Werner Enterprises, Inc. (WERN)

Updated May 10th, 2025 by Josh Arnold

Key Metrics

Current Price:	$26	**5 Year CAGR Estimate:**	5.2%	**Market Cap:**	$1.6 B
Fair Value Price:	$17	**5 Year Growth Estimate:**	12.0%	**Ex-Dividend Date:**	07/14/25[1]
% Fair Value:	151%	**5 Year Valuation Multiple Estimate:**	-7.9%	**Dividend Payment Date:**	08/07/25
Dividend Yield:	2.2%	**5 Year Price Target**	$30	**Years Of Dividend Growth:**	5
Dividend Risk Score:	D	**Sector:**	Industrials	**Rating:**	Hold

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 around 13,000 people, and generates about $3 billion in annual revenue.

Werner posted first quarter earnings on April 29th, 2025, and results were much worse than expected, widely missing estimates on both the top and bottom lines. Adjusted earnings-per-share came to -12 cents, which missed estimates for a profit of 12 cents. Revenue was off more than 7% year-over-year to $712 million, and missed estimates by more than $27 million.

Truckload Transportation Services saw revenue of $502 million, which was 9% lower year-on-year. Net of fuel surcharges, TTS revenues fell 7% to $444 million. Logistics revenue was $196 million, or 27% of total revenue.

Adjusted operating loss was $1.8 million, and adjusted operating margin was -0.3% of revenue. The company noted that elevated insurance costs, tariff uncertainty, and weather disruptions all contributed to weak results. Management is now expecting to save $40 million annually, up from $25 million, as it tries to offset the above headwinds.

We see earnings power at $1.15 for this year, but note actual results are likely to be much lower than that.

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	***$0.40***	***$2.03***
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***
Shares[2]	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, and we're not convinced this year will be any better.

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

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[1] Estimated date

[2] In Millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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.

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 $40 million this year.

All told, we see 12% 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	***22.6***	***15.0***
Avg. Yld.	0.9%	0.9%	0.7%	1.0%	1.0%	0.9%	1.1%	1.1%	1.4%	1.6%	***2.2%***	***2.2%***

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 well ahead of 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 2.2% 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%***	***34%***

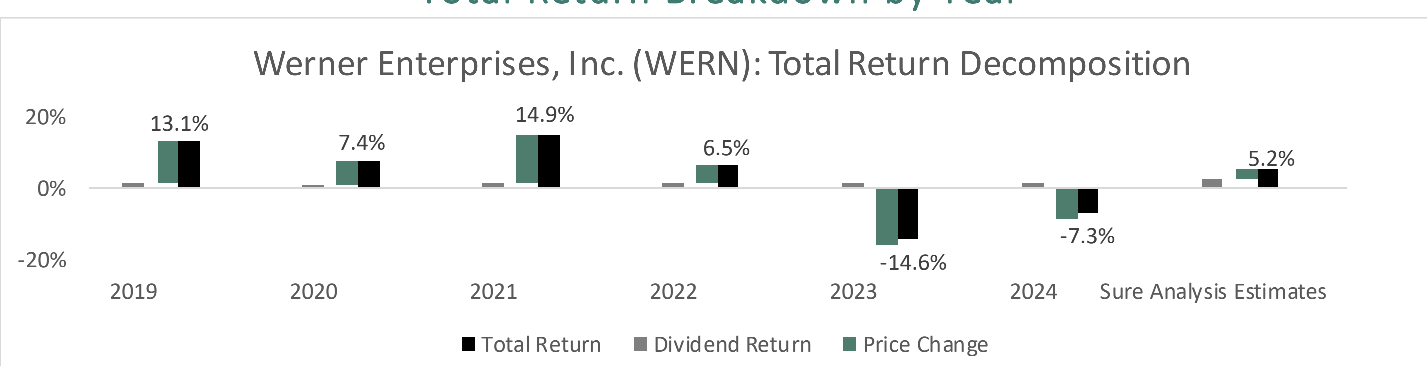
Given Werner is a trucking company, it is highly susceptible to recessions. We believe that when the next recession strikes, Werner's earnings will be at risk. Whether the dividend would need to be cut would depend upon the severity and longevity of the recession, but the earnings outlook would almost certainly suffer sharply. It's possible 2025 is just such a scenario unfolding.

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 as of May. This one is highly speculative, and risks are high. Total returns are estimated at 5.2%, with earnings growth and the yield being largely offset by the valuation.

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	290
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)	(84)
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.										62.7
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)	(1.34)

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