

Werner Enterprises

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- Ravi Shanker: So keeping with the transportation theme, back to TLs. I'm very happy to have Werner with us and CEO Derek Leathers. Thank you for being here.
- Derek Leathers: Thanks for having us.
- Ravi Shanker: So, obviously, interesting times in the space. We've spent much of the last day and a half kind of trying to get a sense of what people are seeing out there in terms of market trends. I think TL, in particular, are pretty interesting because you've had a really tough first half, a really bad July, and then suddenly in August, which I think one of our previous speakers described it very colorfully as the "armpit of the year."
- You were supposed to see nothing and suddenly the data points started to improve, right? So does that give you encouragement or do you fear it's a head fake once we are on the right track?
- Derek Leathers: No, I think it gives us encouragement. The ride for the last 18 months has been pretty interesting, obviously. 2018 went up quicker and faster and tightened more aggressively than what we've seen in prior cycles. I think the pull forward at the end of 2018 bled into 2019, and we saw over-inventory levels and so -- not to mention multiple head fakes, if you will.
- And the first half, that had a lot to do with external factors, not underlying economic conditions. I think tariffs and trade and some of the rhetoric caused people to behave a little more radically than normal. And it made for a very interesting first half. I'd agree that as we started in the second half, we commented in our Q2 call, you know, that it was still less robust than the normal seasonality. And I think we've seen some correction of that as we move forward in the quarter.
- You're starting to see seasonal trends, seasonal pickup, things that look more normal than not. It's still not 2018. I mean, 2018 is still a once-in-a-career type year, in all likelihood, but that really also will depend on some things that are still coming down the pipe regulatory-wise. So, in other words, we could see another one depending on where hair follicle and drug and alcohol clearinghouse and other things lead.
- Ravi Shanker: Good. Just maybe starting off on the supply side of things, like in our data we are starting to supply improve more than demand in August at least. So, A, are you seeing

the same thing and, B, is it driven by carrier bankruptcies? What are you hearing out there? Do you feel like that's going to accelerate as of the rest of the year?

Derek Leathers: Yes. So I think if you look at bankruptcies, bankruptcies are up quite a bit year-over-year. And that would be expected when you see spot rates drop by 25%.

Ravi Shanker: Sure.

Derek Leathers: For those carriers, which is the predominance of the industry that are between, call it, five trucks and 200, they're operating 20% to 50% of their business in the spot market. None of those carriers were making 20% margins last year, and all of those carriers are enduring 25% lower spot rates.

Ravi Shanker: Yes.

Derek Leathers: So I think both the combination of those that have already went bankrupt, and those that have to idle equipment because they simply can't operate even to cover variable cost or to try to help out with their coverage of fixed costs, they're simply not able to operate in today's rate environment. So that's tightening capacity. I like the discipline we're seeing across the industry with order rates, truck cancellations and everything else, all which sends pretty positive signals around where capacity is headed in the future.

Ravi Shanker: Good. Speaking of where capacity is headed in the future, obviously, 2020 is going to be characterized by a number of catalysts that could potentially restrict supply. So one of the things we've been doing onstage is, like, asking companies or management teams to maybe rank order those factors in terms of which ones would probably have the biggest impact and which not. So between AOBR to ELDs, the insurance spikes from ELD data of running for your drug and alcohol clearinghouse, IMO 2020, kind of, which ones are you thinking have the biggest impact on supply?

Derek Leathers: So, I think we have to be practical and rank them both on what we think the impact will be but also in the odds of them actually occurring. And so if I was to make that list, I think the insurance cost is on us right now. And so, right now people are enduring the cost of insurance renewals, and it's often the difference between staying open and not. And so these carriers that are seeing 70% to 150% type insurance spikes don't have that to give. And so something is going to give there, and it's usually at the expense of the carrier. So I think that one has to be very, very high on the list mostly because of the immediacy of the impact.

ELDs is I think a real impact that's gone under the radar. I think people are really confused with what it means to be ELD-ready versus ELD-compliant. So they have ELDs on the truck, but they're not operating under the ELD rules.

Ravi Shanker: Can you elaborate a little bit? So just because you have an ELD does not mean are you ELD compliant?

Derek Leathers: Correct. Because ELD compliance, final compliance isn't until December. So you could have an electronic log on the truck operating under AOBR, which I believe is still the majority of the capacity out there. Yet you are ELD-ready, and you can flip a switch and be ELD-compliant, but you're going to wait to flip that switch until later.

As you flip that switch, you'll be more constricted because the final ELD implementation, which is in December of this year is more constrictive than those same rules under

AOBR. And so that impact isn't 5%, it's not this massive shift in capacity. But I think it's every bit of 1% up to about 3% of a productivity impact. We've switched, and we are both ELD-ready and compliant, and our fleet is operating fully under ELD rules as we speak, and we know there was some pain during that transition. And I think it's important because in our case we've delivered nearly 19 billion miles on electronic logs. We're the first person in America to switch to it.

And so we had a lot of experience with electronic logs, and yet still did see degradation as we made that final conversion. I think it's a good window into what's going to happen as others may get back to the list. I think the drug and alcohol clearinghouse is bigger than that, both bigger than insurance and bigger than ELDs, but it's also further off because it's January. I think the delay is being misunderstood or sometimes confusing. The delay is only as it relates to state and federal agencies working together and being able to mine that data real time.

We will be expected to mine that data in January. So January we'll go live. We will be expected to query that database on every hire. We will be expected to submit every failure and, not surprisingly, the expectation for private industry is far greater than that of the government itself. And so somewhere in the next three years they'll finally hold themselves to the same level of accountability, but in the meantime we'll go live. That will be an impact. You will see failure rates, you will see people -- today we have no clear visibility to a failed drug test. We know intuitively through a variety of mechanisms but we have no clear visibility.

Once everybody has that visibility, they'll be forced to act upon it, and it will change the hiring pool, because people talk all the time about the driver shortage, and there's plenty of drivers that have CDLs. There's not plenty of qualified drivers. And so about 3% of the applications we get on a weekly basis actually translate into hires because 97% are unqualified for a variety of disqualifying reasons. So that's big.

And I think the biggest of all, which we didn't mention, which will face an uphill battle to see to happen in 2020, but I'm of the opinion it still has a better-than-average chance of happening in the back half of 2020 is hair follicle. As hair follicle becomes an approved testing mechanism, it doesn't have to be mandated, we just need it to be an approved and accepted test. Once it's approved and accepted, if you don't do it, you're going to have to explain to eight or 12 men and women on a jury someday why you didn't. So the end outcome is that it's essentially mandated once it's accepted. We need it to become accepted. And then on just the cost side alone, for us, it's a \$400,000 a year cost tailwind immediately when we no longer have to double test. We've had hair follicle testing for four years.

Ravi Shanker: That's a very good nuance -- whether the hair follicle acceptance versus mandate. So when you look at all these factors together, do you have a sense or a very rough estimate of how much capacity you think comes out in 2020?

Derek Leathers: You know, I don't know, because it takes a long time to kill a trucker, first of all. They find a way to continue to survive. I think there is a large swath of this industry today that's operating at a loss. If you were north of 20% of your business in the spot market today, I have a hard time believing that you're doing that at less than a 100 OR. So how long can you be at less than a 100 OR really has a lot of other things in play. How much debt are you carrying? You know, they're benefiting from low interest rates and other things that is making that a little more sustainable. But I think there's a bunch of folks in trouble.

We've seen spot rates starting to creep back up now, and if they creep back up fast enough, that will save a lot of truckers. I think you'll see spots in the peak following normal seasonalities as we get deeper into peak. That will save a lot of truckers or at least extend their life a little longer. But they're on life support either way and so whether they make it or not will be -- it's tough to predict, but I think capacity corrections are upon us.

Ravi Shanker: Got it. Just switching to demand trends, you briefly commented on it at the start of your comments. But are you seeing any signs of peak season already and do you feel like you're going to see a normalized peak season this year or, kind of, is there no such thing anymore?

Derek Leathers: I don't know about the word "normal" because every year seems to be so different, but I would tell you that, yes, we're having good dialogues on peak season. We've already firmed up some of our peak season commitments. Those are looking to be more like normal peak seasons that we've seen traditionally in 2017 and 2016 and in prior years. They're not going to live up to 2018. 2018's volume and premium rates that were available during peak season are, again, probably a once in a very long while kind of opportunity. But I feel a lot better today as I sit here than I did even on our Q2 call about the confidence in our shipper community, about what their people look like and, therefore, their needs for capacity to support it.

Ravi Shanker: Got it. Switching gears from the industry to Werner, specifically -- there is this kind of perception out there, kind of, it's obviously supported by results that Werner, obviously, because of your dedicated footprint is more of a defensive trucker and, kind of, you're a good stock to own when times are tough, which has been the case here, your stock has done really well in the last year or so relative to peers. But because your exposure to spot rate is relatively lower when the market rebounds, you don't, maybe, do as well. Can you just maybe help us understand how dedicated it really fits in that overall market trend perception?

Derek Leathers: Yes, I think, personally, it's a bit of a misnomer. I think when you look at prior cycles, and you think about Werner, you really have to think about who was Werner in those prior cycles. And we were not operating where we needed to be in good times or bad. We were not the efficient operator, the high-quality operator that I think we needed to be.

I think we've proven in 2018 that this premise that dedicated is going to be an anchor was specifically disproven, in my opinion, in 2018. In 2018 there was a market where rates were going up, an opportunity to take rate was there. Werner didn't lag its competitors, as a matter of fact, it exceeded most of its competitors, if not all in some quarters. And I think in the worst-case scenario we were third out of 13 in our ability to take rate. And that was, within 2018, having 55% of our fleet in dedicated.

So it wasn't the anchor that people think it is. You can go out and take rate in Dedicated if the market tightens because, we would have to, because with a tighter driver market we need to go out and ask our customers to support us so we can support our driver and our operation overall.

So I think our defensive positioning is a great thing in down markets and not nearly the headwind that people believe it to be in markets as they start to climb.

Ravi Shanker: Can we talk about dedicated for a minute? Obviously, a real success story for you guys and not just you guys, some of your peers and competitors as well. Why is dedicated doing so well? Is this just shippers saying, "Okay, I was burned by 2018, so I'm going to go and kind of lock in my rates for the long term." Or is this some kind of structure shift in the marketplace where shippers are saying, "You know what? This is not what I need to be in and so won't you run my transportation for me?"

Derek Leathers: So I think activity in the market is both of those things. We try to focus fundamentally on the latter. We want to work with shippers that structurally and fundamentally believe having an outsourced dedicated solution with 99.5% on time or better makes them a better provider to their end customer and makes their product more valuable on the shelf. That's who we want to do business with. There were a lot of people in 2018 that put out bids for dedicated that were really just looking for shelter from one-way truckload pricing. We tried very aggressively to not let any of those in the tent because those were going to go away, and did go away this year for some people that took those fleets in, because as soon as they could go chase one-way pricing they did. And when one-way pricing can chase spot, they'll do that, too.

And so one of the philosophies that I've tried to instill in our organization is, kind of, this alignment with winners. I talk about it every chance I get. But we need to work with, and we need to align ourselves with retailers and other customers that are winning in their space. Winners value service, winners pay a premium to have their product on the shelf. Losers build inventory and try to take cost out of supply chain. That's what happens.

And so we want to make sure we're working with winning models, and I think if you do that those dedicated fleets are sustainable, those dedicated fleets come at a premium. Those expectations of those fleets are extremely high, so the shippers are tough, and they have high expectations. And they should because they're paying a premium for that product, and they should expect it to be on time every time. That's who we're really trying to align with.

I would tell you that I think in 2018, we purged the majority of all of our, sort of, profiles in dedicated that didn't fit that. We came in at 2019 with less than a handful of them left, and now a couple more of those are gone because, honestly, as soon as times get tough, those people that are masquerading as dedicated to avoid one-way pricing end up chasing right back to one way or spot. That's not the kind of business we want to do. The dedicated we do you could not do in the spot market. It is not feasible. You can't do it in brokerage, you can't do it in logistics. It's got to be done by a high-quality asset player.

Ravi Shanker: Got it. How much of the truck market today is dedicated? And, kind of, where do you think that number goes in the future.

Derek Leathers: Boy, it's hard to say. I would probably struggle even to venture a guess, because I do believe that there are more designated fleets out there operating within dedicated as an industry than there are true dedicated. All I know is in our business, we want to focus on true dedicated. You know, the stuff that is, again, hard to service, high driver involvement, high quality driver, expectation. If 98 doesn't get you fired, then it's not the kind of dedicated we want to do business at. 99.5 is the expectation, 99 you're on probation, and 98 you're looking for work.

Ravi Shanker: Okay, got it. From a top fleet perspective, your fleet was pretty stable this year. I think you grew in dedicated. Is that the new normal? Is that what you would be expected to see in 2020 and beyond?

Derek Leathers: Well, look, we don't have a magic percentage set. We've talked, and it's been inferred that 60% of our fleet in dedicated is probably where we're headed. I think that's safe to think about it that way. But the truth be told, you know, inside of one way what we really want to do is transform what's left in one way and make that also more of a service-sensitive fleet.

So we're going to focus on Mexico, which is more complex, higher service standards, and we're going to focus on team expedited. If those markets become more robust, if you see more progress in post-USMCA and the ability for us to grow that franchise, we'll do that. But it's got to be at the return levels and expectations that we set for us to do it. And until we have clear line of sight of that I think you'll see more migration to dedicated.

We need a one-way fleet. I mean, at the end of day what we won't do is wake up someday and be 100% dedicated because in order to 99.5% in dedicated you need one-way soldiers out there that can come to the battle when you need them. And so you have to have a one-way presence. I think 60/40 is feasible. I think something higher than 60/40 as a split is feasible. I don't think you even wake up at 70/30 and because if you do, you start to tarnish your dedicated franchise because of lack of flexibility.

Ravi Shanker: Got it. Can we talk about Mexico for a second? Can you just remind us how big Mexico is for you guys as a company both revenue and profitability? I also -- we saw one of your peers recently exit their Mexico business because of challenges they face there. What do you guys do differently, kind of, what excites you with that business and, kind of, how do you deal with some of the geopolitical risks there?

Derek Leathers: Sure. So we don't disclose Mexico as a standalone number, but I will tell you that in our one-way network, over 55% of our one-way network is Mexico and team expedited with Mexico being the larger of the two, so it's a big part of what we do. Profitability, it's at the very top of the list. It's our most profitable business that we have. We think about it as a strategic asset that really matters.

You know, in terms of my personal background, that's what I did for a living. That's where I started my career. I lived and worked in Mexico City, I ran a Mexican trucking company for years. And so our connections and our roots in Mexico are simply much stronger than most others. And we're fortunate, and we leverage this franchise every chance we get because when we go to Mexico, we are able to be culturally appropriate and linguistically appropriate. I'm fully bilingual, all of our meetings are conducted in Spanish, I meet with all of our top customers, and we do everything we do down there in their native language.

I think that presents just fundamental advantages to us. As far as geopolitical risks, yes, they're there. I think there's a lot more air in the room on that than there is reality, meaning, you know, yes, do we dislike when tariff announcements come out and threats come out and all of that -- absolutely. And is that a concern? Sure, it is.

At the end of the day, our two economies are way too intertwined, and so we can puff our chest a lot on that one. I don't think you're going to see, ever, the cord cut. Because if you did, you'd see empty shelves across America in a hurry. You'd see the assembly lines laying off people within days. We are really an intertwined economy, and I think that's here to stay.

- Ravi Shanker: Got it. Let's shift gears a little bit and talk about the OR. Clearly, you've seen a trend toward improving OR in the industry over the last couple of years, partly driven by the market in 2018. But also I think that investors may be surprised at how much the ORs didn't reset this year given how much the market has pulled back. What's the trajectory of OR at Werner? Do you guys have new long-term targets that you're aiming for? Especially given what some of your peers have done?
- Derek Leathers: Yes, so our long-term target in TTS, our trucking portion of our business, is margins over the cycle of 11% or greater. I'm certainly going to be focused on the greater part of that every chance I get. I think if you look at 2018 we didn't go chase spot market to race toward some OR number that was going to be short-lived. Our spot market exposure in 2018 in one way was 10%, 5% of total miles, so we did it the old-fashioned way. We did it through contract negotiations, we did it through execution and cost control.
- That means that in 2019 you wouldn't see the degradation of OR when the market softened, and that's why you have it. I mean, yes, OR has become challenged, but second quarter, I think, our TTS OR was 10.9% or 10.8%, and so we're still -- we were shy about 11% or greater, but that's an over-the-cycle goal, and we're right there even in one of the worst moments in the cycle that I've seen in a long, long time.
- So I think it's sustainable. I think we're going to keep chipping away at it. We still have cost controls on the horizon that we feel pretty good, things that we can do to take cost out to become more efficient. And, at the same time, as Mexico and Team Expedited continues to become a focus and we get better and better and extend our lead. We're the number-one player in Mexico, and I think that lead is being extended. As people exit, that's a good thing for us. We're happy to help them pack, and we'll continue to do what we do.
- Ravi Shanker: Can we talk about the last mile business? It was sort of a new initiative that you guys announced, what, a year ago?
- Derek Leathers: About a year ago, yes.
- Ravi Shanker: How is that progressing? How big is it for you guys? What have you learned so far? Because, again, there are some entities who have been doing this for a long time who are very successful at it, but there are other entities who have not had as much success. And, again, one of your peers recently shut down their final mile business. So where are you guys in that process?
- Derek Leathers: So the biggest thing I've learned is that I think there are high-quality providers at regional levels across America that do the work already well. Our job is to figure out how to take that work they already do well and aggregate it in new systems and technology and visibility to make their product more valuable to the end customer. We're looking at it purely as a non-asset play. I think Mexico is a great analogy for this. We're the largest carrier doing business to and from Mexico and yet we're the only one that doesn't own a Mexican carrier.
- That's a strategy, that's a choice. I don't think you should go out and try to reinvent wheels. If there are high-quality players in Mexico, let's utilize them but let's bring some controls to bear, transparency to bear, systems to bear to make it a better experience for the customer but rely on their local expertise.

We view final mile the same exact way. We're going to use these regional and local players across America to do a great job. We're going to shine a light of visibility and transparency to what they do, provide a better UX or customer experience to our end customer, and do it without a lot of asset intensity. And I think it does create value, though, and that value comes at a price where we get paid.

It's growing very, very rapidly but from a very, very small base. So it's not material, we don't break it out yet, I don't foresee us breaking it out in the, sort of, pending 12 months ahead of us, or talking a lot about it in detail. I can tell you it is not a big headwind, it's not some cost leader, it's something that's getting closer to breakeven or even better than that every day. In the meantime the money that we spent since it is almost exclusively tech and visibility related, makes us a better middle mile provider, makes us a better trucker, makes us a better customer, makes for a better customer interface on the rest of our business. So we like what we're doing, and we're willing to let that growth happen at a more methodical clip than trying to rush into it and make some big mistakes.

Ravi Shanker: Got it. I'm going to do the sell side analyst thing, and you're going to hate me for it, but -

Derek Leathers: That's all right.

Ravi Shanker: If you're just building a network of regional providers, that sounds easy. Why is it so hard?

Derek Leathers: Building the network is real easy. Getting the providers all signed up and locked and getting their contracts in place and their pricing done and getting all of that done was the easiest part of all. What's really, really hard is then creating value with it. Like, there's no value in that alone. There's only value in doing that in a way that allows our customer to call -- make one call and have their middle mile solution solved along with the final mile end game, have visibility and transparency through Werner portals or Werner APIs or connectivity, and putting it on their desktop in a way that it looks like one carrier. That's hard. Getting them signed up and building the network isn't nearly as difficult.

It's also hard to keep them interested and engaged and energized and being signed up when volume is slower to follow, as you have to build out that value-added layer, which is mostly tech and tech interface.

And so it's been harder than I would have expected it to be, but I'm very encouraged as to what we're seeing right now with new additions on a weekly basis. Every Friday I get a new business report and there isn't a Friday that goes by that doesn't have a win or two or three or more. In final mile, we just have to keep building that out.

Ravi Shanker: Got it. I'll open up the audience for any questions.

Unidentified Audience Member: Hi. You mentioned earlier about the discipline and order rates having a positive impact on capacity in the market. Can you just talk about how long you think this low level of order rates will last for? And what would have to happen to catalyze a pickup in truck orders? And then if you can just comment on how much capacity you added to your fleet over the past two years and what your plans are going forward?

Derek Leathers: Sure. First off, it's a bit tough to hear, so I heard, I think, directionally, the question but not all of it. So if I don't get it all, just ask again.

How long will lower order rates last? I think they're going to last for a while. I mean, I think what you're seeing from an order rate perspective right now is just an acknowledgement amongst fleets in America that there was too much capacity that came into the marketplace. There isn't a burning platform to go out and buy any kind of incremental capacity, so you're seeing lower-than-replacement levels because, frankly, they're not, in many cases, getting the miles on the trucks they already have at the pace they would have normally expected, so they don't need to maybe replace at the level they would have normally planned for. I think you're seeing conservatism set in across fleets.

Data is more available to all of us than it's ever been, both ways, both to shippers and to carriers. So in the past I think these corrections took a lot longer because carriers would convince themselves for a quarter or two too long before they finally dug in and said, "Kill the orders, cancel the builds, and let's kind of regroup." And now data availability is such that you get that decision made much quicker.

We're going to continue to still buy trucks next year, but we're going to be buying replacement trucks. To the extent we have growth opportunities, we have trucks that we can run a little longer. We're not going to age the fleet, but we can run trucks a little longer and see 200 to 300 truck growth within existing replacement level orders only simply by utilizing equipment that maybe has more miles, capabilities within it and stay within our range.

How long does it take to really correct, I think, is the hardest thing to know is what happens to all of these used trucks that are in the hands of the smaller carriers that really have no market to sell to. If you've got a manual transmission truck with 750,000 miles on it today, I'm really not sure who buys that truck.

And so that's not what we're selling, so we're not overly concerned in our used market about that. But there's going to be these trucks out there that are going to have to find a home. I'm not sure where they end up. Traditionally, they ended up at ports and railyards. Those are some of the more regulated areas in America today, so they're probably not going there. So that bleed-off may take some time. But I think orders stay depressed throughout next year and people will reset and think about 2021 as a year that orders might come back again.

Ravi Shanker: Derek, you guys have your 5T plan. One of the Ts is technology. So can you just remind us again how much you guys spend on Derek and, kind of, what areas in particular you guys are focused on right now?

Derek Leathers: Sure. So we were a normalized run rate in, call it, mid-to-high 30s, and we are ramping that up significantly now. And so this year that run rate is going to be a lot closer to \$90 million, and so it's a pretty significant increase in how we think about tech spending.

But it's needed. I mean, we are at a time when we need to be doing it. The focus of it is all going to be on, you know, kind of, several different buckets, but one of those, and a big portion of it is in our logistics business, obviously. It's going to be focused on automation and taking and doing everything we can to do more with less in terms of headcount. It's going to be a lot on customer interface.

So we've traditionally built a lot of tech that is very robust, and I think very functional. But it was inward facing, profitability facing tech, and we have a gap, or had a gap, that we need to continue to make up on as it relates to the customer experience. Customers get wild pretty quickly by some of the bells and whistles that come at them. It may or

may not make their business any better and it surely may not make ours, but you've got to meet the cost of entry at those customer-facing levels. So we're spending on that.

I will tell you what I'm most proud of this year is that although tech has been a bit of a headwind in terms of the cost outweighing the benefits early on, that's always going to be the case. But in the piloted tech releases we've been doing, the actual benefits realized by the end users in those pilot groups is greater than expected.

So now our focus in the back half of the year is widespread rollout. So we rolled out carefully, we rolled out in geographies, and now we're pushing that tech out across logistics overall.

On the asset side, believe it or not, there's still tech enhancements that can and should be done, and we're doing those. So we're working on our optimization models all the time trying to better optimize our own fleet, kind of drink our own champagne. As you start to push yourself into the logistics space, you start to realize things that matter that you really need to make sure you're also utilizing in your own -- inside your walls. And we're seeing some of those benefits. So you're going to see focus there.

And, again, just automation and process automation is -- it's incredible the number of people that we used to have doing things that were really, sort of, not as meaningful type roles, and those folks now have opportunities to either elevate into more meaningful roles. Or if that's not something they desire then, obviously, then, over time, you'll see that SG&A line coming down.

Ravi Shanker: Got it. Just to close our thoughts on next-generation technology for trucks. Electric Level 4 autonomous, what kind of work are you guys doing there? What kind of conversations are you having with OEMs?

Derek Leathers: So we spend a lot of time. We're bullish on electric. We think electric is real, we think it's -- but it's going to take a really long time. So electric is one I always try to -- it's so hard to talk about because I've got to emphasize how real we believe it to be, and now we think that technology will work. But how much in the infancy we are from an infrastructure standpoint, charging, et cetera.

And the last piece that gets really under-focused on is where we would reside in the list of end-users, meaning as electric really takes hold and really starts to become more functional, it needs to go into local regional environments first, that's where it makes the most sense. It's where it has the best environmental impact. It's where they can use it tomorrow versus, you know, years from tomorrow with infrastructure catching up.

So I don't know that we'll be a big adopter of it, but we actually have received electric test trucks. We will be putting into service electric test trucks this quarter, and I think that we will try to stay at the forefront autonomously. What we like about it is what we get from it is driver-assist technologies. I think that's really what we're going to get from it for a long time. I think as they continue their quest for Level 4 autonomy, even as they arrive at it or even beyond it, there is fringe applications where it's going to make the most sense. And those fringes are big.

It's not some little niche thing, it's real. But if you look at GDP growth over the 15-year horizon that it probably takes you to get to Level 4, Level 5 on any kind of large-scale basis, total driver count needs to grow. The net need for drivers is higher 15 years from now than it is today even with 15% implementation of autonomous trucks. That's what's

not being understood, and that's what hurts enrollments, and we try to message that every chance we get. Truck drivers are here to stay for a long time.

Ravi Shanker: Got it. Fascinating times. Derek, thanks a lot for joining us.

Derek Leathers: Thank you.