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Citi Analyst: Christian Wetherbee

Werner Enterprises: John Steele, EVP and CFO. Chris Neil, SVP Pricing and Strategic Planning

Christian Wetherbee:

Joining us from Werner, we have John Steele, who is EVP, CFO and Treasurer of the company. We have Chris Neil, who's SVP of Pricing and Strategic Planning. And so, I wanted to welcome both of you to the conference. Thanks for joining us in person. We're very excited to be here in person, of course.

And I guess maybe the best way to get started would be to kind of dig in a little bit in terms of sort of what the environment looks like here in 2022. And just as a reminder to folks, both in the room as well as on the webcast, there's the opportunity for you to ask questions and we will take those questions and ask it to the gentleman up here on the stage. So, feel free to participate. Love to have it as interactive as possible.

So maybe with that, let's kind of jump in and sort of get a sense. The first quarter, I think, has generally been interesting in the respect that January was somewhat disrupted from, I think, a COVID perspective. Labor availability issues were prevalent, I think, probably at your customers as well as the industry itself. But wondering if maybe, John, you could take a minute to give us a little bit of a sense of the lay of the land as we sit here in the first quarter and then maybe we can talk a little bit bigger picture about 2022?

John Steele

Okay. Thank you, Chris, and thanks for welcoming us here to Miami, certainly different than the temperature in Omaha this time of the year.

Christian Wetherbee:

Yes.

John Steele:

The lay of the land from a freight market standpoint is, it's been a pretty strong overall environment, moving from the seasonally strongest quarter of the year with peak season pricing in fourth quarter to generally the seasonally weakest time of year that usually has winter weather challenges. We've had some winter weather, but not a major or outsized amount this year.

From a freight demand standpoint, it's been good. It's continued to be strong, more freight available in the market than what we have from a capacity standpoint. One of the things that you pointed out that we referred to in our earnings call a couple of weeks ago was the Omicron impact did really affect our fleet, both from a labor and truck standpoint in kind of, most of December, and I'd say peak about mid-January, and then started to moderate. I think we had 3% of our truck fleet out with drivers with COVID at the peak, and that's now below 1% level today. So, it's much less significant, but it did challenge truck growth and driver availability and miles per truck during the early part of the quarter.

Overall, we're pleased with how things have progressed from a retail standpoint, from fourth quarter thus far in the first quarter. And the biggest challenge remains supply chain and the truck situation. I mean trucks are even more difficult to get than drivers at this point and both are difficult to come by.

Christian Wetherbee:

Got it. No, that makes sense. So, if we think about some of the biggest challenges, like you said, I think, resources, so both trucks and drivers are going to be an issue. But let's think about the demand side. Obviously, you have a skew towards retail and in some cases, discount retail. Can you give us a sense of maybe from a customer standpoint, what you're hearing demand-wise? And then you do a great job of looking into inventories and getting a sense roughly of where your top 10 or 15 customers stand inventories to sales. Can you give us a sense of where inventories are as well?

John Steele:

Yes. Since Chris handles pricing, I think I'll let him take the first part of the customer question, then I'll finish up with inventory.

Chris Neil:

Yes. Thanks for having us. Nice to be in Miami. So yes, so far on the pricing side, on the One-Way side, we've seen a continuation of a strong market. We started in terms of contractual rate renewals last year, they started in low or mid-single digits, that increased into upper single and lower mid -- I'm sorry, to mid-double digits by the end of last year, and that's continuing. So, we're seeing a similar kind of rate environment so far this year that we saw towards the end of last year. I think our high service has enabled us to meet customers where they are, and they value those services, and as a result, we've really been in pretty good shape so far.

John Steele:

I would add to that, 3 of our top 10 customers awarded us Carrier of the Year within the last 4 months. So, service has really been a big part of what we've been achieving so far.

As far as inventory, we're 75% retail, food and beverage. In the retail, companies are just reporting now. Walmart reported on Friday, Home Depot this morning, we'll get a few more this week and next week. So, there'll be some real-time updates that will be occurring as this conference goes on that will help us better assess the market.

But in general, I would say most retail customers have made progress on their inventory levels. Walmart, for example, said they were in a better position for their in-stocks than they were, say, two and three quarters ago. But at the same time, they said most of their inventory increase was in transit. So, retailers take ownership of title to the inventory when it's shipped. And so, it may be waiting out on the Port of Long Beach or in process, and it's not yet on the shelf. And that's a challenge they faced all year long.

So, I think they're making improvements, but they're still anticipating that they'll have in-stock issues for the remainder of this year. And the big wild card is how quickly does the supply chain fix itself.

Christian Wetherbee:

Yes. So, I guess on that point, as you think about your mix of Dedicated and over the road or One-Way Truckload, when we think about the supply chain dynamics that are occurring right now, I would guess that provides a decent tailwind to the Dedicated side of the business.

That's clearly where you've seen growth as you're thinking about sort of new customer wins, start-ups, those kinds of things. What does the pipeline look like from a Dedicated standpoint? And how do you sort of marry that in with what you're seeing with the supply chain?

John Steele:

Well, we've been intentionally growing Dedicated for some time, and that continues. There's a greater retail emphasis within our Dedicated fleet than there is within our overall company. So, we're close to 2/3 of our Dedicated businesses, retail and consumer products. So, we like growing with winning retailers who are succeeding in their space. Some are adding stores. If they're not adding stores, they're adding capabilities to their storage space, warehouse space at their facilities. So, we see good opportunities to continue to grow that.

Dedicated also is an excellent fit for the driver side of the business, because frequently those distribution centers service a three or five state area surrounding the DC. Drivers get home more frequently. The service expectations are extremely high. So, it's not easy for others to replicate. But the ability to get drivers home frequently is an increasingly important issue in this market, if not even more important than pay. Pay levels are up significantly in the last year. Now, it's every bit as much about lifestyle as it is pay for the driver base.

Christian Wetherbee:

Got it. Got it. That makes sense. So now let's think about that in the context of the guidance. You guys have given us some longer-term guidance parameters to be thinking about, which does include sort of annual fleet growth. So how do we think about 2022 from a fleet growth perspective, Dedicated versus the One-Way Truckload?

And then as you think out over the next several years, can you talk a little bit about how you might expect that? I know there were some conversations on the call, you do sort of include maybe some, I don't know if it's a recession, but certainly some slower economic periods in the long-term forecast. So how does that all play out with fleet growth? Because that's been challenging to do in certain markets, particularly this one.

Chris Neil:

Yes. Fleet growth has been extremely challenging for sure for everybody across the industry. We were lucky enough, and fortunate enough with the investments we made in our driver training schools to be able to grow our fleet a little bit toward the end of last year, and we think, even though it's going to be a struggle, that we can continue to do that.

So, I think as it relates to the growth, we've guided on a 2% to 5% fleet growth by the end of the year. So that's a little bit on the lower end of the 5-year plan, which is more in the mid-single digits in terms of fleet growth. So, this year is going to continue to be challenging, both with drivers that are limited in their supply, that's still extremely challenging along with the equipment side.

In terms of the 5-year plan that we talked about, we have assumed that there is going to be some better and weaker freight environments. And so that's -- who knows exactly when that's going to be. A year ago, when we would have been at some of these conferences talking about that, we would have thought we would have been through some of that, and here we are. But it's not a -- the plan is not a straight-line growth plan at all. There's definitely some puts and takes in there, and there are some assumptions around what would happen in better years versus weaker years. As it relates to this year, specifically, we're a little bit on the lower end of that at 2% to 5% because of the driver and the equipment issues that are out there.

But, Dedicated continues to be a strong service offering for us. It is one of those areas where we're involved in very hard to service kind of business. And we're hard to displace in that business. Our ongoing rates in terms of continuing what we've done is north of 95%. So, we feel really good about being able to continue with the fleets that we've had long-standing relationships with.

And in addition to that, we brought on some new fleets last year. We've mentioned that we brought on a strategic customer here in the fourth quarter of last year. And so, we're continuing to expand in that space. We think with customers more forward deploying of inventory, we think with shippers that are expanding their footprint and developing new DCs that shorter length of haul business will continue and therefore, support more of that really high service Dedicated business that we think we do pretty well.

Christian Wetherbee:

Got it. Do you think there's any risk in putting a sort of fleet growth target out there in the respect that maybe there are incentives to be growing in markets that maybe aren't the best ones to grow in? I guess you guys have a steadier than average truckload business model because of the Dedicated shift. So, I'm guessing the answer is you feel the Dedicated piece of it is sort of provides you that long-term trajectory to fleet growth. Is there any other concern about that? I'm guessing the company would pull back in scenarios where the market just doesn't warrant it.

Chris Neil:

Yes, we need to be flexible in different freight environments. And you're right that we think that the Dedicated fleet and the growth opportunities that I just mentioned a few minutes ago, does give us a little bit better visibility into what that fleet size might look like in the future.

At the end of the day, though, we're not totally shifting to growth by any stretch. We continue to think that margins are important. We have our TTS guidance range of 12% to 17%. And we've reiterated that we expect that to continue through the glide path in the next few years.

So, we're turning our eye and focusing a little bit more on growth, but at the same time, we're not losing the Werner that you've known, which has been very intentional on creating good margins and maintaining them.

Christian Wetherbee:

Got it. That certainly makes sense. And then just coming back to pricing for a moment, we're kind of on the early end of what would be the normal sort of bid season that we would be going through. Can you talk a little bit about some of the initial conversations? Do you think there's anything unique or different about this year in terms of the approach either you or customers are having to that process?

Chris Neil:

Yes, you're right. Bid season is upon us. It came upon us quickly, but we're in the early stages in the early innings of the bid season. I'd say, first of all, in terms of the activity in the bid season, it's been extremely robust. And I'd say that both as it relates to the One-Way side and the Dedicated side. We've got strong, strong pipelines in both sides. So that's the first thing.

We've also, I think one of the unique things is, you ask what's different, we have seen with some of our larger national shippers a desire, and we're equally desirous of negotiating some of the pricing outside of the bid. So instead of going into the bid environment, we've agreed on a chunk of business that works well for both parties. It fits well within our network where the customer feels like they're receiving a very good level of service, and we've been able to kind of take some of that business out and negotiate it separately in advance of the bid -- we think that's fantastic. It enables both parties to mitigate the cost of change because you're continuing on with that business.

One of the big costs of doing a bid for both parties, the shipper and the carrier, can be the extreme cost of change, where we're repositioning equipment because the lanes that you did, you no longer have, the customer may have some service

disruptions during that time. So, we've been wanting to do this and have done it for years, but we've seen a little bit more of, more shippers who are thinking along the same lines as us and willing to do that. So, I think that's been one thing that's come out of there.

We've seen a little bit of bids that have been shorter term in nature. That's been a talking point, I think, around, and that's something that we've seen as well. So, I think the shippers are trying to align their capacity with the current market. We've seen bids that have a duration anywhere between a month to maybe six months, so that's creating some of the additional activity in bidding as you're just more frequently bidding the same business.

And I'd say that we really haven't seen anything much different early in the bid season than what we saw in 2021 in that respect. So, a couple of different trends happening, but that's in general, similar to what we saw in '21. And so far, we feel really good about the bid season. We're again, early on, but with the discussions that we've had with our larger shippers in that space, they've been very collaborative, they've been happy with their service, and they've been anxious to secure more business with us.

Christian Wetherbee:

When you think about -- how do you react to one month, or three month, or six month requests from a bid perspective? So, I guess, #1, that has the potential to sort of increase your "spot exposure" I guess if it's a one month contract. That's pretty close to what a spot market type of environment might look like. And I guess it also creates, from an administrative perspective, I would imagine a decent amount of incremental work as well. So how do you sort of balance those puts and takes? Is that just on the margin? Or do you see maybe more of a real push towards some of those shorter duration bids?

Chris Neil:

We haven't seen a huge push in that direction. Certainly, with more of our consistent long-standing shipper base, we haven't seen much of a shift. I think some of them have been forced into moving in that direction because they have been wanting to align capacity better with the pricing in the market, so that they're not exposed to the spot. They get their contract rates a little bit more consistent what the market rates would be, so that they can have that consistency vs the unknowns of rolling out in the spot.

And it really has been variable depending on certain shippers that have been more into that segment than others who really haven't changed their approach hardly at all, that we've seen at least.

Christian Wetherbee:

Got it. Okay. That certainly makes sense. So, in terms of the cost side, so I think you guys have done some work in terms of securing drivers and paying up to a degree in the back half of 2021 to ensure you're in a better position, I think, for growth in 2022. So, I know you have the long-term margin guidance out there. I think the guidance for 2022 is a little bit of a moderation relative to where you had been before. But can you talk a little bit about maybe how the shape out the year in terms of a margin standpoint in the TTS side of the business?

John Steele:

Yes. So, we achieved not quite a 16% margin for the full year, ended with another strong, north of 18% quarter in the fourth quarter, right in line with what we did a year ago. And we clearly had more cost pressures in the back half of '21 than we did in the back half of '20. So, while this extreme economy that we're dealing with, due to all the residual impacts of COVID, make it hard to predict exactly how costs are going to play out, we think we're in a pretty good place to be able to keep rates, at least equal to, if not ahead of costs going forward, so that we have the opportunity to expand margins somewhat, from pretty high levels, based on our achieved margin that's at the upper end of our range. But there's a lot of variables. So,

there's obviously something that will probably happen in the market that we didn't anticipate, and we'll have to adjust and adapt.

Our confidence is greater because of our Dedicated portfolio. We think that puts us in a really strong defensive position, in what's been an offensive, or maybe even some shippers would say offensive market. I mean they've been challenged with labor issues, with supply chain issues, we've had OEM challenges; about everything that could happen has created a huge imbalance between freight and truck driver availability in this market, and we've all had to adapt and adjust.

We think our Dedicated infrastructure, which is more durable, more consistent, more dependable, more stable, puts us in a position where we can perform well even if the market were to moderate at some point. Just look back to 2019 as an example. 2018 was, in my 33 years in the truckload business, 2018 was the best year we've ever had. And then '19 was a year where freight and rates declined relative to the really strong year in '18, and yet we were able to maintain our earnings from '18 to '19, which was pretty unusual within the sector. And we think -- we're not sure exactly what we'll get going forward, but we do think we're better positioned to withstand a change in the marketplace whenever it happens, as we move forward, based on the predictability and the durability of our Dedicated fleet.

Christian Wetherbee:

Got it. Okay. That certainly is helpful. And how do you think about what's going on with fuel today? So clearly, fuel surcharges are there, and I think it's a one-week kind of lag. So, you're relatively real time as you think about it. But when does that start to become a pinch point, particularly more on the One-Way Truckload side versus Dedicated, but talk about that as well?

John Steele:

Well, Chris deals a lot with pricing and fuel surcharges, so I'll let him handle that one.

Chris Neil:

Well, I mean, fuel has gone up significantly here so far in the first part of the year. It seems like -- I think it's gone up for like 7 straight weeks now or something like that, and it exceeded \$4 for the first time in years and years and years. So, it's definitely something that we keep an eye on.

You're right, we have fuel surcharges in place, of course, that are variable and help mitigate the cost of that. And as fuel continues to -- as it increases and accelerates, we are a little bit behind, a week behind in many cases, but that will catch up.

And so yes, on the One-Way side, we've got empty unpaid miles and that's part of what we consider in repricing various operations. We certainly have an idea and a view of what those unpaid miles are with certain accounts. And so, we can be flexible and adaptable in that way, and price some of that in, if we have to, to account for what we think is probably going to be a continued volatile fuel environment.

We've also gotten a little bit more laser-focused on our One-Way side than what we had in the past. And so, we're focusing on our engineered business, on our team expedited business, on our cross-border business and now recently, in regional short-haul. And so, when you can be more strategic, you can hopefully limit your out-of-route miles a little bit more than if you were variable and just kind of shooting all over the place. So that's another way that we've tried to mitigate the impact of some of that.

John Steele:

And historically, fuel surcharges have worked very effectively to recoup the higher cost of fuel. It's only when you see a rapid spike that you have a little bit of a pain point or if you see a rapid decline, you have a little bit of a temporary benefit that occurs. But over time, especially with our large Dedicated fleet, where we're paid on an all-miles basis, fuel has not been anywhere near as big an issue as what you would think it would be based on the price trends that you're seeing in the market.

Christian Wetherbee:

Got it. Makes sense. And then just sort of cost in general. So, inflation has been a big topic of conversation recently. So, John, in your seat, you're trying to think out over 2022, thinking about some of the dynamics that are going from an input perspective. How do we think about it or how are you thinking about inflation and kind of how it may play out over the course of this year in the rest of your cost base?

John Steele:

Yes. I mean, fuel and labor are the two biggest ones; we just covered fuel. Labor has been a significant challenge. I mean our driver cost on a per mile basis were up 22% year-over-year. In fourth quarter, a little bit of that was due to the length of haul shift, bringing on a regional operation and doing more Dedicated that contributed to it. But labor has been a challenge. And quite frankly, it's a challenge on the nondriver side. We operate in the state in Nebraska, which has got an unemployment rate below 2%, which is setting an all-time record for lowest unemployment rate for any state in the country. So, it's a difficult and competitive labor market to get and keep good talent.

The thing that does help to ease some of that, at least on the driver side of the business, is our Dedicated network. Typically, if there is a need to adjust driver pay within a dedicated fleet, we go to the customer, give them all the facts, explaining what's happening in the market, use empirical evidence to demonstrate that drivers need more money in that market to keep our trucks fully seated and provide the high level of service we provide. And it's a discussion that happens before the costs actually start incurring. So, in the Dedicated side of our business, we're insulated a little bit from that because we have the rate discussion before the costs actually incur.

On the One-Way side, where we have multiple, tens or potentially even 50 customers within the One-Way network where we've got to estimate what we think the opportunity is for rates and then establish the pay increases with the driver base. And if the market were to turn as we're negotiating, that could put our costs ahead of our rates. But historically, we've done a pretty good job of managing that. So, I don't have a big concern at this point, unless there is a dramatic change in the market conditions from what we have today, and it happens quickly.

Christian Wetherbee:

Yes. Okay. Got it. That makes sense. So, I want to take some time to address sort of the primary concern it seems to be in the equity markets as it relates to Truckload and Dedicated in general, which is the cycle. So, when you think about the factors that could drive a change to this cycle, I mean, obviously, there's demand and supply.

Supply is relatively constrained right now; demand seems fairly robust. The health of the consumer seems fairly robust, yet rates are at extraordinarily high levels. You have inflation, which is kind of cropping up and then you have the Fed potentially tightening this year. So, as you think about the dynamics of a potential cycle, any thoughts around any of those specific variables that concern you more than others?

John Steele:

Well, getting trucks and trailers are probably the biggest issue today, followed closely by getting qualified drivers. So that's an ongoing challenge that really hasn't eased at this point. As we look out to the future, we're not your traditional, garden variety truckload carrier that relies heavily on the spot market. I mean 10% of what we do in the One-Way market is spot. And One-Way is 40% of our total, roughly. So about 4% of our overall business is true transactional spot business.

So, we're really not relying on, and you could argue that we may be missing out on opportunities in this extreme market that we've been through from a transactional standpoint, because more of what we do is repeatable, Dedicated and the specialized One-Way Truckload business in the areas that Chris previously mentioned. So, we think we're better prepared and in a more defensive position to deal with, whenever the market turns. We're not predicting it at this point. I mean the things that are causing the imbalance between supply and demand still look like there are going to be issues for a good part of this year, if not the whole year. But at some point, that will change. And we think we've got the moat and the protection and the defense to be able to handle the change whenever it occurs.

Christian Wetherbee:

Yes. Absolutely. So, let's talk about the equipment side. So, there's been some conversation about, generally speaking, I think truck CapEx is up kind of across the board for 2022. Probably some of that is, assuming you're going to catch up on maybe some assets that weren't delivered in 2021 that hopefully will be delivered in 2022. What's the update from an OEM perspective? What is their readiness to deliver on the orders as it stands today? And how should we think about that flow of capacity as the year plays out?

John Steele:

Yes, we ended up getting about 80% of the trucks we ordered in 2021. And the year started off at 100% and maybe it was like at 95% by the middle of the year, and then fell down to kind of 60% levels by the end of the year. So, it gradually got more challenging as the year went on, and we're starting from that level now.

Now, what we're hearing is that it should get better gradually as the year goes on. I think Omicron threw a curveball into the mix from a labor standpoint that the OEMs didn't anticipate, and that indicates there's not a lot of slack in the system. So, whether it's chip shortages, component parts, labor, heck even delivery of the product, I mean trucks manufactured in Mexico have been impacted by COVID, so that they've had some delays in being able to deliver the finished product when the new trucks are built.

So, it's hard to predict with a high level of confidence, the timing of when the supply chain of new trucks will correct itself. We're anticipating it gradually gets better as the year goes on, but we don't know if we'll get another COVID curveball, or some other issue will come up that changes that. At this point, we're planning on being in a better position by third and fourth quarter on new truck deliveries than where we are now, but it's hard to determine with a high level of confidence.

Christian Wetherbee:

Got it. Okay. Makes sense. And then, I guess, thinking about the cycle, how do you think Werner, particularly the TTS business, behaves in a softer environment? So, we have the long-term margin target out there. But, in sort of your garden variety cooling off of the rate environment, how do you sort of calibrate where you think the performance can be within that range? It's hard to tell, a lot has changed with Werner over the course of the last many years as you obviously very well know. So, I'm kind of getting, trying -- and the profitability has gone up quite a bit. So, I want to get a sense of how you think about the sensitivity to the cycle within that range?

Chris Neil:

Well, we think about it a lot because we want to create a portfolio that we feel is defensible in nature and can handle any kind of market environment. You think back several years ago, and Dedicated maybe was 55%, 56% of TTS during one of the -- during the last downturn of 5 years ago or so. Now it's grown up to 63%. The volatility within that Dedicated part of our business is much less than what you'd see on the One-Way side. So, when you have a bigger percentage of your fleet that's in that less volatile, more stable Dedicated environment, we feel like we're in a really good position to handle that next downturn.

Even during the last downturn, we've got enough contractual rate adjustments that are contracted with our Dedicated business that will still see small increases. So, we don't expect price to go down on the Dedicated side. Obviously, there's going to be cost pressures, and there will be other things that will be a struggle, and it won't be easy.

But we feel like we've structured our portfolio around winning customers who are doing really well. And they won't be immune to the next downturn either, but we do a lot with discount retail, and they tend to do very, very well in markets that aren't quite as robust as the ones that we've been in the last little bit. So, we feel good about our overall portfolio. We feel really good about the customers that we're working with. That's been a huge focus of ours in the last five years, and we feel good about the contractual nature of some of those contracts that we've got in place.

Christian Wetherbee:

Got it. No, that makes a lot of sense. So, one thing that's also changed about Werner is the entry into the M&A markets, right? So, an acquisition this year or in 2021 rather, as you think about that opportunity set, M&A has been very active in transportation and particularly trucking over the course of the last six to nine months. How do you think about 2022 and beyond? Are there going to be more opportunities, more deals for you out there?

John Steele:

Well, for 30 years, I said our next one will be our first one, and that did change in the back half of this year. But, I don't think we've dived off the deep end of the pool without water in the pool. We're being pretty conservative and cautious, and the criteria on what's a good fit for Werner is very stringent. So, we did the ECM acquisition in July, an elite, very high-performing fleet based in Pennsylvania, serves a regional Northeast marketplace, extremely well, high-performing, strong margins, great management team, really low driver turnover, drivers get home quite frequently.

That acquisition, which is our first one, has gone really well the first eight months. They've surpassed our expectations. We've not seen the fleet decline in size. It's actually grown a little bit over that period of time, performed really, really well. And we spent a lot of time on integration, especially the back-office and IT, which we're working through right now. That's gone very well thus far. There's more work to be done, but good cooperation from teams on both sides to make that happen. So, we're excited about expanding ECM's reach in that market, and also potentially replicating that to other parts of the geography where it makes sense.

The second acquisition, a little bit smaller was NEHDS. They're a regionally based final mile provider, home delivery, big and bulky products, about 80% furniture, 20% appliances, serving that market with business that a lot of our large customers have a strong desire for us to have a bigger presence in that market. And NEHDS does that extremely well and consistently over a period of the 15 years they've been in business. So, we see great -- probably greater growth potential with NEHDS than with ECM, but both have good potential and serving an underserved portion of the market. It's not easy, two-person delivery teams, delivering to residences in a short time delivery window, doing it with 99%-plus on-time delivery service, that's a hard thing to do in this market.

We've been in the final mile business for several years. NEHDS takes it to another level. And we think there's great opportunities to grow with our customer base in an area of the business that's growing at 2x to 3x to maybe even 4x the overall business.

Christian Wetherbee:

Is there any appetite to do anything else now that you have something on the Final Mile side, high quality, high-quality Truckload acquisitions? Some of your competitors are doing LTL, those kinds of things. Anything else in the other end markets or different verticals that look interesting to you?

John Steele:

Not outside of North American Truckload Transportation and Logistics. So, within Truckload Transportation, it's either Dedicated or something that fits the business segments within our One-Way network, which is Mexico cross-border, short-haul regional, expedited and then our engineered fleets.

Within Logistics, it would need to be in Truck Brokerage, Intermodal or Final Mile. We don't have a desire to be something different that is beyond our current capabilities and expertise. We want to be the best at what we do, and we'll focus on North America Truckload Transportation and Logistics.

Our first priority is organic growth. And if the right situation comes along, and it's more of a bolt-on acquisition that's both additive to our business and accretive to our earnings, we'll consider it. But we see a lot of things that just aren't a good fit, at least for us, and we'll continue to look hard to find the diamonds in the rough that fit our business profile.

Christian Wetherbee:

Got it. A couple of minutes left. I don't want to miss out on talking about Logistics a little bit and getting a sense, particularly, let's talk Truck Brokerage and the environment there. Obviously, still a very tight spot market here in the first quarter. I would guess Brokerage has the opportunity to continue to grow relatively rapidly. We've seen that the last couple of years. Can you just give us a quick sort of outlook in terms of what you're seeing on the Brokerage side?

Chris Neil:

Yes, still really good opportunities in our Logistics Division. So, Truckload Brokerage, Intermodal and Final Mile are the three segments of Logistics at Werner. We found that with our shipper base, that as they've been able to -- or as they've grown and have had needs that we've been able to roll in with our Logistics segment, really add that extra, incremental service for them. We're really mode agnostic. And so, when a shipper comes in with an opportunity, we look across our portfolio and look to solve their problem. And in many instances so far this year, that's been through Logistics.

And so, we're investing heavily in technology there, and we're looking with our transportation system, working with Mastery, creating the Mastermind system. So, we think that that will continue over the next several years to allow us to scale that platform and grow it with a little more ease than what our current situation is in terms of our platform. So, we think continued technology investment, bigger scale, continued desire for our customers to work with a service provider with scale like Werner.

Within Logistics, we've seen some really good Power-Only growth this year. And we've seen shippers really appreciate that national, large-scale provider who has that trailer pool; enables them to be more flexible with loading and unloading where they don't have to deal with labor because it's drop-and-hook environment. We think that that's a segment that will continue to work in any freight market. We think that's going to be ongoing and that the pandemic really accelerated the acceptance of Brokerage in general and Power-Only even more specifically than that.

Christian Wetherbee:

Are there meaningful margin differences between Power-Only and sort of regular Truck Brokerage?

Chris Neil:

There's different kinds of Power-Only business. You've got the piece that's more transactional where you're just trying to show up and service the customer when they have those transactional needs. And then there's also Power-Only for us, at least, that's part of our consistent, stable daily work that we're doing. And so the margins differ even between that.

But in general, we feel like we've got really good opportunities in that space. We're absolutely looking to improve our margins really across the board in Logistics, but it comes with a lot of hard work, a lot of technological investment and a winning shipper base who's willing to work with you.

Christian Wetherbee:

Got it. Well, listen, I think that brings us to the end of our session. But thank you, John and Chris, very much for joining us. Really appreciate it.

John Steele:

Thank you, Chris.

Christian Wetherbee Appreciate it. Thanks.