. 2024. Average diesel fuel prices were 61 31 cents per gallon lower in third first quarter 2024 than in first quarter 2023 than in third quarter 2022 and were 47 20 cents per gallon higher lower than in second fourth quarter 2023.

We continue to employ measures to improve our fuel mpg such as (i) limiting tractor engine idle time by installing auxiliary power units, (ii) optimizing the speed, weight and specifications of our equipment and (iii) implementing mpg-enhancing equipment changes to our fleet including new tractors, more aerodynamic tractor features, idle reduction systems, trailer tire inflation systems, trailer skirts and automated manual transmissions to reduce our fuel gallons purchased. However, fuel savings from mpg improvement is partially offset by higher depreciation expense and the additional cost of diesel exhaust fluid. Although our fuel management programs require significant capital investment and research and development, we intend to continue these and other environmentally conscious initiatives, including our active participation as a U.S. Environmental Protection Agency ("EPA") SmartWay Transport Partner. The SmartWay Transport Partnership is a national voluntary program developed by the EPA and freight industry representatives to reduce greenhouse gases and air pollution and promote cleaner, more efficient ground freight transportation.

For October 2023, April 2024, the average diesel fuel price per gallon was approximately 94 5 cents lower than the average diesel fuel price per gallon in October 2022 April 2023 and approximately 53 10 cents lower higher than in fourth second quarter 2022. 2023.

Shortages of fuel, increases in fuel prices and petroleum product rationing can have a material adverse effect on our operations and profitability. We are unable to predict whether fuel price levels will increase or decrease in the future or the extent to which fuel surcharges will be collected from customers. As of September 30, 2023 March 31, 2024, we had no derivative financial instruments to reduce our exposure to fuel price fluctuations.

Supplies and maintenance decreased $7.8 million $6.5 million or 11.5% 9.5% in third first quarter 2024 compared to first quarter 2023 compared to third quarter 2022 and decreased 0.8% 0.2% as a percentage of operating revenues. Supplies and maintenance expense decreased due to the lower costs for over-the-road tractor and trailer maintenance and tires, and the impact of 3.4 million fewer company tractor miles. We have taken steps to reduce repair and maintenance expense by growing our in-house maintenance capabilities throughout our terminal network. We are also developing digital solutions to further optimize the routing and scheduling of tractors and trailers for preventive maintenance.

Insurance and claims decreased $3.2 million $0.1 million or 9.4% 0.3% in third first quarter 2024 compared to first quarter 2023 compared to third quarter 2022 and decreased 0.4% increased 0.3% as a percentage of operating revenues due primarily to a favorable reserve development on revenues. We had lower expense for small dollar liability claims, in third quarter 2023 compared to resulting from a lower amount of unfavorable reserve development, in third quarter 2022, partially offset by higher expense for new claims resulting from due to an increasing cost-per-claim. cost per claim. Our expense for large dollar liability claims was higher due primarily to unfavorable reserve development. We also incurred insurance and claims expense of $1.4 million $0.5 million in third first quarter 2023 2024 and third $1.5 million for first quarter 2022, 2023, for accrued interest related to a previously-disclosed adverse jury verdict rendered on May 17, 2018, which we are appealing. continuing to defend. Interest will continue to accrue monthly is accrued at $0.5 million per month until such time as the outcome of the litigation is finalized, excluding months where the plaintiffs requested an extension of time to respond to our appeal is finalized. petition for review. For additional information related to this lawsuit, see Note 10 8 in the Notes to Consolidated Financial Statements (Unaudited) set forth in Part I of this report. The majority of our insurance and claims expense results from our claim experience and claim development under our self-insurance program; the remainder results from insurance premiums for claims in excess of our self-insured limits.

We renewed our liability insurance policies on August 1, 2023 and are responsible for the first $10.0 million per claim on all claims with an annual $12.5 million aggregate for claims between $10.0 million and $20.0 million. For the policy year that began August 1, 2022, we were responsible for the first $10.0 million per claim on all claims with an annual $10.0 million aggregate for claims between $10.0 million and $20.0 million. We maintain liability insurance coverage with insurance carriers in excess of the $10.0 million per claim. Our liability insurance premiums for the policy year that began August 1, 2023 are $1.0 million higher than premiums for the previous policy year.

Depreciation and amortization expense increased $4.2 million decreased $43 thousand or 6.0% 0.1% in third first quarter 2024 compared to first quarter 2023 compared to third quarter 2022 and increased 0.6% 0.8% as a percentage of operating revenues due primarily to a decrease in depreciation of furniture, office, and technology equipment as we continue to transition to more cloud-based technology solutions. These decreases were mostly offset by more trailers in service, the higher cost of new tractors and trailers, a larger company trailer fleet, and depreciation and amortization on tangible and intangible assets recorded in the ReedTMS and Baylor acquisitions. addition of auxiliary power units.

The average age of our tractor fleet remains low by industry standards and was 2.0 2.1 years as of September 30, 2023, March 31, 2024, and the average age of our trailers was 5.1 5.0 years. We are continuing to invest in new tractors and trailers and our terminals in 2023 2024 to improve our driver experience, increase operational efficiency and more effectively manage our maintenance, safety and fuel costs. During the remainder of 2023, 2024, we expect the average age of our tractor and trailer fleets to remain at or near current levels.

Rent and purchased transportation expense increased $37.1 million decreased $16.3 million or 19.8% 7.4% in third first quarter 2024 compared to first quarter 2023, compared to third quarter 2022, primarily due to the ReedTMS acquisition, and increased 4.9% 0.1% as a percentage of operating revenues. Werner Logistics recorded brokered freight expense of $4.4 million in third quarter 2023 and $0.4 million in third quarter 2022 for shipments performed by the TTS segment, which is eliminated in consolidation. Rent and purchased transportation expense consists mostly of payments to third-party capacity providers in the Werner Logistics segment and other non-trucking operations, and payments to independent contractors in the TTS segment. segment, and cloud-based technology fees. The payments to third-party capacity providers generally vary depending on changes in the volume of services generated by the Werner Logistics segment. Werner Logistics recorded revenue and brokered freight expense of $4.1 million in first quarter 2024 and $5.3 million in first quarter 2023 for certain shipments performed by the TTS segment (also recorded as trucking revenue by the TTS segment), and these transactions between reporting segments are eliminated in consolidation. Werner Logistics purchased transportation expense decreased $16.0 million in first quarter 2024 as a result of lower logistics revenues, but increased $40.0 million in third quarter 2023, primarily due to the ReedTMS acquisition, and increased 85.2% as a percentage of Werner Logistics revenues to 84.7% in third first quarter 2023 2024 from 82.8% 82.4% in third first quarter 2022. 2023.

Rent and purchased transportation expense for the TTS segment increased $1.2 million decreased $1.4 million in third first quarter 2023 2024 compared to third first quarter 2022 2023 due primarily to the Baylor acquisition and more fewer independent contractor miles in third quarter 2023, partially offset by and lower reimbursements to independent contractors because of lower average diesel fuel prices. prices, partially offset by higher cloud-based technology fees. Independent contractor miles increased decreased approximately 0.7 million 1.4 million miles in third first quarter 2023 2024 and as a percentage of total miles were 4.6% 4.3% in third first quarter 2023 2024 compared to 4.2% 4.9% in third first quarter 2022. 2023. Because independent contractors supply their own tractors and drivers and are responsible for their operating expenses, the increase decrease in independent contractor miles as a percentage of total miles shifted costs from the rent and purchased transportation category to other expense categories, including (i) salaries, wages and benefits, (ii) fuel, (iii) depreciation, (iv) supplies and maintenance and (v) taxes and licenses to the rent and purchased transportation category. licenses.

Challenging operating conditions continue to make independent contractor recruitment and retention difficult. Such conditions include inflationary cost increases that are the responsibility of independent contractors and a shortage of financing available to independent contractors for equipment purchases. Historically, we have been able to add company tractors and recruit additional company drivers to offset any decrease in the number of independent contractors. If a shortage of independent contractors and company drivers were to occur, additional increases in per-mile settlement rates (for independent contractors) and driver pay rates (for company drivers) may become necessary to attract and retain these drivers. These increased expenses could negatively affect our results of operations to the extent that we would not be able to obtain corresponding freight rate increases.

Other operating expenses increased $14.6 million $14.1 million in third first quarter 2024 compared to first quarter 2023 compared to third quarter 2022 and increased 1.7% 1.8% as a percentage of operating revenues due primarily to a decrease in lower gains on sales of property and equipment, and increased costs associated with professional technology services related to our multi-year technology and innovation strategy. Gains on sales of property and equipment (primarily used tractors and trailers). Gains on sales of property and equipment are reflected as a reduction of other operating expenses and are reported net of sales-related expenses (which include costs to prepare the equipment for sale). Gains on sales of property and equipment were $9.1 million $3.6 million in third first quarter 2024, compared to $18.3 million in first quarter 2023. We sold fewer tractors and substantially more trailers in first quarter 2024 compared to first quarter 2023 compared to $21.5 million in third quarter 2022. We sold substantially more tractors and trailers in third quarter 2023 compared to third quarter 2022 and realized significantly lower average gains per tractor and trailer due to lower pricing in the market for our used equipment, which equipment. Compared to 2023, we believe is due to decreased demand for our used equipment because of carriers increasingly exiting the trucking industry due to the challenging freight market and an increase in the availability of new equipment in third quarter 2023 due to fewer production delays compared to the third quarter 2022. We expect demand and pricing for our used equipment to continue to moderate as bank lending practices are more restrictive and more carriers exit the trucking industry. We expect our gains on sales of property and equipment to be considerably lower in 2023 to 2024, in a range between $42 million $10 million and $47 million $20 million for the full year.

Other Expense (Income)

Other expense, net of other income, increased $5.0 million decreased $0.2 million in third first quarter 2023 2024 compared to third first quarter 2022 due primarily to a $4.5 million increase in net interest expense. 2023. Net interest expense increased primarily decreased $0.1 million due to a decrease in average debt outstanding, mostly offset by higher interest rates for variable rate debt and an increase in average debt outstanding. debt. In July 2023 and April 2024, we entered into four additional variable-for-fixed interest rate swap agreements for a notional amount amounts of $130.0 million and $75.0 million, respectively, to further limit our exposure to increases in interest rates on a portion of our variable-rate indebtedness (see Note 9 7 and Note 11 in the Notes to Consolidated Financial Statements (Unaudited) set forth in Part I of this report for information regarding these interest rate swaps). We continue to expect net interest expense for full-year 2024 to be an increase compared to 2023, primarily due to repricing of the BMO Term Loan that is maturing in May 2024 and the impact of two lower-priced interest rate swaps that are also expiring in May 2024. Year-over-year variability in debt can also be a factor, which has been a favorable offset through the first quarter of 2024.

Income Tax Expense

Income tax expense decreased $8.3 million in first quarter 2024 compared to first quarter 2023, due primarily to lower pre-tax income, partially offset by an increase in the effective income tax rate. Our effective income tax rate (income taxes expressed as a percentage of income before income taxes) was 23.0% 32.9% in third first quarter 2023 2024 compared to 24.3% in third first quarter 2022. 2023. The lower higher income tax rate in third quarter 2023 was attributed primarily to a higher amount of favorable unfavorable discrete income tax items in third first quarter 2023.

Nine Months Ended September 30, 2023 Compared 2024 related to Nine Months Ended September 30, 2022

Operating Revenues

Operating revenues increased 1.4% for the nine months ended September 30, 2023, compared to the same period of the prior year. When comparing the first nine months of 2023 to the first nine months of 2022, TTS segment revenues decreased $63.2 million, or 3.5%, and Werner Logistics revenues increased $103.5 million, or 17.8%. The higher Logistics revenues resulted from the ReedTMS acquisition and organic growth. In the TTS segment, trucking revenues, net of fuel surcharge, decreased $2.2 million, due primarily to a 0.6% decrease in average revenues per tractor per week, partially offset by a 0.4% increase in

average tractors in service. TTS segment fuel surcharge revenues for the nine months ended September 30, 2023 decreased $61.9 million or 20.0% when compared to the same period of the prior year due to much lower average diesel fuel prices in the 2023 period.

Operating Expenses

Our operating ratio (operating expenses expressed as a percentage of operating revenues) was 94.4% for the nine months ended September 30, 2023 and 90.3% for the nine months ended September 30, 2022. Expense items that impacted the overall operating ratio are described on the following pages. The tables on pages 22 through 24 show the consolidated statements of state income in dollars and as a percentage of total operating revenues tax audits and the percentage increase or decrease in the dollar amounts tax impact of those items compared to the same period of the prior year, as well as the operating ratios, operating margins, and certain statistical information for our two reportable segments, TTS and Werner Logistics.

Salaries, wages and benefits increased $42.7 million or 5.6% in the first nine months of 2023 compared to the same period in 2022 and increased 1.3% as a percentage of operating revenues to 32.6%. The higher dollar amount of salaries, wages and benefits expense in the first nine months of 2023 was due primarily to increased non-driver pay and higher driver pay from 5.5 million more company tractor miles, partially offset by lower benefit costs. The increase in non-driver pay was primarily due to a larger average number of non-driver employees, including the impact from our ReedTMS and Baylor acquisitions. Non-driver salaries, wages and benefits in our non-trucking Werner Logistics segment increased 51% in the first nine months of 2023 compared to the same period in 2022, primarily as a result of the ReedTMS acquisition.

Fuel decreased $66.3 million or 20.4% in the first nine months of 2023 compared to the same period in 2022 and decreased 2.9% as a percentage of operating revenues due to much lower average diesel fuel prices, partially offset by 5.5 million more company tractor miles in the first nine months of 2023. Average diesel fuel prices were 80 cents per gallon lower in the first nine months of 2023 than in same period in 2022.

Supplies and maintenance increased $5.7 million or 3.0% in the first nine months of 2023 compared to the same period in 2022 and increased 0.2% as a percentage of operating revenues. Supplies and maintenance expense increased due to higher costs for over-the-road repairs and tires.

Insurance and claims increased $1.5 million or 1.4% in the first nine months of 2023 compared to the same period in 2022 and remained flat as a percentage of operating revenues due primarily to higher expense for new claims resulting from an increasing cost-per-claim and increased cost for repairs. These increases were mostly offset by a lower amount of unfavorable reserve development in the first nine months of 2023 compared to the same period in 2022. The majority of the higher unfavorable reserve development in the first nine months of 2022 related to unexpected and unfortunate legal developments for two prior year motor vehicle accidents that have been settled, including a settlement of a lawsuit in Texas arising from a May 24, 2020 accident for which we recognized $9.5 million of insurance and claims expense in the first nine months of 2022.

Depreciation and amortization expense increased $17.7 million or 8.6% in the first nine months of 2023 compared to the same period in 2022 and increased 0.6% as a percentage of operating revenues due primarily to the higher cost of new tractors and trailers, a larger company trailer fleet, and depreciation and amortization on tangible and intangible assets recorded in the ReedTMS and Baylor acquisitions.

Werner Logistics purchased transportation expense increased $90.1 million in the first nine months of 2023, primarily due to the ReedTMS acquisition, and increased 0.6% as a percentage of Werner Logistics revenues to 83.2% in the first nine months of 2023 from 82.6% in the same period in 2022. Rent and purchased transportation expense for the TTS segment increased $12.2 million in the first nine months of 2023 compared to the same period in 2022 due primarily to the Baylor acquisition and more independent contractor miles in the first nine months of 2023, partially offset by lower reimbursements to independent contractors because of lower average diesel fuel prices. Independent contractor miles increased approximately 2.2 million miles in the first nine months of 2023 and as a percentage of total miles were 4.7% in the first nine months of 2023 compared to 4.4% in the first nine months of 2022.

Other operating expenses increased $29.4 million in the first nine months of 2023 compared to the same period in 2022 and increased 1.3% as a percentage of operating revenues due primarily to lower gains on sales of property and equipment, and increased costs associated with professional technology services related to our multi-year technology and innovation strategy. Gains on sales of property and equipment were $39.3 million in the first nine months of 2023, compared to $62.7 million in the same period in 2022. We sold significantly more tractors and trailers in the first nine months of 2023 compared to the same period in 2022 and realized substantially lower average gains per tractor and trailer due to lower pricing in the market for our used equipment, which we believe is due to decreased demand for our used equipment because of carriers increasingly exiting the trucking industry due to the challenging freight market and an increase in the availability of new equipment in the first nine months of 2023 due to fewer production delays compared to the same period in 2022.

Other Expense (Income)

Other expense, net of income, increased $30.0 million in the first nine months of 2023 compared to the same period in 2022 due primarily to a $14.5 million increase in net interest expense, a $14.4 million decrease in the amount of unrealized net gains recognized on our investments in equity securities, and a loss from our equity method investment of $1.0 million (see Note 7 in the Notes to Consolidated Financial Statements (Unaudited) set forth in Part I of this report for information regarding our investments). Net interest expense increased due to higher interest rates for variable rate debt and an increase in average debt outstanding.

Income Tax Expense

Our effective income tax rate (income taxes expressed as a percentage of income before income taxes) was 24.3% for the first nine months of 2023 and 2022. compensation.

Liquidity and Capital Resources:

We closely manage our liquidity and capital resources. Our liquidity requirements depend on key variables, including the level of investment needed to support business strategies, the performance of the business, capital expenditures, borrowing arrangements, and working capital management. Capital expenditures, business acquisitions, stock repurchases, and dividend payments are components of our cash flow and capital management strategy, which to a large extent, can be adjusted in response to economic and other changes in the business environment. Management's approach to capital allocation focuses on

investing in key priorities that support our business and growth strategies and providing shareholder returns, while funding ongoing operations.

Management believes our financial position at September 30, 2023 March 31, 2024 is strong. As of September 30, 2023 March 31, 2024, we had $42.8 million $60.3 million of cash and cash equivalents and over $1.5 billion of stockholders' equity. Cash is invested primarily in short-term money market funds. In addition, we have a $1.075 billion credit facility, for which our total available borrowing capacity was $424.0 million $559.1 million as of September 30, 2023 March 31, 2024 (see Note 9 7 in the Notes to Consolidated Financial Statements (Unaudited) set forth in Part I of this report for information regarding our credit agreements). After considering recent developments in the banking sector, we believe the six commercial banks in our $1.075 billion syndicated credit facility all have strong tier-one capital ratios and good loan-to-deposit ratios. We believe our liquid assets, cash generated from operating activities, and borrowing capacity under our existing credit facility will provide sufficient funds to meet our cash requirements and our planned shareholder returns for the foreseeable future.

Item 7 of Part II of our 2022 2023 Form 10-K includes our disclosure of material cash requirements as of December 31, 2022 December 31, 2023. There were no material changes in the nature of these items during the nine three months ended September 30, 2023 March 31, 2024.

Cash Flows

During the nine three months ended September 30, 2023 March 31, 2024, we generated cash flow from operations of $356.0 million $88.6 million, a 7.0% 46.9% or $23.3 million increase $78.3 million decrease in cash flows compared to the same nine-month three-month period a year ago. The increase decrease in net cash provided by operating activities was due primarily to working capital changes including a decrease in accounts receivable days sales outstanding, partially offset by and a decrease in net income for the nine-month three-month period ended September 30, 2023 March 31, 2024. We were able to make net capital expenditures, repay debt, make a strategic loan and investment, and investments, pay dividends, and repurchase company stock with the net cash provided by operating activities and existing cash balances.

Net cash used in investing activities was $402.1 million $19.4 million for the nine-month three-month period ended September 30, 2023 March 31, 2024 compared to $268.7 million $129.2 million during the same period in 2022. 2023. Net property and equipment additions (primarily revenue equipment) were $374.2 million $19.0 million for the nine-month three-month period ended September 30, 2023 March 31, 2024, compared to $254.1 million $102.7 million during the same period of 2022. 2023. We currently estimate net capital expenditures (primarily revenue equipment) in 2023 2024 to be in the range of $425 million $250 million to $450 million $300 million, compared to net capital expenditures in 2022 2023 of $317.6 million $408.7 million. We intend to fund these net capital expenditures through cash flows from operations and financing available under our existing credit facility, if necessary. As of September 30, 2023 March 31, 2024, we were committed to property and equipment purchases of approximately $94.6 million $188.3 million. We also During the three-month period ended March 31, 2023, we purchased a $25.0 million subordinated promissory note from Mastery Logistics Systems, Inc. on January 24, 2023, with a maturity date of January 24, 2030 (see Note 8 in the Notes to Consolidated Financial Statements (Unaudited) set forth in Part I of this report for information regarding our notes receivable).

Net financing activities used $20.0 million $70.8 million during the nine three months ended September 30, 2023 March 31, 2024, and provided $7.5 million used $16.2 million during the same period in 2022. 2023. We had net repayments on our debt of $3.8 million $51.3 million during the nine three months ended September 30, 2023 March 31, 2024, decreasing our outstanding debt to $690.0 million $597.5 million at September 30, 2023 March 31, 2024. We had net borrowings repaid $2.5 million on our debt of $146.3 million during the nine months three-month period ended 2022, of which a portion of the proceeds were used to finance the October 1, 2022 purchase of Baylor Trucking, Inc. March 31, 2023. We paid dividends of $25.3 million $8.9 million during the nine three months ended September 30, 2023 March 31, 2024 and $23.9 million

$8.2 million during the same period in 2022. We increased our quarterly dividend rate by $0.01 per share, or 8%, beginning with the quarterly dividend paid in July 2023. We currently plan to continue paying a quarterly dividend.

Financing activities for the three months ended March 31, 2024, also included common stock repurchases of 167,818 shares at a cost of $6.5 million. We did not repurchase any shares of common stock during the nine months ended September 30, 2023. Financing activities for the same period in 2022 included common stock repurchase of 2,710,304 shares at a cost of $110.4 million. 2023. The Company has repurchased, and may continue to repurchase, shares of the Company's common stock. The timing and amount of such purchases depend upon economic and stock market conditions and other factors. As of September 30, 2023 March 31, 2024, the Company had purchased 3,688,190 3,856,008 shares pursuant to our current Board of Directors repurchase authorization and had 2,311,810 2,143,992 shares remaining available for repurchase.

Regulations:

Item 1 of Part I of our 2022 2023 Form 10-K includes a discussion of pending proposed regulations that may have an effect on our operations if they become adopted and effective as proposed. The following is an update to the regulations set forth in our 2022 2023 Form 10-K.

California's ongoing emissions reduction goals have significantly impacted the transportation industry. The California Air Resources Board regulations apply not only to California intrastate carriers, but also to carriers outside of California who own or dispatch equipment in the state. In March 2023, 2024, U.S. Environmental Protection Agency ("EPA") released a Final Rule governing Greenhouse Gas ("GHG") Emissions Standards for Heavy-Duty Vehicles - Phase 3, which requires more stringent greenhouse gas standards for heavy-duty vehicles and revises the EPA granted California "Phase 2" greenhouse gas standards established in 2016. Short haul (day cab) and long haul (sleeper cab) tractor GHG standards under the authority to enforce environmental rules that are more strict than current EPA requirements. These rules would apply to vehicles beginning Final Rule phase in starting with the 2024 model year. years 2028 through 2032. Werner continues to structure our fleet plans to operate compliant equipment in California. Approximately 4% of our truck miles in 2022 were in evaluate the state of California. Final Rule and any EPA-related developments impacting its fleet.

There have been no other material changes in the status of the proposed regulations previously disclosed in the 2022 2023 Form 10-K.

Critical Accounting Estimates:

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the (i) reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and (ii) reported amounts of revenues and expenses during the reporting period. We evaluate these estimates on an ongoing basis as events and circumstances change, utilizing historical experience, consultation with experts and other methods considered reasonable in the particular circumstances. Actual results could differ from those estimates and may significantly impact our results of operations from period to period. It is also possible that materially different amounts would be reported if we used different estimates or assumptions.

Information regarding our Critical Accounting Estimates can be found in our 2022 2023 Form 10-K. Estimates of accrued liabilities for insurance and claims for bodily injury and property damage and workers' compensation is a critical accounting estimate that requires us to make significant judgments and estimates and affects our financial statements.

There have been no material changes to this critical accounting estimate from that discussed in our 2022 2023 Form 10-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to market risk from changes in commodity prices, foreign currency exchange rates, and interest rates.

Commodity Price Risk

The price and availability of diesel fuel are subject to fluctuations attributed to changes in the level of global oil production, refining capacity, regulatory changes, seasonality, weather and other market factors. Historically, we have recovered a majority, but not all, of fuel price increases from customers in the form of fuel surcharges. We implemented customer fuel surcharge programs with most of our customers to offset much of the higher fuel cost per gallon. However, we do not recover all of the fuel cost increase through these surcharge programs. As of September 30, 2023 March 31, 2024, we had no derivative financial instruments to reduce our exposure to fuel price fluctuations.

Foreign Currency Exchange Rate Risk

We conduct business in foreign countries, primarily in Mexico. To date, most foreign revenues are denominated in U.S. Dollars, and we receive payment for foreign freight services primarily in U.S. Dollars to reduce direct foreign currency risk. Assets and liabilities maintained by a foreign subsidiary company in the local currency are subject to foreign exchange gains or losses. Foreign currency translation gains and losses primarily relate to changes in the value of revenue equipment owned by a subsidiary in Mexico, whose functional currency is the Peso. Foreign currency translation losses gains were $1.3 million $0.5 million and $0.7 million $3.0 million for third first quarter 2023 2024 and third quarter 2022, 2023, respectively. These losses gains were recorded in accumulated other comprehensive loss within stockholders' equity in the consolidated condensed balance sheets.

Interest Rate Risk

We manage interest rate exposure through a mix of variable interest rate debt and interest rate swap agreements. We had $280.0 million of variable interest rate debt outstanding at September 30, 2023 March 31, 2024, for which the interest rate is effectively fixed at 4.31% with interest rate swap agreements to reduce our exposure to interest rate increases. In addition, we had $320.0 million $230.0 million of variable interest rate debt outstanding at September 30, 2023 March 31, 2024. The interest rates on our credit facility are based on Secured Overnight Financing Rate ("SOFR"). See Note 9 7 in the Notes to Consolidated Financial Statements (Unaudited) set forth in Part I of this report for further detail of our debt. Assuming this level of borrowing, a hypothetical one-percentage point increase in the SOFR interest rate would increase our interest expense by approximately $4.1 million $4.4 million for the next 12-month period.

Item 4. Controls and Procedures.

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rule 15d-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act"). Our disclosure controls and procedures are designed to provide reasonable assurance of achieving the desired control objectives. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective at a reasonable assurance level in enabling us to record, process, summarize and report information required to be included in our periodic filings with the U.S. Securities and Exchange Commission (the "SEC") within the required time period and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Management, under the supervision of and with the participation of our Chief Executive Officer and Chief Financial Officer, concluded that no changes in our internal control over financial reporting occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

We have confidence in our internal controls and procedures. Nevertheless, our management, including the Chief Executive Officer and Chief Financial Officer, does not expect that the internal controls or disclosure procedures and controls will prevent all errors or intentional fraud. An internal control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of such internal controls are met. Further, the design of an internal control system must reflect that resource constraints exist, and the benefits of controls must be evaluated relative to their costs. Because of the inherent limitations in all internal control systems, no evaluation of controls can provide absolute assurance that all control issues, misstatements and instances of fraud, if any, have been prevented or detected.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings.

For information regarding legal proceedings, see Note 10 8 in the Notes to Consolidated Financial Statements (Unaudited) set forth in Part I of this report.

Item 1A. Risk Factors.

In addition to the other information set forth in this report, you should carefully consider the factors discussed under Item 1A (Risk Factors) in our 2022 2023 Form 10-K, which could materially affect our business, financial condition, and future results of operations. The risks described in our 2022 2023 Form 10-K are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, and results of operations.

There have been no material changes from the risk factors disclosed in our 2022 2023 Form 10-K.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities.

On November 9, 2021, our Board of Directors approved and announced a new stock repurchase program under which the Company is authorized to repurchase up to 6,000,000 shares of its common stock. As of September 30, 2023 March 31, 2024, the Company had purchased 3,688,190 purchased 3,856,008 shares pursuant to this authorization and had 2,311,810 2,143,992 shares remaining available for repurchase. The Company may purchase shares from time to time depending on market, economic, and other factors. The authorization will continue unless withdrawn by the Board of Directors.

No The following table summarizes our stock repurchases during first quarter 2024 made pursuant to this authorization. The Company did not purchase any shares of common during first quarter 2024 other than pursuant to this authorization. All stock repurchases were repurchased during third quarter 2023 made by either the Company or on its behalf and not by any "affiliated purchaser," as defined by Rule 10b-18 of the Exchange Act.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased		Average Price Paid per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
January 1-31, 2024	—	$	—	—	2,311,810
February 1-29, 2024	—	$	—	—	2,311,810
March 1-31, 2024	167,818	$	38.64	167,818	2,143,992
Total	167,818	$	38.64	167,818	

(1) Average price paid per share for open market purchases include broker commissions, but exclude excise tax.

Item 5. Other Information

Director and Officer Trading Arrangements

During third first quarter 2023, 2024, no Company director or officer adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as such terms are defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits.

Exhibit No.	Exhibit	Incorporated by Reference to:
3(i)	Restated Articles of Incorporation of Werner Enterprises, Inc.	Exhibit 3(i) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007
3(ii)	Revised and Restated By-Laws of Werner Enterprises, Inc.	Exhibit 3.1 to the Company's Current Report on Form 8-K dated August 14, 2018
10.1	Consulting Services Agreement dated July 1, 2023, between John J. Steele and Werner Enterprises, Inc. Named Executive Officer Compensation	Item 5.02 of the Company's Current Report on Form 8-K dated February 9, 2024
10.2	Form of Performance-Based Restricted Stock Award Agreement, effective February 9, 2024	Exhibit 10.1 to the Company's Current Report on Form 8-K dated July 1, 2023 February 9, 2024
31.1	Certification of the Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934 (Section 302 of the Sarbanes-Oxley Act of 2002)	Filed herewith
31.2	Certification of the Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934 (Section 302 of the Sarbanes-Oxley Act of 2002)	Filed herewith
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350 (Section 906 of the Sarbanes-Oxley Act of 2002)	Furnished herewith
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350 (Section 906 of the Sarbanes-Oxley Act of 2002)	Furnished herewith
101	The following unaudited financial information from Werner Enterprises' Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024, formatted in iXBRL (Inline Extensible Business Reporting Language) includes: (i) Consolidated Statements of Income for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, (ii) Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, (iii) Consolidated Condensed Balance Sheets as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, (iv) Consolidated Statements of Cash Flows for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, (v) Consolidated Statements of Stockholders' Equity and Temporary Equity - Redeemable Noncontrolling Interest for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, and (vi) the Notes to Consolidated Financial Statements (Unaudited) as of September 30, 2023 March 31, 2024.	
104	The cover page from this Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024, formatted in Inline XBRL (included as Exhibit 101).	

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WERNER ENTERPRISES, INC.

Date: November 8, 2023 May 9, 2024	By:	/s/ Christopher D. Wikoff
		Christopher D. Wikoff
		Executive Vice President, Treasurer and Chief Financial Officer
Date: November 8, 2023 May 9, 2024	By:	/s/ James L. Johnson
		James L. Johnson
		Executive Vice President and Chief Accounting Officer

EXHIBIT 31.1

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO RULES 13a-14(a) AND 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934
(SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002)

I, Derek J. Leathers, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Werner Enterprises, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2023 May 9, 2024

/s/ Derek J. Leathers
Derek J. Leathers
Chairman President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO RULES 13a-14(a) AND 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934
(SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002)

I, Christopher D. Wikoff, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Werner Enterprises, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2023 May 9, 2024

/s/ Christopher D. Wikoff

Christopher D. Wikoff
Executive Vice President, Treasurer and Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

In connection with the Quarterly Report of Werner Enterprises, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2023 March 31, 2024 (the "Report"), filed with the Securities and Exchange Commission, I, Derek J. Leathers, Chairman President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 8, 2023 May 9, 2024

/s/ Derek J. Leathers

Derek J. Leathers

Chairman President and Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

In connection with the Quarterly Report of Werner Enterprises, Inc. (the “Company”) on Form 10-Q for the period ending September 30, 2023 March 31, 2024 (the “Report”), filed with the Securities and Exchange Commission, I, Christopher D. Wikoff, Executive Vice President, Treasurer and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 8, 2023 May 9, 2024

/s/ Christopher D. Wikoff

Christopher D. Wikoff

Executive Vice President, Treasurer and
Chief Financial Officer

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