



Werner Enterprises, Inc. (WERN)

Published February 24th, 2025 by Josh Arnold

Key Metrics

Current Price:	\$33	5 Year CAGR Estimate:	11.1%	Market Cap:	\$2.1 B
Fair Value Price:	\$17	5 Year Growth Estimate:	25.0%	Ex-Dividend Date:	04/14/25
% Fair Value:	191%	5 Year Valuation Multiple Estimate:	-12.2%	Dividend Payment Date:	05/07/25
Dividend Yield:	1.7%	5 Year Price Target	\$53	Years Of Dividend Growth:	5
Dividend Risk Score:	X	Retirement Suitability Score:	X	Rating:	Buy

Overview & Current Events

Werner Enterprises is a transportation company based in Omaha, Nebraska. The company, through its subsidiaries, transports via truckload shipments of general commodities in the US, Mexico, and internationally. It operates two distinct segments: Truckload Transportation Services, and Werner Logistics. The Truckload segment operates a fleet of medium or long-haul trucks that transport various nondurable goods, regional short-haul routes, temperature-sensitive products, and more. The Werner Logistics segment provides non-asset-based transportation and logistics services, including a brokerage business, logistics management services and solutions, rail transportation, and other related services. The company operates more than 8,000 trucks and more than 30,000 trailers. Werner was founded in 1956, employs about 13,000 people, and generates more than \$3 billion in annual revenue.

Werner posted fourth quarter and full-year earnings on February 6th, 2025, and results were quite weak. The company's adjusted earnings-per-share came to just eight cents, which widely missed estimates for 22 cents. Revenue was off 8.2% year-over-year to \$755 million, missing by more than \$8 million. The company noted the shortfall was attributable to higher insurance costs, worse-than-expected used equipment demand, and margin compression in logistics.

Truckload revenue fell 9% year-on-year to \$527 million, with adjusted operating margin net of fuel costs at 3.1% of revenue, which was less than half the 7.5% operating margin achieved in the year-ago period.

The logistics business posted its best quarter of the year with sequential volume improvements in truckload logistics, as well as intermodal. Adjusted operating income was helped by cost controls, including headcount reductions.

We note earnings came to just 45 cents per share last year, and we believe Werner is poised for a sizable earnings rebound starting in 2025. Even if we see earnings more than double this year, they'll be well below normalized earnings.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$1.71	\$1.09	\$2.80	\$2.33	\$2.38	\$2.44	\$3.37	\$3.60	\$1.77	\$0.45	\$1.15	\$3.51
DPS	\$0.22	\$0.24	\$0.27	\$0.34	\$0.36	\$0.36	\$0.48	\$0.51	\$0.55	\$0.56	\$0.56	\$0.68
Shares¹	73	72	73	72	70	69	68	65	64	63	62	58

Werner has seen enormously volatile earnings over time, with 2024 easily being the worst year of the past decade. We think the company has upside to more normalized levels of earnings, but the base for this year is very low.

Management is quite confident its end markets are recovering, with a shift in focus to one-way rate increases, as well as fleet growth in its Dedicated segment. Insurance costs were a big drag on results in the second half of 2024, so that's a wildcard moving forward. In addition, fuel costs can add or detract from the bottom line over time, an expense Werner has little control over. Still, we like the cost controls as the company deals with imbalances in supply and demand, lower resale values for used equipment, and inflation in input costs. Werner is focusing on operating efficiently, investing in a modernized fleet, and expanding its portfolio.

¹ In Millions

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Customer retention remains strong at more than 90%, and pricing improvements led to one-way truckload revenue per week that was up more than 5% at the end of 2024. The company noted cost savings of about \$50 million in 2024, and a further goal of about \$25 million this year.

All told, we see 25% earnings growth annually as Werner looks to normalize its profits. We think a steady-state earnings growth rate is probably in the mid-single digits if and when profits reach historical levels again.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	14.1	25.8	14.5	14.1	15.5	16.1	13.2	13.0	22.3	80.2	28.7	15.0
Avg. Yld.	0.9%	0.9%	0.7%	1.0%	1.0%	0.9%	1.1%	1.1%	1.4%	1.6%	1.7%	1.3%

Werner’s valuation has been steady for most of the past decade if we remove a couple of outlier years. We’ve settled on a fair value multiple of 15 times earnings for Werner given the weakness it’s exhibiting. With shares at almost double that level today, it’s quite overvalued. However, if the earnings recovery materializes how we believe it might, the stock will become cheaper fairly quickly.

The yield is 1.7% today, better than the S&P 500. We see modest growth in the payout, consistent with Werner’s prior practice. The dividend, we believe, is quite safe at current levels.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	13%	22%	10%	15%	15%	15%	14%	14%	31%	124%	49%	19%

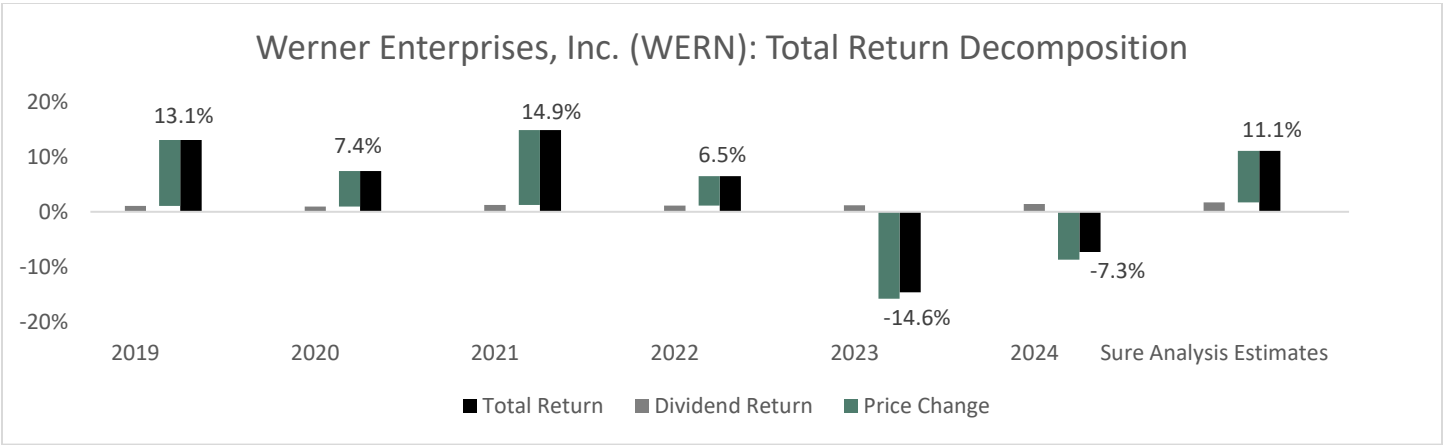
Given Werner is a trucking company, it is highly susceptible to recessions. We believe that when the next recession strikers, Werner’s earnings will be at risk. Whether the dividend would need to be cut would depend upon the severity and longevity of the recession, but the earnings outlook would almost certainly suffer sharply.

Competitive advantages are difficult to come by in trucking, and Werner pretty much does the same thing as other large truckers. It does have some scale, but we don’t see a sustainable competitive advantage.

Final Thoughts & Recommendation

Werner, despite its challenges, is quite reasonably priced given the projected earnings increases on the horizon, as shares trade at a 52-week low in late February. This one is highly speculative, but we see low double-digit returns accruing from the 1.7% yield and 25% earnings growth being partially offset by a 12.2% headwind from the valuation. We initiate Werner at a buy rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	2,094	2,009	2,117	2,458	2,464	2,372	2,734	3,290	3,283	3,030
Gross Profit	385	324	345	418	427	461	478	522	424	339
Gross Margin	18.4%	16.1%	16.3%	17.0%	17.3%	19.4%	17.5%	15.9%	12.9%	11.2%
SG&A Exp.	96	100	96	114	104	124	112	163	157	163
D&A Exp.	193	210	218	230	250	263	268	280	300	
Operating Profit	200	126	144	224	225	227	309	323	176	66
Operating Margin	9.6%	6.3%	6.8%	9.1%	9.2%	9.6%	11.3%	9.8%	5.4%	2.2%
Net Profit	124	79	203	168	167	169	259	241	112	34
Net Margin	5.9%	3.9%	9.6%	6.8%	6.8%	7.1%	9.5%	7.3%	3.4%	1.1%
Free Cash Flow	(84)	(228)	(34)	(102)	6	33	(38)	(59)	(124)	
Income Tax	77	48	(58)	56	55	56	85	79	35	9

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	1,586	1,793	1,808	2,084	2,144	2,157	2,604	3,097	3,158	3,052
Cash & Equivalents	32	17	14	34	26	29	54	107	62	41
Accounts Receivable	251	261	304	338	323	341	461	519	445	392
Inventories	16	13	12	10	9	12	11	15	18	14
						-	130	214	216	206
Total Liabilities	650	798	623	819	1,033	962	1,240	1,615	1,591	1,558
Accounts Payable	71	67	74	98	95	83	94	124	136	112
Long-Term Debt	75	180	97	125	300	200	428	694	649	650
Shareholder's Equity	936	995	1,185	1,265	1,111	1,195	1,328	1,444	1,528	1,456
LTD/E Ratio	0.08	0.18	0.08	0.10	0.27	0.17	0.32	0.48	0.42	0.45

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	8.1%	4.7%	11.3%	8.6%	7.9%	7.9%	10.9%	8.5%	3.6%	1.1%
Return on Equity	14.0%	8.2%	18.6%	13.7%	14.1%	14.7%	20.3%	17.0%	7.4%	2.2%
ROIC	12.9%	7.2%	16.5%	12.6%	11.9%	12.1%	16.3%	12.2%	5.1%	1.6%
Shares Out.										
Revenue/Share	28.85	27.75	29.17	34.11	35.18	34.17	40.30	50.95	51.53	48.36
FCF/Share	(1.15)	(3.15)	(0.46)	(1.41)	0.08	0.47	(0.56)	(0.91)	(1.95)	

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

Disclaimer

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