



# WERNER

## ENTERPRISES

3Q 2021 EARNINGS PRESENTATION  
October 28, 2021

# DISCLOSURE STATEMENT

This presentation may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, as amended. Such forward-looking statements are based on information presently available to the Company's management and are current only as of the date made. Such statements are by nature subject to uncertainties and risks, including but not limited to, the impact of the coronavirus pandemic (COVID-19) and the operational, financial and legal risks detailed in the Company's Annual Report on Form 10-K for the year ended December 31, 2020. These risks and uncertainties could cause actual results or events to differ materially from historical results or those anticipated.

For those reasons, undue reliance should not be placed on any forward-looking statement. The Company assumes no duty or obligation to update or revise any forward-looking statement, although it may do so from time to time as management believes is warranted or as may be required by applicable securities law. Any such updates or revisions may be made by filing reports with the U.S. Securities and Exchange Commission, through the issuance of press releases or by other methods of public disclosure.



## ***WERNER OVERVIEW, 3Q 2021 HIGHLIGHTS***

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**Derek Leathers**

*Chairman, President and Chief Executive Officer*

# WERNER OVERVIEW

## Premium Truckload Transportation & Logistics Services Provider

**Omaha, NE**  
Headquarters

**\$3.1B**  
Market Cap<sup>1</sup>

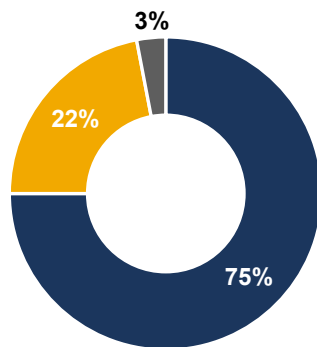
**5,120**  
Dedicated  
Fleet Size<sup>1</sup>

**3,100**  
One-Way  
Fleet Size<sup>1</sup>

**13,575**  
Associates<sup>2</sup>

**1.0%**  
Dividend Yield<sup>1</sup>

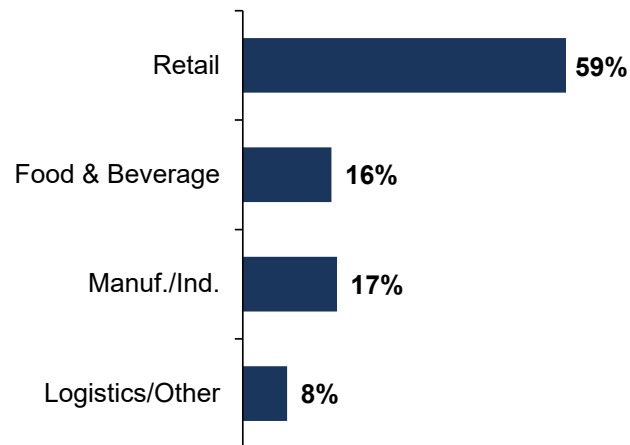
### 3Q21 Revenues by Segment



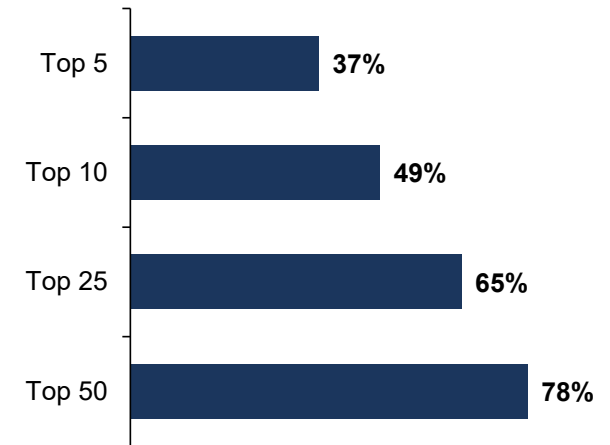
- Truckload Transportation Services (TTS)<sup>3</sup>
- Werner Logistics
- Driver Training Schools and Other

### 3Q21 Revenues by Vertical

#### Top 50 Customers



### 3Q21 Revenues by Customer



## 3Q 2021 HIGHLIGHTS

### Financial Highlights

Revenues	↑ 19% to \$703M
GAAP EPS	↑ 41% to \$0.94
Adjusted EPS <sup>1</sup>	↑ 14% to \$0.79
Adjusted operating income <sup>1</sup>	↑ 15% to \$73.9M
Adjusted TTS operating margin <sup>1, 2</sup>	↓ 150 bps to 14.0%

### Strategic Updates and Other Developments

*Comparisons to prior year quarter unless otherwise noted*

- Record third quarter operating income and EPS
- Continued strong freight demand in Dedicated, One-Way Truckload and Logistics
- Driver recruiting market increasingly difficult; added 4 driver training school locations YTD including 1 location since 2Q21, 5 more locations planned by the end of 1Q22 (reaching 22 locations)
- Mark-to-market of investments in TuSimple and Mastery resulted in non-operating income of \$16.1M (excluded from GAAP EPS to determine non-GAAP adjusted EPS)
- Closed on purchase of 80% equity interest in elite regional truckload carriers ECM Transport Group on 7/1/21 (500 trucks)

<sup>1</sup> 3Q21 operating income (GAAP) was \$71.3M and TTS operating margin (GAAP) was 11.9%. See attached Reconciliation of Non-GAAP financial measures.

<sup>2</sup> Net of fuel surcharge revenues.



## ***3Q 2021 COMPANY AND SEGMENT FINANCIAL RESULTS***

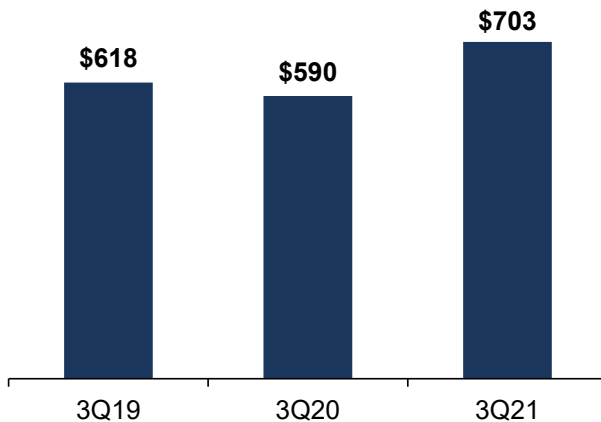
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**John Steele**

*EVP, Treasurer and Chief Financial Officer*

## 3Q 2021 FINANCIAL PERFORMANCE

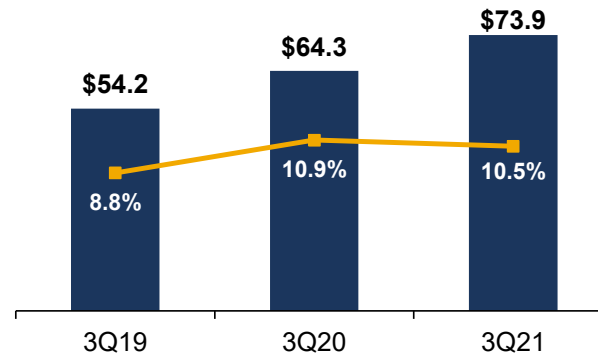
Total Revenues (\$M)



### YoY Commentary (3Q21 vs. 3Q20)

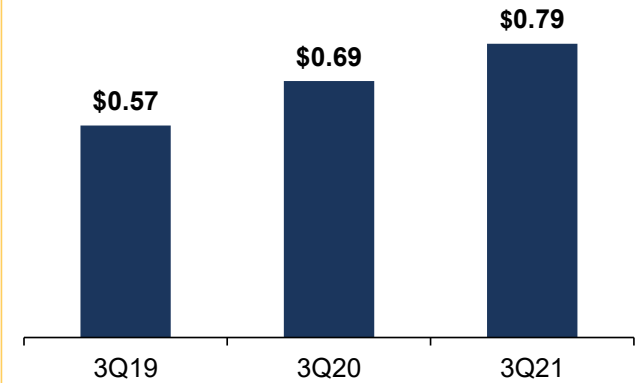
- \$113M increase in total revenues
- 3.2% higher TTS revenues per truck per week<sup>2</sup>, due to higher revenues per total mile and lower miles per truck (fleet mix changes and fewer team drivers)
- 7.2% higher TTS average trucks
- 35% higher Logistics revenues

Adjusted Operating Income<sup>1</sup> (\$M) and Adjusted Operating Margin<sup>1</sup>



- 15% growth in adjusted operating income, or \$9.6M
- Adjusted TTS operating income increased \$0.2M
- Logistics operating income increased \$8.5M
- Corporate and Other operating income increased \$0.9M

Adjusted EPS<sup>1</sup>



- 14% growth in adjusted EPS
- Third highest adjusted EPS in any quarter

<sup>1</sup> Operating income (GAAP) was \$53.4M in 3Q19, \$62.1M in 3Q20, and \$71.3M in 3Q21. Operating margin (GAAP) was 8.6% in 3Q19, 10.5% in 3Q20, and 10.1% in 3Q21. EPS (GAAP) was \$0.56 in 3Q19, \$0.67 in 3Q20 and \$0.94 in 3Q21. See attached Reconciliation of Non-GAAP financial measures.

<sup>2</sup> Net of fuel surcharge revenues.



## TRUCKLOAD TRANSPORTATION SERVICES (TTS) RESULTS

	3Q19	3Q20	3Q21	3Q21 vs. 3Q20
<b>Revenues (\$M)</b>	\$480.4	\$458.3	\$527.7	15%
<b>Adjusted Operating Income<sup>1</sup> (\$M)</b>	\$49.7	\$65.2	\$65.4	0%
<b>Adjusted Operating Margin<sup>1, 2</sup></b>	11.7%	15.5%	14.0%	(150) bps
<b>Adjusted Operating Ratio<sup>1, 2</sup></b>	88.3%	84.5%	86.0%	150 bps

### YoY Commentary (3Q21 vs. 3Q20)

- Revenues increased 15% due to 15% higher rates and \$24M higher fuel surcharges, with 7% more trucks and 10% lower miles per truck
- Solid execution by Dedicated and One-Way Truckload in a capacity-constrained market

<sup>1</sup> TTS operating income (GAAP) was \$48.9M in 3Q19, \$63.1M in 3Q20, and \$62.9M in 3Q21. TTS operating margin (GAAP) was 10.2% in 3Q19, 13.8% in 3Q20, and 11.9% in 3Q21. TTS operating ratio (GAAP) was 89.8% in 3Q19, 86.2% in 3Q20, and 88.1% in 3Q21. See attached Reconciliation of Non-GAAP Financial measures.

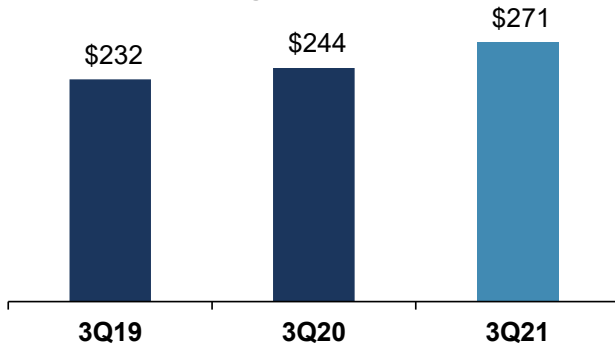
<sup>2</sup> Net of fuel surcharge revenues.



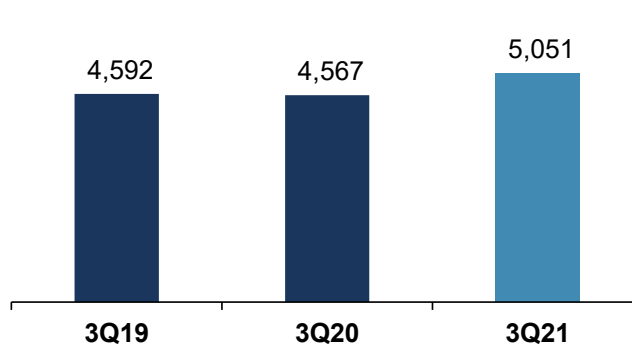
# TTS<sup>1</sup> FLEET METRICS UPDATE

## Dedicated Truckload

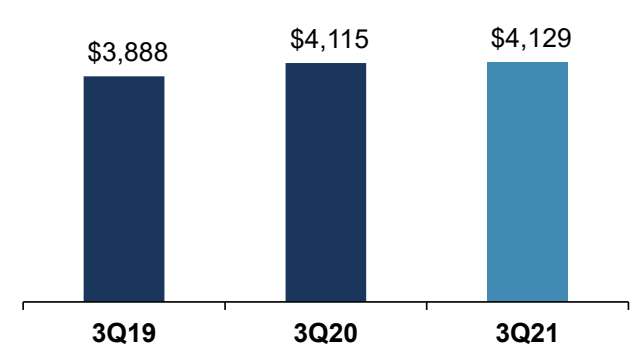
### Trucking Revenues<sup>2</sup> (\$M)



### Average Trucks

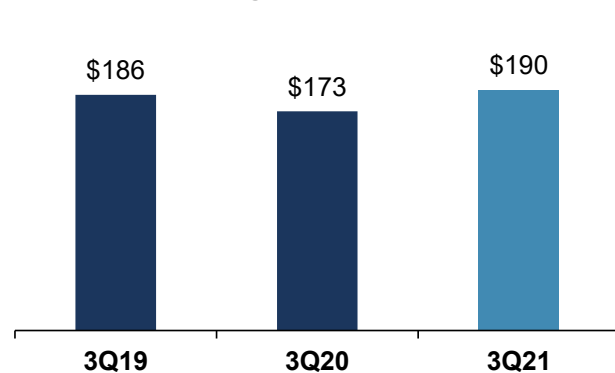


### Revenues / Truck / Week<sup>2</sup>

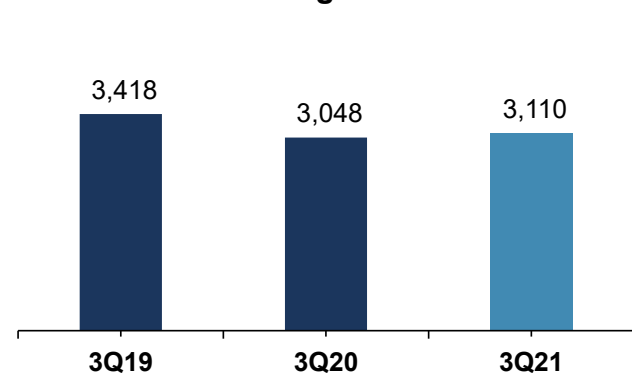


## One-Way Truckload

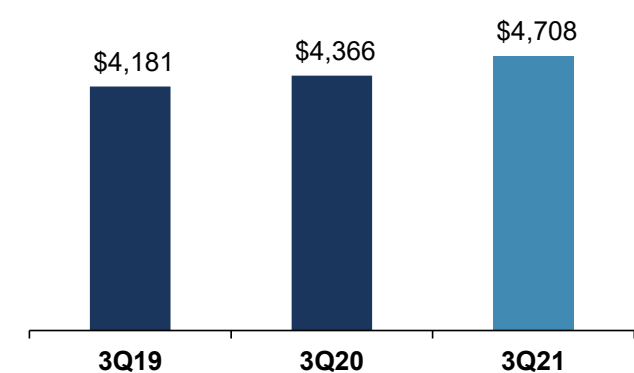
### Trucking Revenues<sup>2</sup> (\$M)



### Average Trucks



### Revenues / Truck / Week<sup>2</sup>



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<sup>1</sup> TTS consists of the Dedicated and One-Way Truckload fleets (ECM Transport Group acquired 7/1/21 included in One-Way Truckload). <sup>2</sup> Net of fuel surcharge revenues.

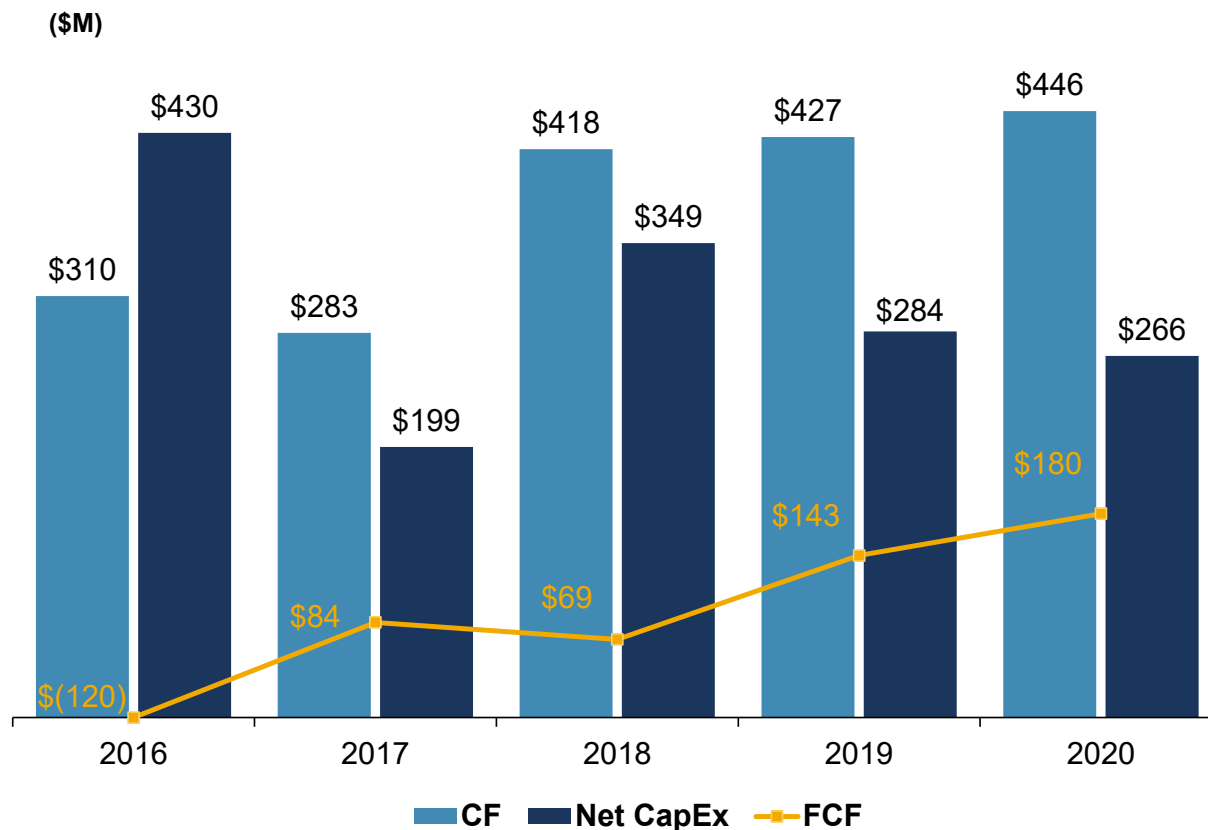
## WERNER LOGISTICS RESULTS

	3Q19	3Q20	3Q21	3Q21 vs. 3Q20
Revenues (\$M)	\$121.3	\$117.4	\$158.0	35%
Revenues, less purchased transportation expense	\$18.4	\$12.7	\$23.0	81%
Operating Income (Loss) (\$M)	\$3.0	\$(0.9)	\$7.6	+\$8.5M
Operating Margin	2.5%	(0.7)%	4.8%	550 bps

### YoY Commentary (3Q21 vs. 3Q20)

- Truckload Logistics revenues (73% of total Logistics revenues) increased 63%
- Intermodal revenues (25% of total Logistics revenues) grew 19%
- Sold Werner Global Logistics (WGL) in 1Q21; Logistics revenues increased 50% YOY excluding WGL revenues in 3Q20

## STRONG FCF GENERATION; EXPECTED TO CONTINUE



### COMMENTARY

- FCF generation of \$180M in 2020
- 2021 Net CapEx expected to be in the range of \$250M to \$275M; over the long-term, targeting Net CapEx at 11-13% of annual revenues
- Investment focused on maintaining a new truck/trailer fleet with the latest safety/equipment technology, modern terminal network, investing in our driver training school network, continued IT modernization, and advancing truck technologies

# DISCIPLINED CAPITAL ALLOCATION

## Priorities

### Continual and Consistent Investment in the 5 Ts + S

- Reinvestments in new, feature-rich trucks and trailers, including the latest safety technology, that extend sustainable competitive advantages for customers and drivers
- Opened Lehigh Valley, PA terminal in July (replaced smaller leased terminal)
- Werner Edge enhanced IT (better, faster, less expensive, more secure)

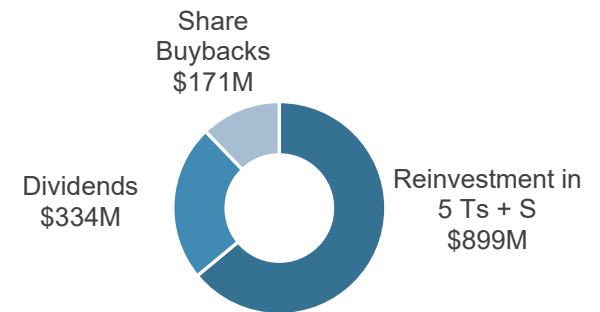
### Committed to Return Value to Shareholders

- Continued quarterly dividends since July 1987; raised quarterly dividend by 11% in 1Q21 and another 20% in 2Q21
- 1,049,120 shares purchased for \$47.8M in 3Q21, average price of \$45.52
- Purchased 80% of elite regional truckload carriers ECM Transport Group 7/1/21 for \$141.3M after net working capital adjustments; funded with cash, credit facility borrowing and a new \$100M term loan with a fixed interest rate of 1.3%
- Will consider additional strategic acquisitions that are additive and accretive

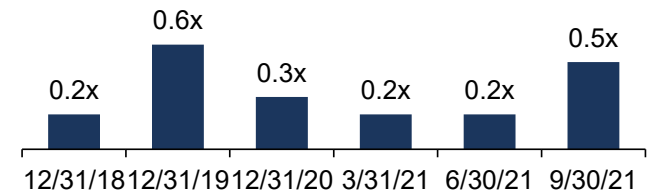
### Maintain a Strong and Flexible Financial Position

- Debt of \$350M, Equity of \$1,343M (as of 9/30/21)
- Long-term goal of net debt to EBITDA of 0.5x to 1.0x;

## Capital Allocation History 2018-2020 \$1.4B



## Net Debt to LTM EBITDA





## ***UPDATE ON BUSINESS & FINANCIAL OUTLOOK***

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**Derek Leathers**







*Chairman, President and Chief Executive Officer*

# **5 Ts + S**

## **ARE CORE COMPONENTS OF OUR STRATEGY**

### **COMMITTED TO REMAINING AT THE FOREFRONT OF OUR INDUSTRY**

#### KEY FOCUS AREAS

<b>1. Trucks</b>		<ul style="list-style-type: none"> <li>▪ Maintain the age of our industry-leading modern truck fleet, which includes state-of-the-art safety technology</li> </ul>
<b>2. Trailers</b>		<ul style="list-style-type: none"> <li>▪ Remain at forefront of industry with young trailer fleet age</li> </ul>
<b>3. Talent</b>		<ul style="list-style-type: none"> <li>▪ Rigorous hiring and retention processes to attract and retain industry-leading talent</li> </ul>
<b>4. Terminals</b>		<ul style="list-style-type: none"> <li>▪ Expansive network of terminals, dedicated fleet locations, and driving schools</li> </ul>
<b>5. Technology</b>		<ul style="list-style-type: none"> <li>▪ Continuously upgraded and modernized IT infrastructure and data security (e.g., Werner EDGE)</li> </ul>
<b>+ Sustainability</b>		<ul style="list-style-type: none"> <li>▪ Further develop our sustainability practices with specific milestone goals through a multi-phased strategy</li> </ul>

#### RELEVANT UPDATES

- Fleet age increased slightly, due to OEM new equipment delivery delays
- Expanded driver training school network from 16 to 17 locations since second quarter
- Opened new Lehigh Valley, PA driver and maintenance facility in July
- Expanding roll out of Mastery's MasterMind transportation management system in certain Logistics offices
- Launched Inaugural Corporate Social Responsibility report in July; accessible at [werner.com](http://werner.com)

## Quest for Quality


38<sup>th</sup> annual awards, August 2021

### Dry freight public company truckload award winners

	2021	2020	2019	2018	2017
	X	X	X	X	X

5 dry freight rating criteria: On-time Performance, Value, Information Technology, Customer Service, Equipment and Operations

### Third-party logistics winners

	2021	2020	2019
	X	X	X

5 logistics rating criteria: Carrier Selection Negotiation, Order Fulfillment, Transportation Distribution, Inventory Management, Information Technology

### Quest for Quality (Logistics Management)

Quest for Quality is widely regarded as the most important measure of customer satisfaction and performance excellence in transportation and logistics (4,100 shipper surveys)



**Werner had the 2<sup>nd</sup> highest overall weighted score in the dry freight category in 2021**

**Werner is one of only two public TL's to win this award in the last 5 years in the dry freight category**



# THE EVOLUTION OF OUR ESG EFFORT

“ While ESG concepts have long been woven into the fabric of Werner’s history, the release of our inaugural CSR report further elevates our commitment to conducting business in a socially and environmentally responsible manner. We are excited to demonstrate our ongoing commitment to Sustainability, and we fully anticipate transformative growth and positive impact enabled by our ESG endeavor in the years to come. ”

Derek J. Leathers, Chairman, President and Chief Executive Officer, Werner Enterprises

## 4Q 2020

Formally launched ESG program, adding **Sustainability** as a strategic pillar

### 5Ts + S Strategy

Trucks  
Trailers  
Talent  
Terminals  
Technology  
+  
Sustainability

## 1Q 2021

Created two new roles and named diverse leaders

- AVP of Sustainability
- AVP of Diversity, Inclusion, and Learning

Created 3 initial Associate Resource Groups (ARGs)



## 2Q 2021



- Adopted SASB Disclosure Framework
- Signed UN Global Compact and aligned with specific SDGs that support Werner values, strategy, and aspirations



## July 2021



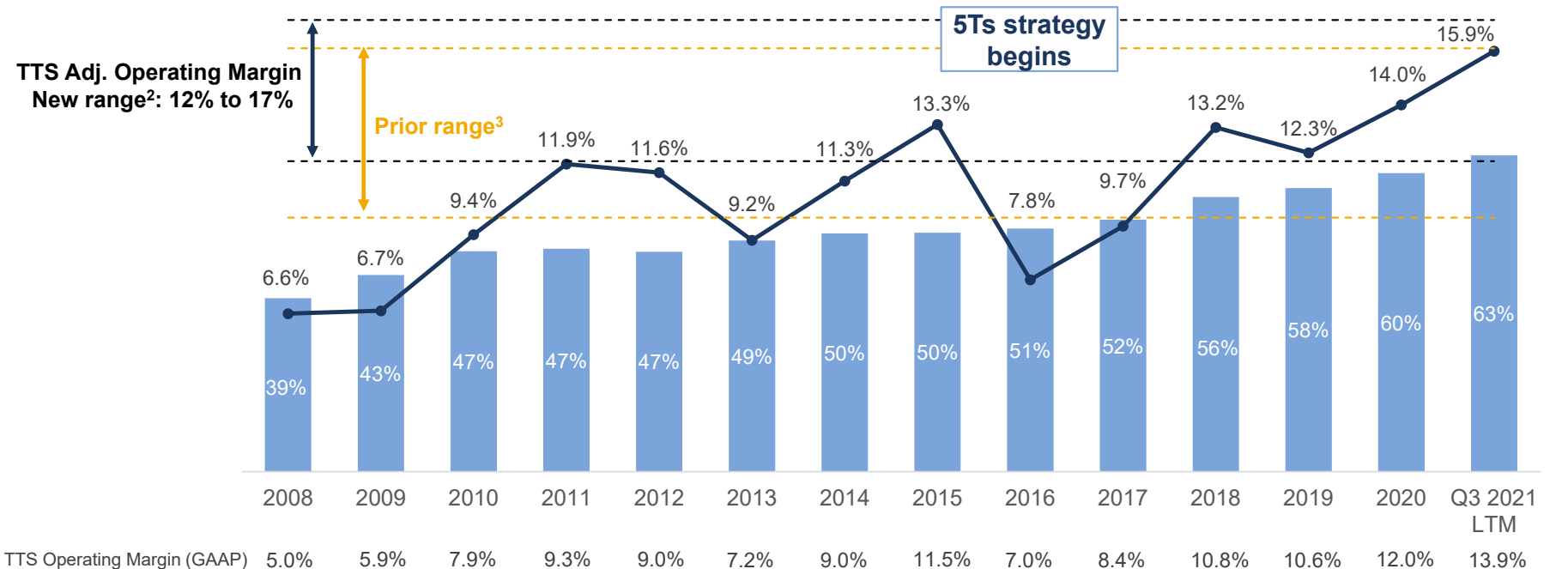
- Published inaugural CSR Report
- Launched WernerBlue, our branded Sustainability endeavor
- Set new ESG goals and milestones



**WernerBlue**

# RAISING LONG-TERM GOAL RANGE FOR TTS ANNUAL ADJUSTED OPERATING MARGIN<sup>1</sup>

- Raising long-term TTS adjusted operating margin percentage goal to a range of 12% to 17%
- Carefully constructed fleet mix generates strong financial performance in good TL freight markets
- Demonstrated resilience and superior financial performance in softer TL freight markets



■ Dedicated average trucks as a % of TTS average trucks

— Adjusted operating income as a % of revenues (adjusted operating margin), net of fuel surcharge

<sup>1</sup> Adjusted operating income as a % of revenues (adjusted operating margin), net of fuel surcharge

<sup>2</sup> New TTS annual adjusted operating margin goal (range of 12% to 17%)

<sup>3</sup> Old TTS annual adjusted operating margin goal established in October 2020 (range of 10% to 16%)

## 2021 GUIDANCE METRICS AND ASSUMPTIONS

	Prior (as of 7/29/21)	Actual (as of 9/30/21)	New (as of 10/28/21)	Commentary
<b>2021 Guidance</b>				
TTS truck growth from BoY to EoY	1% to 4% (annual)	5% (YTD21)	3% to 5% (annual)	Flat to slightly lower fleet expected in 4Q21
Gains on sales of equipment	\$9M to \$13M (3Q21)	\$15.3M (3Q21)	\$10M to \$12M (4Q21)	Expect lower unit sales due to lower new truck and trailer deliveries
Net capital expenditures	\$275M to \$300M (annual)	\$162.7M (YTD21)	\$250M to \$275M (annual)	Lower range due to lower new truck and trailer deliveries
<b>TTS Guidance</b>				
Dedicated RPTPW <sup>1</sup> growth	3% to 5% (annual)	0.3% (3Q21 vs. 3Q20)	1% to 2% (4Q21 vs. 4Q20)	Lower miles per truck in 4Q21 due to fleet mix but improving from 3Q21
One-Way Truckload (OWT) RPTM <sup>1</sup> growth	16% to 19% (2H21 vs 2H20)	21.8% (3Q21 vs. 3Q20)	17% to 19% (4Q21 vs. 4Q20)	Strong start to peak shipping season combined with fleet mix changes
<b>Assumptions</b>				
Effective income tax rate	24.5% to 25.5% (annual)	24.6% (3Q21)	24.5% to 25.5% (annual)	
Truck age	2.0 years	2.1 years	2.2 years	Reinvesting to maintain young fleet advantage, subject to timing of OEM deliveries
Trailer age	Low-to-mid “4” years	4.4 years	4.4 years	



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<sup>1</sup> Net of fuel surcharge revenues.



**Q&A**



## ***INVEST WITH US***



### **Executing in strong freight market; expected to continue well into 2022**

- Achieved record Q3 Adjusted operating income and Adjusted EPS
- Positioned to deliver cash flow stability through the cycle



### **Focused on operational excellence and our performance**

- Aligning with leading edge technology partners
- Expanding driver training school network



### **Achieving ESG goals, backed by committed management team**

- Issued Inaugural Corporate Social Responsibility (CSR) report in July; available at [werner.com](http://werner.com)



### **Positioned to continue growing earnings and free cash flow**

- While achieving long-term, sustainable shareholder value creation



# WERNER

ENTERPRISES

***APPENDIX***

# RECONCILIATION OF NON-GAAP FINANCIAL MEASURES – CONSOLIDATED

(unaudited)

(In thousands, except per share amounts)

	Three Months Ended September 30,					
	2019		2020		2021	
	\$	% of Op. Rev.	\$	% of Op. Rev.	\$	% of Op. Rev.
<b>Non-GAAP Adjusted Operating Income and Non-GAAP Adjusted Operating Margin <sup>(1)</sup></b>						
Operating income and operating margin — (GAAP)	\$ 53,357	8.6%	\$ 62,103	10.5%	\$ 71,324	10.1%
Non-GAAP adjustments:						
Insurance and claims <sup>(2)</sup>	799	0.2%	1,238	0.2%	1,300	0.2%
Depreciation <sup>(3)</sup>	-	0.0%	921	0.2%	-	0.0%
Amortization of intangible assets <sup>(4)</sup>	-	0.0%	-	0.0%	1,226	0.2%
Non-GAAP adjusted operating income and non-GAAP adjusted operating margin	<u>\$ 54,156</u>	<u>8.8%</u>	<u>\$ 64,262</u>	<u>10.9%</u>	<u>\$ 73,850</u>	<u>10.5%</u>

	Three Months Ended September 30,					
	2019		2020		2021	
	\$	Diluted EPS	\$	Diluted EPS	\$	Diluted EPS
<b>Non-GAAP Adjusted Net Income Attributable to Werner and Non-GAAP Adjusted Diluted Earnings EPS <sup>(1)</sup></b>						
Net income attributable to Werner and diluted EPS — (GAAP)	\$ 39,044	\$ 0.56	\$ 46,332	\$ 0.67	\$ 63,761	\$ 0.94
Non-GAAP adjustments:						
Insurance and claims <sup>(2)</sup>	799	0.01	1,238	0.02	1,300	0.02
Depreciation <sup>(3)</sup>	-	-	921	0.01	-	-
Amortization of intangible assets, net of amount attributable to noncontrolling interest <sup>(4)</sup>	-	-	-	-	981	0.02
Gain on investments in equity securities, net <sup>(5)</sup>	-	-	-	-	(16,090)	(0.24)
Income tax effect of above adjustments	(202)	-	(550)	(0.01)	3,522	0.05
Non-GAAP adjusted net income attributable to Werner and non-GAAP adjusted diluted EPS	<u>\$ 39,641</u>	<u>\$ 0.57</u>	<u>\$ 47,941</u>	<u>\$ 0.69</u>	<u>\$ 53,474</u>	<u>\$ 0.79</u>



**RECONCILIATION OF NON-GAAP FINANCIAL MEASURES –  
TRUCKLOAD TRANSPORTATION SERVICES (TTS) SEGMENT  
(unaudited)  
(In thousands)**

	Three Months Ended September 30,					
	2019		2020		2021	
	\$	% of Op. Rev.	\$	% of Op. Rev.	\$	% of Op. Rev.
<b>Non-GAAP Adjusted Operating Income and Non-GAAP Adjusted Operating Margin <sup>(1)</sup></b>						
Operating income and operating margin — (GAAP)	\$ 48,870	10.2%	\$ 63,080	13.8%	\$ 62,856	11.9%
Non-GAAP adjustments:						
Insurance and claims <sup>(2)</sup>	799	0.1%	1,238	0.2%	1,300	0.3%
Depreciation <sup>(3)</sup>	-	0.0%	921	0.2%	-	0.0%
Amortization of intangible assets <sup>(4)</sup>	-	0.0%	-	0.0%	1,226	0.2%
Non-GAAP adjusted operating income and non-GAAP adjusted operating margin	<u>\$ 49,669</u>	<u>10.3%</u>	<u>\$ 65,239</u>	<u>14.2%</u>	<u>\$ 65,382</u>	<u>12.4%</u>

	Three Months Ended September 30,					
	2019		2020		2021	
	\$	% of Op. Rev.	\$	% of Op. Rev.	\$	% of Op. Rev.
<b>Non-GAAP Adjusted Operating Expenses and Non-GAAP Adjusted Operating Ratio <sup>(1)</sup></b>						
Operating expenses and operating ratio — (GAAP)	\$ 431,481	89.8%	\$ 395,176	86.2%	\$ 464,841	88.1%
Non-GAAP adjustments:						
Insurance and claims <sup>(2)</sup>	(799)	-0.1%	(1,238)	-0.2%	(1,300)	-0.3%
Depreciation <sup>(3)</sup>	-	0.0%	(921)	-0.2%	-	0.0%
Amortization of intangible assets <sup>(4)</sup>	-	0.0%	-	0.0%	(1,226)	-0.2%
Non-GAAP adjusted operating expenses and non-GAAP adjusted operating ratio	<u>\$ 430,682</u>	<u>89.7%</u>	<u>\$ 393,017</u>	<u>85.8%</u>	<u>\$ 462,315</u>	<u>87.6%</u>

## RECONCILIATION OF NON-GAAP FINANCIAL MEASURES – TRUCKLOAD TRANSPORTATION SERVICES (TTS) SEGMENT (unaudited) (In thousands)

Non-GAAP Adjusted Operating Expenses, Net of Fuel Surcharge; Non-GAAP Adjusted Operating Margin, Net of Fuel Surcharge; and Non-GAAP Adjusted Operating Ratio, Net of Fuel Surcharge <sup>(1)</sup>	Three Months Ended September 30,		
	2019	2020	2021
	\$	\$	\$
Operating revenues — (GAAP)	\$ 480,351	\$ 458,256	\$ 527,697
Less: Trucking fuel surcharge <sup>(6)</sup>	(57,171)	(36,799)	(60,765)
Operating revenues, net of fuel surcharge — (Non-GAAP)	423,180	421,457	466,932
Operating expenses — (GAAP)	431,481	395,176	464,841
Non-GAAP adjustments:			
Trucking fuel surcharge <sup>(6)</sup>	(57,171)	(36,799)	(60,765)
Insurance and claims <sup>(2)</sup>	(799)	(1,238)	(1,300)
Depreciation <sup>(3)</sup>	-	(921)	-
Amortization of intangible assets <sup>(4)</sup>	-	-	(1,226)
Non-GAAP adjusted operating expenses, net of fuel surcharge	373,511	356,218	401,550
Non-GAAP adjusted operating income	\$ 49,669	\$ 65,239	\$ 65,382
Non-GAAP adjusted operating margin, net of fuel surcharge	11.7%	15.5%	14.0%
Non-GAAP adjusted operating ratio, net of fuel surcharge	88.3%	84.5%	86.0%

(1) Non-GAAP adjusted operating income; non-GAAP adjusted operating margin; non-GAAP adjusted operating margin, net of fuel surcharge; non-GAAP adjusted net income attributable to Werner; non-GAAP adjusted diluted earnings per share; non-GAAP adjusted operating expenses; non-GAAP adjusted operating expenses, net of fuel surcharge; non-GAAP adjusted operating ratio; and non-GAAP adjusted operating ratio, net of fuel surcharge should be considered in addition to, rather than as substitutes for, GAAP operating income; GAAP operating margin; GAAP net income attributable to Werner; GAAP diluted earnings per share; GAAP operating expenses; and GAAP operating ratio, which are their most directly comparable GAAP financial measures.

(2) During third quarter 2021 and 2020, we accrued pre-tax insurance and claims expense for interest related to a previously disclosed excess adverse jury verdict rendered on May 17, 2018 in a lawsuit arising from a December 2014 accident. The Company is appealing this verdict. Additional information about the accident was included in our Current Report on Form 8-K dated May 17, 2018. Under our insurance policies in effect on the date of this accident, our maximum liability for this accident is \$10.0 million (plus pre-judgment and post-judgment interest) with premium-based insurance coverage that exceeds the jury verdict amount. Interest is accrued at \$0.4 million per month until such time as the outcome of our appeal is finalized. Management believes excluding the effect of this item provides a more useful comparison of our performance from period to period. This item is included in the Truckload Transportation Services segment in our Segment Information table.

(3) During first quarter 2020, we changed the estimated life of certain trucks expected to be sold in 2020 to more rapidly depreciate these trucks to their estimated residual values due to the weak used truck market. These trucks continued to depreciate at the same higher rate per truck, until all were sold. Management believes excluding the effect of this unusual and infrequent item provides a more useful comparison of our performance from period to period. This item is included in our Truckload Transportation Services segment in our Segment Information table.

(4) Amortization expense related to intangible assets acquired in the ECM acquisition is excluded because management does not believe it is indicative of our core operating performance. This item is included in our Truckload Transportation Services segment in our Segment Information table.

(5) Represents non-operating mark-to-market adjustments for gains/losses on our ownership interests in TuSimple, an autonomous technology company, and Mastery Logistics Systems, Inc., a transportation management systems company. We account for these ownership interests under ASC 321, Investments - Equity Securities. We record changes in the value of our investments in equity securities in other expense (income) in our Income Statement. Management believes excluding the effect of gains/losses on our investments in equity securities provides a more useful comparison of our performance from period to period.

(6) Fluctuating fuel prices and fuel surcharge revenues impact the total company operating ratio and the TTS segment operating ratio when fuel surcharges are reported on a gross basis as revenues versus netting the fuel surcharges against fuel expenses. Management believes netting fuel surcharge revenues, which are generally a more volatile source of revenue, against fuel expenses provides a more consistent basis for comparing the results of operations from period to period.



# WERNER

## ENTERPRISES

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