UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

[Mark one]

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2023

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number: 0-14690

WERNER ENTERPRISES, INC.

(Exact name of registrant as specified in its charter)

Nebraska	**47-0648386**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
14507 Frontier Road	
Post Office Box 45308	
Omaha , Nebraska	**68145-0308**
(Address of principal executive offices)	**(Zip Code)**

(402) 895-6640
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 Par Value	WERN	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of August 7, 2023, 63,390,325 shares of the registrant's common stock, par value $0.01 per share, were outstanding.

WERNER ENTERPRISES, INC.

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PART I

FINANCIAL INFORMATION

Cautionary Note Regarding Forward-Looking Statements:

This Quarterly Report on Form 10-Q contains historical information and forward-looking statements based on information currently available to our management. The forward-looking statements in this report, including those made in Item 2 (Management’s Discussion and Analysis of Financial Condition and Results of Operations) of Part I, are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, as amended. These safe harbor provisions encourage reporting companies to provide prospective information to investors. Forward-looking statements can be identified by the use of certain words, such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “plan,” “project” and other similar terms and language. We believe the forward-looking statements are reasonable based on currently available information. However, forward-looking statements involve risks, uncertainties and assumptions, whether known or unknown, that could cause our actual results, business, financial condition and cash flows to differ materially from those anticipated in the forward-looking statements. A discussion of important factors relating to forward-looking statements is included in Part I, Item 1A (Risk Factors) of our Annual Report on Form 10-K for the year ended December 31, 2022 (“2022 Form 10-K”). Readers should not unduly rely on the forward-looking statements included in this Form 10-Q because such statements speak only to the date they were made. Unless otherwise required by applicable securities laws, we undertake no obligation or duty to update or revise any forward-looking statements contained herein to reflect subsequent events or circumstances or the occurrence of unanticipated events.

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Item 1. Financial Statements.

WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands, except per share amounts)	2023	2022	2023	2022
Operating revenues	$ 811,096	$ 836,276	$ 1,643,810	$ 1,600,881
Operating expenses:				
Salaries, wages and benefits	266,373	253,639	534,688	495,635
Fuel	77,740	125,446	169,154	213,867
Supplies and maintenance	64,964	62,656	133,189	119,681
Taxes and licenses	25,408	23,791	50,833	47,624
Insurance and claims	36,806	41,071	73,291	68,563
Depreciation and amortization	74,898	68,471	149,211	135,700
Rent and purchased transportation	217,086	197,116	437,310	382,353
Communications and utilities	4,669	3,781	9,402	7,707
Other	(4,046)	(14,618)	(13,852)	(28,683)
Total operating expenses	763,898	761,353	1,543,226	1,442,447
Operating income	47,198	74,923	100,584	158,434
Other expense (income):				
Interest expense	8,139	1,787	16,055	3,226
Interest income	(1,899)	(313)	(3,451)	(588)
Loss (gain) on investments in equity securities, net	(79)	(24,095)	2	(14,289)
Loss from equity method investment	844	—	844	—
Other	86	126	93	199
Total other expense (income)	7,091	(22,495)	13,543	(11,452)
Income before income taxes	40,107	97,418	87,041	169,886
Income tax expense	10,087	23,809	21,487	41,242
Net income	30,020	73,609	65,554	128,644
Net income attributable to noncontrolling interest	(139)	(1,319)	(449)	(2,605)
Net income attributable to Werner	$ 29,881	$ 72,290	$ 65,105	$ 126,039
Earnings per share:				
Basic	$ 0.47	$ 1.12	$ 1.03	$ 1.94
Diluted	$ 0.47	$ 1.12	$ 1.02	$ 1.93
Weighted-average common shares outstanding:				
Basic	63,384	64,394	63,345	64,965
Diluted	63,687	64,726	63,689	65,327

See Notes to Consolidated Financial Statements (Unaudited).

WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(In thousands)	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Net income	$ 30,020	$ 73,609	$ 65,554	$ 128,644
Other comprehensive income (loss):				
Foreign currency translation adjustments	2,742	(47)	5,743	1,106
Change in fair value of interest rate swaps, net of tax	(101)	1,283	(1,074)	4,914
Other comprehensive income, net	2,641	1,236	4,669	6,020
Comprehensive income	32,661	74,845	70,223	134,664
Comprehensive income attributable to noncontrolling interest	(139)	(1,319)	(449)	(2,605)
Comprehensive income attributable to Werner	$ 32,522	$ 73,526	$ 69,774	$ 132,059

See Notes to Consolidated Financial Statements (Unaudited).

WERNER ENTERPRISES, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS

(In thousands, except share amounts)	June 30, 2023 (Unaudited)	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 46,502	$ 107,240
Accounts receivable, trade, less allowance of $10,360 and $10,271, respectively	437,644	518,815
Other receivables	33,312	29,875
Inventories and supplies	16,026	14,527
Prepaid taxes, licenses and permits	8,687	17,699
Other current assets	67,164	74,459
Total current assets	609,335	762,615
Property and equipment	2,976,274	2,885,641
Less – accumulated depreciation	1,031,850	1,060,365
Property and equipment, net	1,944,424	1,825,276
Goodwill	129,104	132,717
Intangible assets, net	91,512	81,502
Other non-current assets	330,818	295,145
Total assets	$ 3,105,193	$ 3,097,255
LIABILITIES, TEMPORARY EQUITY AND STOCKHOLDERS’ EQUITY		
Current liabilities:		
Checks issued in excess of cash balances	$ 11,530	$ —
Accounts payable	119,744	124,483
Current portion of long-term debt	3,750	6,250
Insurance and claims accruals	81,932	78,620
Accrued payroll	47,375	49,793
Accrued expenses	18,831	20,358
Other current liabilities	31,967	30,016
Total current liabilities	315,129	309,520
Long-term debt, net of current portion	636,250	687,500
Other long-term liabilities	55,802	59,677
Insurance and claims accruals, net of current portion	239,897	244,946
Deferred income taxes	321,897	313,278
Total liabilities	1,568,975	1,614,921
Commitments and contingencies		
Temporary equity - redeemable noncontrolling interest	39,148	38,699
Stockholders’ equity:		
Common stock, $0.01 par value, 200,000,000 shares authorized; 80,533,536 shares issued; 63,389,496 and 63,223,003 shares outstanding, respectively	805	805
Paid-in capital	130,694	129,837
Retained earnings	1,923,865	1,875,873
Accumulated other comprehensive loss	(6,623)	(11,292)
Treasury stock, at cost; 17,144,040 and 17,310,533 shares, respectively	(551,671)	(551,588)
Total stockholders’ equity	1,497,070	1,443,635
Total liabilities, temporary equity and stockholders’ equity	$ 3,105,193	$ 3,097,255

See Notes to Consolidated Financial Statements (Unaudited).

WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In thousands)	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Cash flows from operating activities:		
Net income	$ 65,554	$ 128,644
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	149,211	135,700
Deferred income taxes	9,220	(630)
Gain on disposal of property and equipment	(30,229)	(41,138)
Non-cash equity compensation	6,291	6,085
Insurance and claims accruals, net of current portion	(5,049)	4,874
Loss (gain) on investments in equity securities, net	2	(14,289)
Loss from equity method investment	844	—
Other	(2,445)	(4,142)
Changes in certain working capital items:		
Accounts receivable, net	81,221	(21,125)
Other current assets	16,255	20,728
Accounts payable	(4,493)	30,091
Other current liabilities	(4,592)	22,729
Net cash provided by operating activities	281,790	267,527
Cash flows from investing activities:		
Additions to property and equipment	(361,312)	(227,334)
Proceeds from sales of property and equipment	107,121	73,911
Net cash invested in acquisition	(188)	705
Investment in equity securities	—	(20,250)
Payment to acquire equity method investment	(2,645)	—
Issuance of notes receivable	(25,000)	—
Decrease in notes receivable	1,707	3,288
Net cash used in investing activities	(280,317)	(169,680)
Cash flows from financing activities:		
Repayments of short-term debt	(3,750)	(2,500)
Repayments of long-term debt	(50,000)	(100,000)
Proceeds from issuance of long-term debt	—	120,000
Change in checks issued in excess of cash balances	11,530	6,032
Dividends on common stock	(16,459)	(15,702)
Repurchases of common stock	—	(102,113)
Tax withholding related to net share settlements of restricted stock awards	(5,517)	(3,658)
Net cash used in financing activities	(64,196)	(97,941)
Effect of exchange rate fluctuations on cash	1,985	322
Net increase (decrease) in cash and cash equivalents	(60,738)	228
Cash and cash equivalents, beginning of period	107,240	54,196
Cash and cash equivalents, end of period	$ 46,502	$ 54,424
Supplemental disclosures of cash flow information:		
Interest paid	$ 16,643	$ 3,236
Income taxes paid	11,438	31,096
Supplemental schedule of non-cash investing and financing activities:		
Notes receivable issued upon sale of property and equipment	$ 1,504	$ 2,350
Change in fair value of interest rate swaps	(1,074)	4,914
Property and equipment acquired included in accounts payable	5,774	8,431
Property and equipment disposed included in other receivables	—	1,205
Dividends accrued but not yet paid at end of period	8,874	8,244
Contingent consideration associated with acquisitions	(800)	—

See Notes to Consolidated Financial Statements (Unaudited).

WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND TEMPORARY EQUITY - REDEEMABLE NONCONTROLLING INTEREST
(Unaudited)

	Three Months Ended June 30, 2023						
(In thousands, except share and per share amounts)	Common Stock	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders' Equity	Temporary Equity - Redeemable Noncontrolling Interest
BALANCE, March 31, 2023	$ 805	$ 128,050	$ 1,902,858	$ (9,264)	$ (551,912)	$ 1,470,537	$ 39,009
Net income attributable to Werner	—	—	29,881	—	—	29,881	—
Net income attributable to noncontrolling interest	—	—	—	—	—	—	139
Other comprehensive income	—	—	—	2,641	—	2,641	—
Dividends on common stock ($0.14 per share)	—	—	(8,874)	—	—	(8,874)	—
Equity compensation activity, 12,562 shares	—	(244)	—	—	241	(3)	—
Non-cash equity compensation expense	—	2,888	—	—	—	2,888	—
BALANCE, June 30, 2023	$ 805	$ 130,694	$ 1,923,865	$ (6,623)	$ (551,671)	$ 1,497,070	$ 39,148

	Three Months Ended June 30, 2022						
(In thousands, except share and per share amounts)	Common Stock	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders' Equity	Temporary Equity - Redeemable Noncontrolling Interest
BALANCE, March 31, 2022	$ 805	$ 121,157	$ 1,713,046	$ (15,820)	$ (477,724)	$ 1,341,464	$ 37,233
Net income attributable to Werner	—	—	72,290	—	—	72,290	—
Net income attributable to noncontrolling interest	—	—	—	—	—	—	1,319
Other comprehensive income	—	—	—	1,236	—	1,236	—
Purchases of 1,650,000 shares of common stock	—	—	—	—	(65,933)	(65,933)	—
Dividends on common stock ($0.13 per share)	—	—	(8,244)	—	—	(8,244)	—
Equity compensation activity, 7,802 shares	—	(151)	—	—	151	—	—
Non-cash equity compensation expense	—	3,059	—	—	—	3,059	—
BALANCE, June 30, 2022	$ 805	$ 124,065	$ 1,777,092	$ (14,584)	$ (543,506)	$ 1,343,872	$ 38,552

See Notes to Consolidated Financial Statements (Unaudited).

WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND TEMPORARY EQUITY - REDEEMABLE NONCONTROLLING INTEREST (CONTINUED)
(Unaudited)

	Six Months Ended June 30, 2023						
(In thousands, except share and per share amounts)	Common Stock	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders' Equity	Temporary Equity - Redeemable Noncontrolling Interest
BALANCE, December 31, 2022	$ 805	$ 129,837	$ 1,875,873	$ (11,292)	$ (551,588)	$ 1,443,635	$ 38,699
Net income attributable to Werner	—	—	65,105	—	—	65,105	—
Net income attributable to noncontrolling interest	—	—	—	—	—	—	449
Other comprehensive income	—	—	—	4,669	—	4,669	—
Dividends on common stock ($0.27 per share)	—	—	(17,113)	—	—	(17,113)	—
Equity compensation activity, 166,493 shares	—	(5,434)	—	—	(83)	(5,517)	—
Non-cash equity compensation expense	—	6,291	—	—	—	6,291	—
BALANCE, June 30, 2023	$ 805	$ 130,694	$ 1,923,865	$ (6,623)	$ (551,671)	$ 1,497,070	$ 39,148

	Six Months Ended June 30, 2022						
(In thousands, except share and per share amounts)	Common Stock	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders' Equity	Temporary Equity - Redeemable Noncontrolling Interest
BALANCE, December 31, 2021	$ 805	$ 121,904	$ 1,667,104	$ (20,604)	$ (441,659)	$ 1,327,550	$ 35,947
Net income attributable to Werner	—	—	126,039	—	—	126,039	—
Net income attributable to noncontrolling interest	—	—	—	—	—	—	2,605
Other comprehensive income	—	—	—	6,020	—	6,020	—
Purchases of 2,495,100 shares of common stock	—	—	—	—	(102,113)	(102,113)	—
Dividends on common stock ($0.25 per share)	—	—	(16,051)	—	—	(16,051)	—
Equity compensation activity, 120,553 shares	—	(3,924)	—	—	266	(3,658)	—
Non-cash equity compensation expense	—	6,085	—	—	—	6,085	—
BALANCE, June 30, 2022	$ 805	$ 124,065	$ 1,777,092	$ (14,584)	$ (543,506)	$ 1,343,872	$ 38,552

See Notes to Consolidated Financial Statements (Unaudited).

WERNER ENTERPRISES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(1) Basis of Presentation and Recent Accounting Pronouncements

Basis of Presentation

The accompanying unaudited interim consolidated financial statements include the accounts of Werner Enterprises, Inc. and its subsidiaries (collectively, the “Company” or “Werner”). Noncontrolling interest on the consolidated condensed balance sheets represents the portion of a consolidated entity in which we do not have a direct equity ownership. In these notes, the terms “we,” “us,” or “our” refer to Werner Enterprises, Inc. and its subsidiaries. All significant intercompany accounts and transactions relating to these entities have been eliminated.

These consolidated financial statements have been prepared in accordance with the U.S. Securities and Exchange Commission (SEC) instructions to Form 10-Q and, in the opinion of management, reflect all adjustments, which are all of normal recurring nature, necessary to present fairly the financial condition, results of operations and cash flows for the periods presented in conformity with U.S. generally accepted accounting principles (“GAAP”). These consolidated financial statements do not include all information and footnotes required by GAAP for complete financial statements; although in management’s opinion, the disclosures are adequate so that the information presented is not misleading.

Operating results for the three and six months ended June 30, 2023 are not necessarily indicative of the results that may be expected for the year ending December 31, 2023. In the opinion of management, the information set forth in the accompanying consolidated condensed balance sheets is fairly stated in all material respects in relation to the consolidated balance sheets from which it has been derived.

These consolidated financial statements and notes thereto should be read in conjunction with the consolidated financial statements and accompanying notes contained in our 2022 Form 10-K.

(2) Business Acquisitions

Developments during the six months ended June 30, 2023 related to our 2022 business acquisitions are discussed below.

ReedTMS

On November 5, 2022, we acquired 100% of the equity interests in Reed Transport Services, Inc. and RTS-TMS, Inc., doing business as ReedTMS Logistics (“ReedTMS”), for a final purchase price of $108.6 million after including the impacts of working capital adjustments, cash acquired, net present value of future insurance payments, and contingent consideration. ReedTMS is an asset-light logistics provider and dedicated truckload carrier that offers a comprehensive suite of freight brokerage and truckload solutions to a diverse customer base. The results of operations for ReedTMS are included in our consolidated financial statements beginning November 5, 2022. Pro forma information for this acquisition is not provided as it did not have a material impact on our consolidated operating results.

The following table summarizes the purchase price allocation for ReedTMS, including any adjustments during the six months ended June 30, 2023 (in thousands):

	November 5, 2022 Opening Balance sheet as Reported at December 31, 2022	Adjustments [1]	November 5, 2022 Opening Balance sheet as Reported at June 30, 2023
Purchase Price			
Cash consideration paid	$ 116,989	$ —	$ 116,989 [2]
Cash and cash equivalents acquired	(12,120)	—	(12,120)
Contingent consideration arrangement	5,000	(800)	4,200 [3]
Working capital surplus (deficiency)	(689)	188	(501)
Total purchase price (fair value of consideration)	109,180	(612)	108,568
Purchase Price Allocation			
Current assets	52,531	49	52,580
Property and equipment	35,000	(12,485)	22,515
Intangible assets	12,000	15,300	27,300
Other non-current assets	7,927	(1)	7,926
Total assets acquired	107,458	2,863	110,321
Current liabilities	(45,497)	(389)	(45,886)
Other long-term liabilities	(5,622)	527	(5,095)
Total liabilities assumed	(51,119)	138	(50,981)
Goodwill	$ 52,841	$ (3,613)	$ 49,228

[1] No material statement of income effects were identified with these adjustments.

[2] Includes $0.9 million related to the net present value of future insurance payments. At closing, $11.5 million of the cash consideration was placed in escrow to secure certain indemnification obligations of the sellers and to cover post-closing adjustments. During the three months ended March 31, 2023, we received $2.1 million from escrow for post-closing adjustments. The remaining balance of the escrow, except for $0.5 million, was returned to the sellers. In exchange, the sellers obtained a $10.0 million Standby Letter of Credit with the Company named as beneficiary.

[3] The contingent earnout liability is recorded in other current liabilities on the consolidated condensed balance sheets as of June 30, 2023 and in other long-term liabilities as of December 31, 2022. For additional information regarding the valuation of the contingent liability, see Note 6 – Fair Value.

Baylor

On October 1, 2022, we acquired 100% of the equity interests in FAB9, Inc., doing business as Baylor Trucking, Inc. ("Baylor"), for a final purchase price of $89.0 million after including the impacts of working capital adjustments, cash acquired, and contingent consideration. Baylor operates in the east central and south central United States. The results of operations for Baylor are included in our consolidated financial statements beginning October 1, 2022. Pro forma information for this acquisition is not provided as it did not have a material impact on our consolidated operating results. No measurement period adjustments were recorded during the six months ended June 30, 2023.

Purchase Price Allocations

We accounted for the ReedTMS and Baylor purchases using the acquisition method of accounting under GAAP. The purchase price of each acquisition has been allocated to the assets acquired and liabilities assumed using market data and valuation techniques. The purchase price allocations for ReedTMS and Baylor are considered final as of June 30, 2023.

(3) Revenue

Revenue Recognition

Revenues are recognized over time as control of the promised services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those services.

The following table presents our revenues disaggregated by revenue source (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Truckload Transportation Services	$ 570,192	$ 613,616	$ 1,158,522	$ 1,172,033
Werner Logistics	224,549	203,861	453,218	392,869
Inter-segment eliminations	(3,522)	(625)	(8,783)	(1,347)
Transportation services	791,219	816,852	1,602,957	1,563,555
Other revenues	19,877	19,424	40,853	37,326
Total revenues	$ 811,096	$ 836,276	$ 1,643,810	$ 1,600,881

The following table presents our revenues disaggregated by geographic areas in which we conduct business (in thousands). Operating revenues for foreign countries include revenues for (i) shipments with an origin or destination in that country and (ii) other services provided in that country. If both the origin and destination are in a foreign country, the revenues are attributed to the country of origin.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
United States	$ 765,316	$ 770,849	$ 1,547,609	$ 1,481,753
Mexico	37,338	51,461	79,151	94,752
Other	8,442	13,966	17,050	24,376
Total revenues	$ 811,096	$ 836,276	$ 1,643,810	$ 1,600,881

Contract Balances and Accounts Receivable

A receivable is an unconditional right to consideration and is recognized when shipments have been completed and the related performance obligation has been fully satisfied. At June 30, 2023 and December 31, 2022, the accounts receivable, trade, net, balance was $437.6 million and $518.8 million, respectively. Contract assets represent a conditional right to consideration in exchange for goods or services and are transferred to receivables when the rights become unconditional. At June 30, 2023 and December 31, 2022, the balance of contract assets was $6.8 million and $8.9 million, respectively. We have recognized contract assets within the other current assets financial statement caption on the consolidated condensed balance sheets. These contract assets are considered current assets as they will be settled in less than 12 months.

Contract liabilities represent advance consideration received from customers and are recognized as revenues over time as the related performance obligation is satisfied. At June 30, 2023 and December 31, 2022, the balance of contract liabilities was $1.1 million and $0.9 million, respectively. The amount of revenues recognized in the six months ended June 30, 2023 that was included in the December 31, 2022 contract liability balance was $0.9 million. We have recognized contract liabilities within the accounts payable and other current liabilities financial statement captions on the consolidated condensed balance sheets. These contract liabilities are considered current liabilities as they will be settled in less than 12 months.

Performance Obligations

We have elected to apply the practical expedient in Accounting Standards Codification ("ASC") Topic 606, *Revenue From Contracts With Customers*, to not disclose the value of remaining performance obligations for contracts with an original expected length of one year or less. Remaining performance obligations represent the transaction price allocated to future reporting periods for freight shipments started but not completed at the reporting date that we expect to recognize as revenue in the period subsequent to the reporting date; transit times generally average approximately 3 days.

During the six months ended June 30, 2023 and 2022, revenues recognized from performance obligations related to prior periods (for example, due to changes in transaction price) were not material.

(4) Goodwill and Intangible Assets

Goodwill represents the excess of cost over the fair value of net identifiable tangible and intangible assets acquired in business combinations. The following table summarizes changes in the carrying amount of goodwill by segment for the six months ended June 30, 2023 (in thousands):

	TTS	Werner Logistics	Total
Balance as of December 31, 2022	$ 53,897	$ 78,820	$ 132,717
Purchase accounting adjustments [1]	(7,841)	4,228	(3,613)
Balance as of June 30, 2023	$ 46,056	$ 83,048	$ 129,104

[1] The purchase accounting adjustments consist of post-closing adjustments related to net assets assumed in the acquisition of ReedTMS. For additional information regarding these purchase accounting adjustments, see Note 2.

The following table presents acquired intangible assets (in thousands):

	June 30, 2023			December 31, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	$ 80,200	$ (9,979)	$ 70,221	$ 64,900	$ (5,714)	$ 59,186
Trade names	24,600	(3,309)	21,291	24,600	(2,284)	22,316
Total intangible assets	$ 104,800	$ (13,288)	$ 91,512	$ 89,500	$ (7,998)	$ 81,502

Amortization expense on intangible assets was $2.5 million and $5.3 million for the three and six months ended June 30, 2023, respectively, and $1.4 million and $2.7 million for the three and six months ended June 30, 2022, respectively, and is reported in depreciation and amortization on the consolidated statements of income. As of June 30, 2023, we estimate future amortization expense for intangible assets will be $5.0 million for the remainder of 2023, and $10.1 million for each of the five succeeding fiscal years.

(5) Leases

We have entered into operating leases primarily for real estate. The leases have terms which range from 1 year to 18 years, and some include options to renew. Renewal terms are included in the lease term when it is reasonably certain that we will exercise the option to renew.

Operating leases are included in other non-current assets, other current liabilities and other long-term liabilities on the consolidated condensed balance sheets. These assets and liabilities are recognized based on the present value of future minimum lease payments over the lease term at commencement date, using our incremental borrowing rate because the rate implicit in each lease is not readily determinable. We have certain contracts for real estate that may contain lease and non-lease components which we have elected to treat as a single lease component. Lease expense for operating leases is recognized on a straight-line basis over the lease term. Variable lease expense is recognized in the period in which the obligation for those payments is incurred. Lease expense is reported in rent and purchased transportation on the consolidated statements of income.

The following table presents balance sheet and other operating lease information (dollars in thousands):

	June 30, 2023	December 31, 2022
Balance Sheet Classification		
Right-of-use assets (recorded in other non-current assets)	$ 39,783	$ 40,963
Current lease liabilities (recorded in other current liabilities)	$ 9,525	$ 9,396
Long-term lease liabilities (recorded in other long-term liabilities)	31,747	32,897
Total operating lease liabilities	$ 41,272	$ 42,293
Other Information		
Weighted-average remaining lease term for operating leases	6.30 years	6.43 years
Weighted-average discount rate for operating leases	3.6 %	3.3 %

The following table presents the maturities of operating lease liabilities as of June 30, 2023 (in thousands):

Maturity of Lease Liabilities		
2023 (remaining)	$	5,491
2024		10,235
2025		8,273
2026		6,397
2027		4,460
Thereafter		10,884
Total undiscounted operating lease payments	$	45,740
Less: Imputed interest		(4,468)
Present value of operating lease liabilities	$	41,272

Cash Flows

During the six months ended June 30, 2023 and 2022, right-of-use assets of $4.1 million and $11.2 million, respectively, were recognized as non-cash asset additions that resulted from new operating lease liabilities. Cash paid for amounts included in the present value of operating lease liabilities was $5.8 million and $3.8 million for the six months ended June 30, 2023 and 2022, respectively, and are included in operating cash flows.

Operating Lease Expense

Operating lease expense was $5.9 million and $12.1 million for the three and six months ended June 30, 2023, respectively, and $5.3 million and $10.4 million for the three and six months ended June 30, 2022, respectively. This expense included $3.0 million and $6.0 million for the three and six months ended June 30, 2023, respectively, and $2.3 million and $4.4 million for the three and six months ended June 30, 2022, respectively, for long-term operating leases, with the remainder for variable and short-term lease expense**.**

Lessor Operating Leases

We are the lessor of tractors and trailers under operating leases with initial terms of 2 to 10 years. We recognize revenue for such leases on a straight-line basis over the term of the lease. Revenues were $2.7 million and $5.4 million for the three and six months ended June 30, 2023, respectively, and $3.1 million and $6.3 million for the three and six months ended June 30, 2022, respectively. The following table presents information about the maturities of these operating leases as of June 30, 2023 (in thousands):

2023 (remaining)	$	4,851
2024		3,348
2025		326
2026		335
2027		84
Thereafter		—
Total	$	8,944

(6) Fair Value

Fair Value Measurement — Definition and Hierarchy

ASC 820-10, *Fair Value Measurement*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date.

ASC 820-10 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability, developed based on market data obtained from sources independent of the Company. Unobservable inputs reflect our own assumptions about the assumptions market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels, as follows:

Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities that we have the ability to access.

Level 2 — Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Such inputs include quoted prices in markets that are not active, quoted prices for similar assets and liabilities in active and inactive markets, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 — Unobservable inputs for the asset or liability, where there is little, if any, observable market activity or data for the asset or liability.

In general, and where applicable, we use quoted prices in active markets for identical assets or liabilities to determine fair value. This pricing methodology applies to our Level 1 assets and liabilities. If quoted prices in active markets for identical assets and liabilities are not available to determine fair value, then we use quoted prices for similar assets and liabilities or inputs other than the quoted prices that are observable, either directly or indirectly. This pricing methodology would apply to Level 2 assets and liabilities.

The following table presents the fair value hierarchy for our assets and liabilities measured at fair value on a recurring basis (in thousands):

	Level in Fair Value Hierarchy	Fair Value	
		June 30, 2023	December 31, 2022
Assets:			
Other non-current assets:			
Equity securities [1]	1	$ 721	$ 723
Liabilities:			
Other current liabilities:			
Contingent consideration associated with acquisitions	3	$ 4,336	$ —
Other long-term liabilities:			
Contingent consideration associated with acquisitions	3	8,692	13,400
Total liabilities		$ 13,028	$ 13,400

[1] Represents our investments in autonomous technology companies. For additional information regarding the valuation of these equity securities, see Note 7 – Investments.

The following table presents changes in the fair value of our contingent earnout liabilities (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Balance at beginning of period	$ 12,877	$ 2,500	$ 13,400	$ 2,500
Measurement period adjustment associated with the acquisition of ReedTMS [1]	—	—	(800)	—
Change in fair value	151	—	428	—
Balance at end of period	$ 13,028	$ 2,500	$ 13,028	$ 2,500

[1] The measurement period adjustment was recorded in goodwill on the consolidated condensed balance sheet.

The estimated fair values of our contingent consideration arrangements are based upon probability-adjusted inputs for each acquired entity. Additionally, as the liability is stated at present value, the passage of time alone will increase the estimated fair value of the liability each reporting period. Change in fair value is recorded in other operating expenses on the consolidated statements of income.

Our ownership interests in Mastery Logistics Systems, Inc. ("MLSI") and Fleet Defender, Inc. do not have readily determinable fair values and are accounted for using the measurement alternative in ASC 321, *Investments - Equity Securities*. Our ownership interest in Autotech Fund III, L.P. ("Autotech Fund III") is accounted for under ASC 323, "*Investments - Equity Method and Joint Ventures*." For additional information regarding the valuation of these investments, see Note 7 – Investments.

Fair Value of Financial Instruments Not Recorded at Fair Value

Cash and cash equivalents, accounts receivable trade, and accounts payable are short-term in nature and accordingly are carried at amounts that approximate fair value.

The carrying amount of our fixed-rate debt not measured at fair value on a recurring basis was $90.0 million and $93.8 million as of June 30, 2023 and December 31, 2022, respectively. The estimated fair value of our fixed-rate debt using the income approach, based on its net present value, discounted at our current borrowing rate, was $85.8 million and $87.2 million as of June 30, 2023 and December 31, 2022, respectively (categorized as Level 2 of the fair value hierarchy). The carrying amount of our variable-rate long-term debt approximates fair value due to the duration of our credit arrangement and the variable interest rate (categorized as Level 2 of the fair value hierarchy).

(7) Investments

Equity Investments without Readily Determinable Fair Values

Our strategic equity investments without readily determinable fair values include MLSI, a transportation management systems company, and Fleet Defender, Inc., a platform cybersecurity company for fleet owners. MLSI is developing a cloud-based transportation management system using MLSI's SaaS technology which we have agreed to license. These investments are being accounted for under ASC 321 using the measurement alternative and are recorded in other noncurrent assets on the consolidated condensed balance sheets. We record changes in the values of these investments based on events that occur that would indicate the values have changed, in loss (gain) on investments in equity securities on the consolidated statements of income. As of June 30, 2023 and December 31, 2022, the value of our investment in MLSI was $86.8 million and the value of our investment in Fleet Defender, Inc. was $250 thousand.

The following table summarizes the activity related to our equity investments without readily determinable fair values during the periods presented (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Investment in equity securities	$ —	$ 20,250	$ —	$ 20,250
Upward adjustments [1]	—	28,638	—	28,638

[1] During 2022, investments by third-parties resulted in the remeasurements of our investment in MLSI. Our updated investment values were based upon the prices paid by third parties.

As of June 30, 2023, cumulative upward adjustments on our equity securities without readily determinable fair values totaled $56.8 million.

Equity Investments with Readily Determinable Fair Values

We own strategic minority equity investments in autonomous technology companies, which are being accounted for under ASC 321 and are recorded in other noncurrent assets on the consolidated condensed balance sheets. We record changes in the value of these investments, based on the share prices reported by Nasdaq, in loss (gain) on investments in equity securities on the consolidated statements of income. As of June 30, 2023 and December 31, 2022, the value of these investments was $0.7 million. We recognized an unrealized gain of $0.1 million and an unrealized loss of $2 thousand on these investments for the three and six months ended June 30, 2023, respectively, and an unrealized loss of $4.5 million and $14.3 million for the three and six months ended June 30, 2022, respectively. For additional information regarding the fair value of these equity investments, see Note 6 – Fair Value.

Equity Method Investment

In January 2023, we committed to make a $20.0 million investment in Autotech Fund III (the "Fund") pursuant to a limited partnership agreement. The Fund is managed by Autotech Ventures, a venture capital firm focused on ground transportation technology. Our interest, which represents an ownership percentage of less than 20%, is being accounted for under ASC 323, "*Investments - Equity Method and Joint Ventures*." As a limited partner, we will make periodic capital contributions toward this total commitment amount. We contributed $2.6 million to the Fund during the six months ended June 30, 2023. As of June 30, 2023, the value of our investment in the Fund was $1.8 million and is recorded in other noncurrent assets on the consolidated condensed balance sheets. The carrying amount of the Fund as of June 30, 2023 approximates its fair value as of March 31, 2023, as this is the most recent information available to us at this time. We recognized a loss $0.8 million from the Fund for the three and six months ended June 30, 2023, and is reported in loss from equity method investment on the consolidated statements of income.

(8) Notes Receivable

We provide financing to some individuals who want to become independent contractors by purchasing a tractor from us and leasing their services to us. We maintain a primary security interest in the tractor until the independent contractor pays the note balance in full. On January 24, 2023, we purchased a $25.0 million subordinated promissory note from MLSI with a maturity date of January 24, 2030. The proceeds of the promissory note may be used by MLSI for working capital and general business purposes, including a limited amount for possible repayment of certain advances. There are no scheduled principal payments due on the MLSI promissory note until the maturity date, and interest accrues at 7.5% compounded annually, with the first accrued interest payment due on January 24, 2028, and at the end of each calendar year thereafter. The independent contractor notes receivable, MLSI subordinated promissory note, and other notes receivable are included in other current assets and other non-current assets in the consolidated condensed balance sheets.

The following table presents our notes receivable (in thousands):

	June 30, 2023	December 31, 2022
Independent contractor notes receivable	$ 8,040	$ 8,287
MLSI subordinated promissory note	25,000	—
Other notes receivable	7,965	7,921
Notes receivable	41,005	16,208
Less current portion	2,637	2,691
Notes receivable – non-current	$ 38,368	$ 13,517

We also provide financing to some individuals who attended our driver training schools. The student notes receivable is included in other receivables and other non-current assets in the consolidated condensed balance sheets. The following table presents our student notes receivable (in thousands):

	June 30, 2023	December 31, 2022
Student notes receivable	$ 62,948	$ 63,351
Allowance for doubtful student notes receivable	(22,127)	(23,491)
Total student notes receivable, net of allowance	40,821	39,860
Less current portion, net of allowance	13,821	12,574
Student notes receivable – non-current	$ 27,000	$ 27,286

(9) Debt and Credit Facilities

On December 20, 2022, we entered into a $1.075 billion unsecured credit facility with a group of lenders (the “2022 Credit Agreement”), replacing our previous unsecured credit facility with BMO Harris Bank N.A. (“BMO Harris”), dated May 14, 2019, as amended, and the credit agreement with Wells Fargo Bank, National Association, dated March 25, 2022. The 2022 Credit Agreement is scheduled to mature on December 20, 2027 and has a $100.0 million maximum limit for the aggregate amount of letters of credit issued.

Revolving credit loans drawn under the 2022 Credit Agreement bear interest, at our option, at (i) the Base Rate (the highest of (a) the Prime Rate, (b) the Federal Funds Rate plus 0.50%, or (c) the one-month Term SOFR plus 1.10%), plus a margin ranging between 0.125% and 0.750%, or (ii) Term SOFR plus 0.10% and a margin ranging between 1.125% and 1.750%. Swingline loans drawn under the 2022 Credit Agreement bear interest at the Base Rate, as defined above, plus a margin ranging between 0.125% and 0.750%. The 2022 Credit Agreement also requires us to pay quarterly (i) a letter of credit commission on the daily amount available to be drawn under such standby letters of credit at rates ranging between 1.125% and 1.750% per annum and (ii) a nonrefundable commitment fee on the average daily unused amount of the commitment at rates ranging between 0.125% and 0.250% per annum. The margin, letter of credit commission, and commitment fee rates are based on our ratio of net funded debt to earnings before interest, income taxes, depreciation and amortization (“EBITDA”). There are no scheduled principal payments due on the 2022 Credit Agreement until the maturity date, and interest is payable in arrears at periodic intervals not to exceed three months.

On June 30, 2021, we entered into a $100.0 million unsecured fixed-rate term loan commitment with BMO Harris, with quarterly principal payments of $1.25 million and a final payment of principal and interest due and payable on May 14, 2024 ("BMO Term Loan"). The outstanding principal balance of the BMO Term Loan bears interest at a fixed rate of 1.28%, payable quarterly in arrears.

As of June 30, 2023 and December 31, 2022, our outstanding debt totaled $640.0 million and $693.8 million, respectively. As of June 30, 2023, we had an outstanding revolving credit loan balance of $550.0 million under the 2022 Credit Agreement, including (i) $400.0 million at a variable interest rate of 6.43% and (ii) $150.0 million which is effectively fixed at 2.88% with two interest rate swap agreements through May 14, 2024. In addition, as of June 30, 2023, we had $90.0 million outstanding under the BMO Term Loan at a fixed interest rate of 1.28%. Subsequent to the end of the quarter, in July 2023, we borrowed an additional $50.0 million under the 2022 Credit Agreement, which will be classified as long-term in the consolidated condensed balance sheets. The $1.075 billion of borrowing capacity under our 2022 Credit Agreement at June 30, 2023, is further reduced by $48.6 million in stand-by letters of credit under which we are obligated. Availability of such funds under the current debt agreements is conditional upon various customary terms and covenants. Such covenants include, among other things, two financial covenants requiring us (i) not to exceed a maximum ratio of net funded debt to EBITDA and (ii) to exceed a minimum ratio of EBITDA to interest expense. As of June 30, 2023, we were in compliance with these covenants.

In July 2023, we entered into four additional variable-for-fixed interest rate swap agreements for a notional amount of $130.0 million to further limit our exposure to increases in interest rates on a portion of our variable-rate indebtedness (see Note 13, Subsequent Event, for additional information regarding these swap agreements).

At June 30, 2023, the aggregate future maturities of long-term debt by year are as follows (in thousands):

2023 (remaining)	$	2,500
2024		87,500
2025		—
2026		—
2027		550,000
Total	$	640,000

(10) Commitments and Contingencies

We have committed to property and equipment purchases of approximately $247.5 million at June 30, 2023.

We are involved in certain claims and pending litigation, including those described herein, arising in the ordinary course of business. The majority of these claims relate to bodily injury, property damage, cargo and workers' compensation incurred in the transportation of freight, as well as certain class action litigation related to personnel and employment matters. We accrue for the uninsured portion of contingent losses from these and other pending claims when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Based on the knowledge of the facts, management believes the resolution of claims and pending litigation, taking into account existing reserves, will not have a material adverse effect on our consolidated financial statements. Moreover, the results of complex legal proceedings are difficult to predict, and our view of these matters may change in the future as the litigation and related events unfold.

On May 17, 2018, in Harris County District Court in Houston, Texas, a jury rendered an adverse verdict against the Company in a lawsuit arising from a December 30, 2014 accident between a Werner tractor-trailer and a passenger vehicle. On July 30, 2018, the court entered a final judgment against Werner for $92.0 million, including pre-judgment interest.

The Company has premium-based liability insurance to cover the potential outcome from this jury verdict. Under the Company's insurance policies in effect on the date of this accident, the Company's maximum liability for this accident is $10.0 million (plus pre-judgment and post-judgment interest) with premium-based coverage that exceeds the jury verdict amount. As a result of this jury verdict, the Company had recorded a liability of $36.9 million as of June 30, 2023, and $34.1 million as of December 31, 2022. Under the terms of the Company's insurance policies, the Company is the primary obligor of the verdict, and as such, the Company has also recorded a $79.2 million receivable from its third-party insurance providers in other non-current assets and a corresponding liability of the same amount in the long-term portion of insurance and claims accruals in the consolidated condensed balance sheets as of June 30, 2023 and December 31, 2022.

The Company pursued an appeal of this verdict, and on May 18, 2023, the Texas Court of Appeals overruled Werner's appeal and affirmed the trial court's judgment. The Company has since filed a Petition for Review with the Texas Supreme Court, seeking further review of the Texas Court of Appeals decision. No assurances can be given regarding the outcome of any such review.

We have been involved in class action litigation in the U.S. District Court for the District of Nebraska, in which the plaintiffs allege that we owe drivers for unpaid wages under the Fair Labor Standards Act ("FLSA") and the Nebraska Wage Payment and Collection Act and that we failed to pay minimum wage per hour for drivers in our Career Track Program, related to short break time and sleeper berth time. The period covered by this class action suit is August 2008 through March 2014. The case was tried to a jury in May 2017, resulting in a verdict of $0.8 million in plaintiffs' favor on the short break matter and a verdict in our favor on the sleeper berth matter. As a result of various post-trial motions, the court awarded $0.5 million to the plaintiffs for attorney fees and costs. Plaintiffs appealed the post-verdict amounts awarded by the trial court for fees, costs and liquidated damages, and the Company filed a cross appeal on the verdict that was in plaintiffs' favor. The United States Court of Appeals for the Eighth Circuit denied Plaintiffs' appeal and granted Werner's appeal, vacating the judgment in favor of the plaintiffs. The appellate court sent the case back to the trial court for proceedings consistent with the appellate court's opinion. On June 22, 2020, the trial court denied Plaintiffs' request for a new trial and entered judgment in favor of the Company, dismissing the case with prejudice. On July 21, 2020, Plaintiffs' counsel filed a notice of appeal of that dismissal. On August 3, 2022, the Eighth Circuit Court of Appeals vacated the district court's judgment and remanded the case, for the trial court to determine whether the plaintiffs should be granted a new trial on the short break claim. On January 10, 2023, the trial court denied Plaintiff's motion for a new trial and entered judgment in Werner's favor on all claims. As of June 30, 2023, we have an accrual for the jury's award, attorney fees and costs in the short break matter and had not accrued for the sleeper berth matter.

We are also involved in certain class action litigation in which the plaintiffs allege claims for failure to provide meal and rest breaks, unpaid wages, unauthorized deductions and other items. Based on the knowledge of the facts, management does not currently believe the outcome of these class actions is likely to have a material adverse effect on our financial position or results of operations. However, the final disposition of these matters and the impact of such final dispositions cannot be determined at this time.

(11) Earnings Per Share

Basic earnings per share is computed by dividing net income attributable to Werner by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing net income attributable to Werner by the weighted average number of common shares outstanding plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method. Dilutive potential common shares include outstanding restricted stock awards. Performance awards are excluded from the calculation of dilutive potential common shares until the threshold performance conditions have been satisfied. There are no differences in the numerators of our computations of basic and diluted earnings per share for any periods presented.

The computation of basic and diluted earnings per share is shown below (in thousands, except per share amounts).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net income attributable to Werner	$ 29,881	$ 72,290	$ 65,105	$ 126,039
Weighted average common shares outstanding	63,384	64,394	63,345	64,965
Dilutive effect of stock-based awards	303	332	344	362
Shares used in computing diluted earnings per share	63,687	64,726	63,689	65,327
Basic earnings per share	$ 0.47	$ 1.12	$ 1.03	$ 1.94
Diluted earnings per share	$ 0.47	$ 1.12	$ 1.02	$ 1.93

(12) Segment Information

We have two reportable segments – Truckload Transportation Services ("TTS") and Werner Logistics.

The TTS segment consists of two operating units, Dedicated and One-Way Truckload. These units are aggregated because they have similar economic characteristics and meet the other aggregation criteria described in the accounting guidance for segment reporting. Dedicated provides truckload services dedicated to a specific customer, generally for a retail distribution center or manufacturing facility, utilizing either dry van or specialized trailers. One-Way Truckload is comprised of the following operating fleets: (i) the medium-to-long-haul van ("Van") fleet transports a variety of consumer nondurable products and other commodities in truckload quantities over irregular routes using dry van trailers, including Mexico cross-border routes; (ii) the expedited ("Expedited") fleet provides time-sensitive truckload services utilizing driver teams; (iii) the regional short-haul ("Regional") fleet provides comparable truckload van service within geographic regions across the United States; and (iv) the Temperature Controlled fleet provides truckload services for temperature sensitive products over irregular routes utilizing temperature-controlled trailers. Revenues for the TTS segment include a small amount of non-trucking revenues which consist primarily of the intra-Mexico portion of cross-border shipments delivered to or from Mexico where we utilize a third-party capacity provider.

The Werner Logistics segment is a non-asset based transportation and logistics provider. Werner Logistics provides services throughout North America and generates the majority of our non-trucking revenues through three operating units. These three Werner Logistics operating units are as follows: (i) Truckload Logistics, which uses contracted carriers to complete shipments for brokerage customers and freight management customers for which we offer a full range of single-source logistics management services and solutions; (ii) the intermodal ("Intermodal") unit offers rail transportation through alliances with rail and drayage providers as an alternative to truck transportation; and (iii) Werner Final Mile ("Final Mile") offers residential and commercial deliveries of large or heavy items using third-party agents, independent contractors, and Company employees with two-person delivery teams operating a liftgate straight truck.

We generate other revenues from our driver training schools, transportation-related activities such as third-party equipment maintenance and equipment leasing, and other business activities. None of these operations meets the quantitative reporting thresholds. As a result, these operations are grouped in "Other" in the tables below. "Corporate" includes revenues and expenses that are incidental to our activities and are not attributable to any of our operating segments, including gains and losses on sales of property and equipment not attributable to our operating segments.

We do not prepare separate balance sheets by segment and, as a result, assets are not separately identifiable by segment. Based on our operations, certain revenue-generating assets (primarily tractors and trailers) are interchangeable between segments. Depreciation for these interchangeable assets is allocated to segments based on the actual number of units utilized by the segment during the period. Other depreciation and amortization is allocated to segments based on specific identification or as a percentage of a metric such as average number of tractors. Inter-segment eliminations represent transactions between reporting segments that are eliminated in consolidation.

The following tables summarize our segment information (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenues by Segment				
Truckload Transportation Services	$ 570,192	$ 613,616	$ 1,158,522	$ 1,172,033
Werner Logistics	224,549	203,861	453,218	392,869
Other	19,376	18,946	39,877	36,459
Corporate	501	478	976	867
Subtotal	814,618	836,901	1,652,593	1,602,228
Inter-segment eliminations	(3,522)	(625)	(8,783)	(1,347)
Total	$ 811,096	$ 836,276	$ 1,643,810	$ 1,600,881

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Operating Income (Loss) by Segment				
Truckload Transportation Services	$ 45,159	$ 64,004	$ 96,145	$ 140,097
Werner Logistics	4,355	12,490	9,292	21,171
Other	(86)	461	463	906
Corporate	(2,230)	(2,032)	(5,316)	(3,740)
Total	$ 47,198	$ 74,923	$ 100,584	$ 158,434

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Depreciation and Amortization by Segment				
Truckload Transportation Services	$ 67,614	$ 62,867	$ 134,457	$ 124,704
Werner Logistics	3,865	2,351	7,924	4,619
Other	2,914	2,791	5,787	5,472
Corporate	505	462	1,043	905
Total	$ 74,898	$ 68,471	$ 149,211	$ 135,700

(13) Subsequent Event

In July 2023, we entered into four additional variable-for-fixed interest rate swap agreements for a notional amount of $130 million, with notional values of $40 million and $90 million maturing in July 2025 and 2026, respectively. These interest rate swap agreements will further limit our exposure to increases in interest rates on a portion of our variable-rate indebtedness.

Under the terms of the interest rate swap agreements, we will receive monthly variable-rate interest payments based on one-month Term SOFR, and make monthly fixed-rate interest payments as specified in the interest rate swap agreements.

We have designated these interest rate swap agreements as cash flow hedges. Changes in fair value of outstanding derivatives in cash flow hedges will be recorded in other comprehensive income (loss) in the consolidated statements of comprehensive income until earnings are impacted by the hedged transaction.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Management's Discussion and Analysis of Financial Condition and Results of Operations (the "MD&A") summarizes the financial statements from management's perspective with respect to our financial condition, results of operations, liquidity and other factors that may affect actual results. The MD&A is organized in the following sections:

- Overview
- Results of Operations
- Liquidity and Capital Resources
- Regulations
- Critical Accounting Estimates

The MD&A should be read in conjunction with our 2022 Form 10-K.

Overview:

We have two reportable segments, Truckload Transportation Services ("TTS") and Werner Logistics, and we operate in the truckload and logistics sectors of the transportation industry. In the truckload sector, we focus on transporting consumer nondurable products that generally ship more consistently throughout the year. In the logistics sector, besides managing transportation requirements for individual customers, we provide additional sources of truck capacity, alternative modes of transportation, a North American delivery network and systems analysis to optimize transportation needs. Our success depends on our ability to efficiently and effectively manage our resources in the delivery of truckload transportation and logistics services to our customers. Resource requirements vary with customer demand, which may be subject to seasonal or general economic conditions. Our ability to adapt to changes in customer transportation requirements is essential to efficiently deploy resources and make capital investments in tractors and trailers (with respect to our TTS segment) or obtain qualified third-party capacity at a reasonable price (with respect to our Werner Logistics segment). We may also be affected by our customers' financial failures or loss of customer business.

Revenues for our TTS segment operating units (Dedicated and One-Way Truckload) are typically generated on a per-mile basis and also include revenues such as stop charges, loading and unloading charges, equipment detention charges and equipment repositioning charges. To mitigate our risk to fuel price increases, we recover additional fuel surcharge revenues from our customers that generally recoup a majority of the increased fuel costs; however, we cannot assure that current recovery levels will continue in future periods. Because fuel surcharge revenues fluctuate in response to changes in fuel costs, we identify them separately and exclude them from the statistical calculations to provide a more meaningful comparison between periods. The key statistics used to evaluate trucking revenues, net of fuel surcharge, are (i) average revenues per tractor per week, (ii) average percentage of empty miles (miles without trailer cargo), (iii) average trip length (in loaded miles) and (iv) average number of tractors in service. General economic conditions, seasonal trucking industry freight patterns and industry capacity are important factors that impact these statistics. Our TTS segment also generates a small amount of revenues categorized as non-trucking revenues, which consist primarily of the intra-Mexico portion of cross-border shipments delivered to or from Mexico where the TTS segment utilizes a third-party capacity provider. We exclude such revenues from the statistical calculations.

Our most significant resource requirements are company drivers, independent contractors, tractors, and trailers with respect to our TTS segment and qualified third-party capacity providers with respect to our Werner Logistics segment. Independent contractors supply their own tractors and drivers and are responsible for their operating expenses. Our financial results are affected by company driver and independent contractor availability and the markets for new and used revenue equipment. We are self-insured for a significant portion of bodily injury, property damage and cargo claims; workers' compensation claims; and associate health claims (supplemented by premium-based insurance coverage above certain dollar levels). For that reason, our financial results may also be affected by driver safety, medical costs, weather, legal and regulatory environments and insurance coverage costs to protect against catastrophic losses.

The operating ratio is a common industry measure used to evaluate our profitability and that of our TTS segment operating fleets. The operating ratio consists of operating expenses expressed as a percentage of operating revenues. The most significant variable expenses that impact the TTS segment are driver salaries and benefits, fuel, fuel taxes (included in taxes and licenses expense), payments to independent contractors (included in rent and purchased transportation expense), supplies and maintenance and insurance and claims. As discussed further in the comparison of operating results for second quarter 2023 to second quarter 2022, several industry-wide issues have caused, and could continue to cause, costs to increase in future periods. These issues include shortages of drivers or independent contractors, changing fuel prices, changing used truck and trailer pricing, compliance with new or proposed regulations and tightening of the commercial truck liability insurance market. Our main fixed costs include depreciation expense for tractors and trailers and equipment licensing fees (included in taxes and licenses expense). The TTS segment requires substantial cash expenditures for tractor and trailer purchases. We fund these purchases with net cash from operations and financing available under our existing credit facility, as management deems necessary.

We provide non-trucking services primarily through the three operating units within our Werner Logistics segment (Truckload Logistics, Intermodal, and Final Mile). Unlike our TTS segment, the Werner Logistics segment is less asset-intensive and is instead dependent upon qualified associates, information systems and qualified third-party capacity providers. The largest expense item related to the Werner Logistics segment is the cost of purchased transportation we pay to third-party capacity providers. This expense item is recorded as rent and purchased transportation expense. Other operating expenses consist primarily of salaries, wages and benefits, as well as depreciation and amortization, supplies and maintenance, and other general expenses. We evaluate the Werner Logistics segment's financial performance by reviewing operating expenses and operating income expressed as a percentage of revenues. Purchased transportation expenses as a percentage of revenues can be impacted by the rates charged to customers and the costs of securing third-party capacity. We have a mix of contracted long-term rates and variable rates for the cost of third-party capacity, and we cannot assure that our operating results will not be adversely impacted in the future if our ability to obtain qualified third-party capacity providers changes or the rates of such providers increase.

Results of Operations:

The following table sets forth the consolidated statements of income in dollars and as a percentage of total operating revenues and the percentage increase or decrease in the dollar amounts of those items compared to the prior year.

	Three Months Ended (3ME) June 30,				Six Months Ended (6ME) June 30,				Percentage Change in Dollar Amounts	
	2023		2022		2023		2022		3ME	6ME
(in thousands)	$	%	$	%	$	%	$	%	%	%
Operating revenues	$ 811,096	100.0	$ 836,276	100.0	$ 1,643,810	100.0	$ 1,600,881	100.0	(3.0)	2.7
Operating expenses:										
Salaries, wages and benefits	266,373	32.9	253,639	30.3	534,688	32.5	495,635	31.0	5.0	7.9
Fuel	77,740	9.6	125,446	15.0	169,154	10.3	213,867	13.3	(38.0)	(20.9)
Supplies and maintenance	64,964	8.0	62,656	7.5	133,189	8.1	119,681	7.4	3.7	11.3
Taxes and licenses	25,408	3.1	23,791	2.8	50,833	3.1	47,624	3.0	6.8	6.7
Insurance and claims	36,806	4.5	41,071	4.9	73,291	4.4	68,563	4.3	(10.4)	6.9
Depreciation and amortization	74,898	9.2	68,471	8.2	149,211	9.1	135,700	8.5	9.4	10.0
Rent and purchased transportation	217,086	26.8	197,116	23.6	437,310	26.6	382,353	23.9	10.1	14.4
Communications and utilities	4,669	0.6	3,781	0.4	9,402	0.6	7,707	0.5	23.5	22.0
Other	(4,046)	(0.5)	(14,618)	(1.7)	(13,852)	(0.8)	(28,683)	(1.8)	(72.3)	(51.7)
Total operating expenses	763,898	94.2	761,353	91.0	1,543,226	93.9	1,442,447	90.1	0.3	7.0
Operating income	47,198	5.8	74,923	9.0	100,584	6.1	158,434	9.9	(37.0)	(36.5)
Total other expense (income), net	7,091	0.9	(22,495)	(2.6)	13,543	0.8	(11,452)	(0.7)	(131.5)	(218.3)
Income before income taxes	40,107	4.9	97,418	11.6	87,041	5.3	169,886	10.6	(58.8)	(48.8)
Income tax expense	10,087	1.2	23,809	2.8	21,487	1.3	41,242	2.6	(57.6)	(47.9)
Net income	30,020	3.7	73,609	8.8	65,554	4.0	128,644	8.0	(59.2)	(49.0)
Net income attributable to noncontrolling interest	(139)	—	(1,319)	(0.2)	(449)	—	(2,605)	(0.1)	(89.5)	(82.8)
Net income attributable to Werner	$ 29,881	3.7	$ 72,290	8.6	$ 65,105	4.0	$ 126,039	7.9	(58.7)	(48.3)

The following tables set forth the operating revenues, operating expenses and operating income for the TTS segment and certain statistical data regarding our TTS segment operations, as well as statistical data for the One-Way Truckload and Dedicated operating units within TTS.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2023		2022		2023		2022	
TTS segment (in thousands)	$	%	$	%	$	%	$	%
Trucking revenues, net of fuel surcharge	$ 486,626		$ 488,208		$ 979,868		$ 960,569	
Trucking fuel surcharge revenues	76,677		118,641		164,978		198,456	
Non-trucking and other operating revenues	6,889		6,767		13,676		13,008	
Operating revenues	570,192	100.0	613,616	100.0	1,158,522	100.0	1,172,033	100.0
Operating expenses	525,033	92.1	549,612	89.6	1,062,377	91.7	1,031,936	88.0
Operating income	$ 45,159	7.9	$ 64,004	10.4	$ 96,145	8.3	$ 140,097	12.0

	Three Months Ended June 30,			Six Months Ended June 30,		
TTS segment	2023	2022	% Change	2023	2022	% Change
Average tractors in service	8,351	8,286	0.8 %	8,456	8,262	2.3 %
Average revenues per tractor per week [(1)]	$ 4,483	$ 4,532	(1.1)%	$ 4,457	$ 4,472	(0.3)%
Total tractors (at quarter end)						
Company	8,000	8,145	(1.8)%	8,000	8,145	(1.8)%
Independent contractor	285	255	11.8 %	285	255	11.8 %
Total tractors	8,285	8,400	(1.4)%	8,285	8,400	(1.4)%
Total trailers (at quarter end)	27,110	25,905	4.7 %	27,110	25,905	4.7 %
One-Way Truckload						
Trucking revenues, net of fuel surcharge (in 000's)	$ 176,824	$ 188,173	(6.0)%	$ 359,954	$ 374,933	(4.0)%
Average tractors in service	3,075	3,102	(0.9)%	3,133	3,083	1.6 %
Total tractors (at quarter end)	3,025	3,080	(1.8)%	3,025	3,080	(1.8)%
Average percentage of empty miles	14.01 %	12.39 %	13.1 %	14.05 %	12.07 %	16.4 %
Average revenues per tractor per week [(1)]	$ 4,423	$ 4,665	(5.2)%	$ 4,419	$ 4,677	(5.5)%
Average % change in revenues per total mile [(1)]	(5.2)%	13.7 %		(4.2)%	17.1 %	
Average % change in total miles per tractor per week	0.1 %	(12.9)%		(1.3)%	(10.5)%	
Average completed trip length in miles (loaded)	604	692	(12.7)%	612	704	(13.1)%
Dedicated						
Trucking revenues, net of fuel surcharge (in 000's)	$ 309,802	$ 300,035	3.3 %	$ 619,914	$ 585,636	5.9 %
Average tractors in service	5,276	5,184	1.8 %	5,323	5,179	2.8 %
Total tractors (at quarter end)	5,260	5,320	(1.1)%	5,260	5,320	(1.1)%
Average revenues per tractor per week [(1)]	$ 4,517	$ 4,452	1.5 %	$ 4,479	$ 4,349	3.0 %

(1) Net of fuel surcharge revenues.

The following tables set forth the Werner Logistics segment's revenues, purchased transportation expense, other operating expenses (primarily salaries, wages and benefits expense), total operating expenses, and operating income, as well as certain statistical data regarding the Werner Logistics segment.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2023		2022		2023		2022	
Werner Logistics segment (in thousands)	$	%	$	%	$	%	$	%
Operating revenues	$ 224,549	100.0	$ 203,861	100.0	$ 453,218	100.0	$ 392,869	100.0
Operating expenses:								
Purchased transportation expense	185,397	82.6	166,241	81.6	373,895	82.5	323,762	82.4
Other operating expenses	34,797	15.5	25,130	12.3	70,031	15.4	47,936	12.2
Total operating expenses	220,194	98.1	191,371	93.9	443,926	97.9	371,698	94.6
Operating income	$ 4,355	1.9	$ 12,490	6.1	$ 9,292	2.1	$ 21,171	5.4

	Three Months Ended June 30,			Six Months Ended June 30,		
Werner Logistics segment	2023	2022	% Change	2023	2022	% Change
Average tractors in service	33	58	(43.1)%	36	55	(34.5)%
Total tractors (at quarter end)	32	57	(43.9)%	32	57	(43.9)%
Total trailers (at quarter end)	2,885	1,920	50.3 %	2,885	1,920	50.3 %

Three Months Ended June 30, 2023 Compared to Three Months Ended June 30, 2022

Operating Revenues

Operating revenues decreased 3.0% for the three months ended June 30, 2023, compared to the same period of the prior year. When comparing second quarter 2023 to second quarter 2022, TTS segment revenues decreased $43.4 million, or 7.1%, and Werner Logistics revenues increased $20.7 million, or 10.1%.

Dedicated freight demand in second quarter 2023 was generally steady and in-line with our expectations and One-Way Truckload was challenged by overall market conditions with less freight available, elevated exposure to transactional spot rates, and significant pricing pressure. Logistics volume and revenues remained strong in second quarter 2023. During July 2023, Dedicated demand remains steady. Despite a very competitive marketplace and low-rate environment, we expect solid volume and margin pressure to continue in Logistics.

Trucking revenues, net of fuel surcharge, decreased 0.3% in second quarter 2023 compared to second quarter 2022 due to a 1.1% decrease in average revenues per tractor per week, net of fuel surcharge, partially offset by a 0.8% increase in the average number of tractors in service. During second quarter 2023, One-Way Truckload average revenues per total mile, net of fuel surcharge decreased 5.2% due to lower rates in a much softer freight market, partially offset by a 1.5% increase in Dedicated average revenues per tractor per week, net of fuel surcharge. We expect average revenues per total mile, net of fuel surcharge, for the One-Way Truckload fleet to be in a range of a decrease of 7% to a decrease of 4% in third quarter 2023 compared to third quarter 2022. We expect the One-Way freight market to stabilize in third quarter 2023, then show modest seasonal improvement in fourth quarter 2023. We continue to expect Dedicated average revenues per tractor per week, net of fuel surcharge, to remain flat or increase up to 3% in 2023 compared to 2022, as Dedicated demand remains steady, and we anticipate a pipeline of opportunities that we can capitalize on.

The average number of tractors in service in the TTS segment increased 0.8% to 8,351 in second quarter 2023 from 8,286 in second quarter 2022, due primarily to the Baylor Trucking, Inc. ("Baylor") acquisition on October 1, 2022 and the ReedTMS Logistics ("ReedTMS") acquisition on November 5, 2022. We ended second quarter 2023 with 8,285 tractors in the TTS segment, a year-over-year decrease of 115 tractors compared to the end of second quarter 2022, and a sequential increase of 190 tractors compared to the end of first quarter 2023. During second quarter 2023, our fleet declined 1.4%, as we decreased our fleet size to adjust to the challenging freight market conditions. Within TTS, our Dedicated unit ended second quarter 2023 with 5,260 tractors (or 63% of our total TTS segment tractors) compared to 5,320 tractors (or 63%) a year ago. We currently expect our fleet size at the end of 2023 to be in a range of a decrease of 4% to a decrease of 2% when compared to the fleet size at the end of 2022 to adapt to a softer freight market. We cannot predict whether future driver shortages, if any, will adversely affect our ability to maintain our fleet size. If such a driver market shortage were to occur, it could result in a fleet size reduction, and our results of operations could be adversely affected.

Trucking fuel surcharge revenues decreased 35.4% to $76.7 million in second quarter 2023 from $118.6 million in second quarter 2022 due primarily to much lower average diesel fuel prices. These revenues represent collections from customers for the increase in fuel and fuel-related expenses, including the fuel component of our independent contractor cost (recorded as rent and purchased transportation expense) and fuel taxes (recorded in taxes and licenses expense), when diesel fuel prices rise. Conversely, when fuel prices decrease, fuel surcharge revenues decrease. To lessen the effect of fluctuating fuel prices on our margins, we collect fuel surcharge revenues from our customers for the cost of diesel fuel and taxes in excess of specified base fuel price levels according to terms in our customer contracts. Fuel surcharge rates generally adjust weekly based on an independent U.S. Department of Energy fuel price survey which is released every Monday. Our fuel surcharge programs are designed to (i) recoup higher fuel costs from customers when fuel prices rise and (ii) provide customers with the benefit of lower fuel costs when fuel prices decline. These programs generally enable us to recover a majority, but not all, of the fuel price increases. The remaining portion is generally not recoverable because it results from empty and out-of-route miles (which are not billable to customers) and tractor idle time. Fuel prices that change rapidly in short time periods also impact our recovery because the surcharge rate in most programs only changes once per week.

Werner Logistics revenues are generated by its three operating units. Werner Logistics revenues exclude revenues for full truckload shipments transferred to the TTS segment, which are recorded as trucking revenues by the TTS segment. Werner Logistics also recorded revenue and brokered freight expense of $3.5 million in second quarter 2023 and $0.6 million in second quarter 2022 for shipments performed by the TTS segment (also recorded as trucking revenue by the TTS segment), and these transactions between reporting segments are eliminated in consolidation. In second quarter 2023, Werner Logistics revenues increased $20.7 million, or 10.1%, primarily due to growth from the ReedTMS acquisition. Truckload Logistics revenues (77% of Logistics revenues) increased by 30% in second quarter 2023, driven by an increase in shipments due to the ReedTMS acquisition and strong performance from our organic business, partially offset by a decline in revenues per shipment. Final Mile revenues (12% of Logistics revenues) increased $3.5 million or 15% in second quarter 2023. Intermodal revenues (11% of Logistics revenues) decreased 49% in second quarter 2023, due to a decline in shipments and lower revenues per shipment. The Werner Logistics operating income decreased to $4.4 million in second quarter 2023 from $12.5 million in second quarter 2022, due to a seasonally soft and competitive freight and rate market in second quarter 2023 compared to a seasonally strong freight market in second quarter 2022.

Operating Expenses

Our operating ratio (operating expenses expressed as a percentage of operating revenues) was 94.2% for the three months ended June 30, 2023 and 91.0% for the three months ended June 30, 2022. We continued to experience ongoing year-over-year inflationary pressure on multiple expense items in second quarter 2023 compared to second quarter 2022. Expense items that impacted the overall operating ratio are described on the following pages. The tables on pages 23 through 25 show the consolidated statements of income in dollars and as a percentage of total operating revenues and the percentage increase or decrease in the dollar amounts of those items compared to the same period of the prior year, as well as the operating ratios, operating margins, and certain statistical information for our two reportable segments, TTS and Werner Logistics.

Salaries, wages and benefits increased $12.7 million or 5.0% in second quarter 2023 compared to second quarter 2022 and increased 2.6% as a percentage of operating revenues to 32.9%. The higher dollar amount of salaries, wages and benefits expense in the second quarter of 2023 was due primarily to increased non-driver pay and the impact of 2.4 million more company tractor miles, partially offset by lower benefit costs. The increase in non-driver pay was primarily due to a larger number of non-driver employees, including the impact from our ReedTMS and Baylor acquisitions. Non-driver salaries, wages and benefits in our non-trucking Werner Logistics segment increased 53% in second quarter 2023 compared to second quarter 2022, primarily as a result of the ReedTMS acquisition.

We renewed our workers' compensation insurance coverage on April 1, 2023. Our coverage levels are the same as the prior policy year. We continue to maintain a self-insurance retention of $2.0 million per claim. Our workers' compensation insurance premiums for the policy year beginning April 2023 were flat compared to the previous policy year.

While inflationary cost pressures continue to be challenging, particularly for labor, equipment maintenance and insurance, we have begun to see some easing in the competitive driver recruiting and retention markets. A competitive driver market presents labor challenges for customers and carriers alike. Several ongoing market factors persisted including a declining number of, and increased competition for, driver training school graduates, aging truck driver demographics and increased truck safety regulations. We continue to take significant actions to strengthen our driver recruiting and retention as we strive to be the truckload employer of choice, including competitive driver pay, providing a modern tractor and trailer fleet with the latest safety equipment and technology, investing in our driver training school network and offering a wide variety of driving positions including daily and weekly home time opportunities. We are unable to predict whether we will experience future driver shortages or maintain our current driver retention rates. If such a driver shortage were to occur and additional driver pay rate increases became necessary to attract and retain drivers, our results of operations would be negatively impacted to the extent that we could not obtain corresponding freight rate increases.

Fuel decreased $47.7 million or 38.0% in second quarter 2023 compared to second quarter 2022 and decreased 5.4% as a percentage of operating revenues to 9.6%, primarily due to much lower average diesel fuel prices, slightly offset by 2.4 million more company tractor miles in second quarter 2023. Average diesel fuel prices were $1.69 per gallon lower in second quarter 2023 than in second quarter 2022 and were 40 cents per gallon lower than in first quarter 2023.

We continue to employ measures to improve our fuel mpg such as (i) limiting tractor engine idle time by installing auxiliary power units, (ii) optimizing the speed, weight and specifications of our equipment and (iii) implementing mpg-enhancing equipment changes to our fleet including new tractors, more aerodynamic tractor features, idle reduction systems, trailer tire inflation systems, trailer skirts and automated manual transmissions to reduce our fuel gallons purchased. However, fuel savings from mpg improvement is partially offset by higher depreciation expense and the additional cost of diesel exhaust fluid. Although our fuel management programs require significant capital investment and research and development, we intend to continue these and other environmentally conscious initiatives, including our active participation as a U.S. Environmental Protection Agency ("EPA") SmartWay Transport Partner. The SmartWay Transport Partnership is a national voluntary program developed by the EPA and freight industry representatives to reduce greenhouse gases and air pollution and promote cleaner, more efficient ground freight transportation.

For July 2023, the average diesel fuel price per gallon was approximately $1.18 lower than the average diesel fuel price per gallon in July 2022 and approximately $1.03 lower than in third quarter 2022.

Shortages of fuel, increases in fuel prices and petroleum product rationing can have a material adverse effect on our operations and profitability. We are unable to predict whether fuel price levels will increase or decrease in the future or the extent to which fuel surcharges will be collected from customers. As of June 30, 2023, we had no derivative financial instruments to reduce our exposure to fuel price fluctuations.

Supplies and maintenance increased $2.3 million or 3.7% in second quarter 2023 compared to second quarter 2022 and increased 0.5% as a percentage of operating revenues. Supplies and maintenance expense increased due to the higher costs for over-the-road tractor and trailer maintenance and tires resulting from inflationary cost increases and the impact of 2.4 million more company tractor miles. We are actively taking steps to reduce repair and maintenance expense by growing our in-house maintenance capabilities throughout our terminal network. We are also developing digital solutions to further optimize the routing and scheduling of tractors and trailers for preventive maintenance.

Insurance and claims decreased $4.3 million or 10.4% in second quarter 2023 compared to second quarter 2022 and decreased 0.4% as a percentage of operating revenues due primarily to a lower amount of unfavorable reserve development on large claims, partially offset by higher expense for new claims resulting from an increasing cost-per-claim. The majority of the higher unfavorable reserve development in second quarter 2022 related to unexpected and unfortunate legal developments for two prior year motor vehicle accidents that have been settled, including a settlement of a lawsuit in Texas arising from a May 24, 2020 accident for which we recognized $9.5 million of insurance and claims expense in second quarter 2022. We also incurred insurance and claims expense of $1.4 million and $1.3 million in second quarter 2023 and second quarter 2022, respectively, for accrued interest related to a previously-disclosed adverse jury verdict rendered May 17, 2018, which we are appealing. Interest will continue to accrue monthly until such time as the outcome of our appeal is finalized. For additional information related to this lawsuit, see Note 10 in the Notes to Consolidated Financial Statements (Unaudited) set forth in Part I of this report. The majority of our insurance and claims expense results from our claim experience and claim development under our self-insurance program; the remainder results from insurance premiums for claims in excess of our self-insured limits.

We renewed our liability insurance policies on August 1, 2023 and are responsible for the first $10.0 million per claim on all claims with an annual $12.5 million aggregate for claims between $10.0 million and $20.0 million. For the policy year that began August 1, 2022, we were responsible for the first $10.0 million per claim on all claims with an annual $10.0 million aggregate for claims between $10.0 million and $20.0 million. We maintain liability insurance coverage with insurance carriers in excess of the $10.0 million per claim. Our liability insurance premiums for the policy year that began August 1, 2023 are $1.0 million higher than premiums for the previous policy year.

Depreciation and amortization expense increased $6.4 million or 9.4% in second quarter 2023 compared to second quarter 2022 and increased 1.0% as a percentage of operating revenues due primarily to the higher cost of new tractors and trailers, and depreciation and amortization on tangible and intangible assets recorded in the ReedTMS and Baylor acquisitions.

The average age of our tractor fleet remains low by industry standards and was 2.1 years as of June 30, 2023, and the average age of our trailers was 5.1 years. We are continuing to invest in new tractors and trailers and our terminals in 2023 to improve our driver experience, increase operational efficiency and more effectively manage our maintenance, safety and fuel costs. During the remainder of 2023, we expect the average age of our tractor and trailer fleets to remain at or near current levels.

Rent and purchased transportation expense increased $20.0 million or 10.1% in second quarter 2023 compared to second quarter 2022 and increased 3.2% as a percentage of operating revenues. Werner Logistics recorded brokered freight expense of $3.5 million in second quarter 2023 and $0.6 million in second quarter 2022 for shipments performed by the TTS segment, which is eliminated in consolidation. Rent and purchased transportation expense consists mostly of payments to third-party capacity providers in the Werner Logistics segment and other non-trucking operations and payments to independent contractors in the TTS segment. The payments to third-party capacity providers generally vary depending on changes in the volume of services generated by the Werner Logistics segment. Werner Logistics purchased transportation expense increased $19.2 million in second quarter 2023, primarily due to the ReedTMS acquisition, and increased as a percentage of Werner Logistics revenues to 82.6% in second quarter 2023 from 81.5% in second quarter 2022.

Rent and purchased transportation expense for the TTS segment increased $3.5 million in second quarter 2023 compared to second quarter 2022 due primarily to the Baylor acquisition and more independent contractor miles in second quarter 2023, partially offset by lower reimbursements to independent contractors because of significantly lower average diesel fuel prices. Independent contractor miles increased approximately 0.4 million miles in second quarter 2023 and as a percentage of total miles were 4.5% in second quarter 2023 compared to 4.4% in second quarter 2022. Because independent contractors supply their own tractors and drivers and are responsible for their operating expenses, the increase in independent contractor miles as a percentage of total miles shifted costs from other expense categories, including (i) salaries, wages and benefits, (ii) fuel, (iii) depreciation, (iv) supplies and maintenance and (v) taxes and licenses to the rent and purchased transportation category.

Challenging operating conditions continue to make independent contractor recruitment and retention difficult. Such conditions include inflationary cost increases that are the responsibility of independent contractors and a shortage of financing available to independent contractors for equipment purchases. Historically, we have been able to add company tractors and recruit additional company drivers to offset any decrease in the number of independent contractors. If a shortage of independent contractors and company drivers were to occur, additional increases in per-mile settlement rates (for independent contractors) and driver pay rates (for company drivers) may become necessary to attract and retain these drivers. These increased expenses could negatively affect our results of operations to the extent that we would not be able to obtain corresponding freight rate increases.

Other operating expenses increased $10.6 million in second quarter 2023 compared to second quarter 2022 and increased 1.2% as a percentage of operating revenues due primarily to a decrease in gains on sales of property and equipment, and increased costs associated with professional technology services. Gains on sales of property and equipment (primarily used tractors and trailers) are reflected as a reduction of other operating expenses and are reported net of sales-related expenses (which include costs to prepare the equipment for sale). Gains on sales of property and equipment were $11.9 million in second quarter 2023, compared to $20.7 million in second quarter 2022. We sold significantly more tractors and trailers in second quarter 2023 compared to second quarter 2022 and realized substantially lower average gains per tractor and trailer due to lower pricing in the market for our used equipment, which we believe is due to decreased demand for our used equipment because of a greater number of small carriers exiting the trucking industry and an increase in the availability of new equipment in second quarter 2023 due to fewer production delays compared to the second quarter 2022. We weighted our property and equipment sales more heavily in the first six months of 2023, as we expect a gradual decline in customer demand for the used tractor market, with moderating pricing and equipment gains as the year progresses. We expect our gains on sales of property and equipment in 2023 to range between $40 million and $50 million for the full year.

Other Expense (Income)

Other expense, net of income, increased $29.6 million in second quarter 2023 compared to second quarter 2022 due primarily to a $24.0 million decrease in the amount of unrealized net gains recognized on our investments in equity securities, a $4.8 million increase in net interest expense, and a loss from our equity method investment of $0.8 million (see Note 7 in the Notes to Consolidated Financial Statements (Unaudited) set forth in Part I of this report for information regarding our investments). Net interest expense increased primarily due to higher interest rates for variable rate debt and an increase in average debt outstanding. In July 2023, we entered into four additional variable-for-fixed interest rate swap agreements for a notional amount of $130.0 million to further limit our exposure to increases in interest rates on a portion of our variable-rate indebtedness (see Note 13 in the Notes to Consolidated Financial Statements (Unaudited) set forth in Part I of this report for information regarding these interest rate swap agreements).

Income Tax Expense

Our effective income tax rate (income taxes expressed as a percentage of income before income taxes) was 25.2% in second quarter 2023 compared to 24.4% in second quarter 2022. The higher income tax rate in second quarter 2023 was attributed primarily to a lower amount of favorable discrete income tax items in second quarter 2023 and the income tax effect of the noncontrolling interest.

Six Months Ended June 30, 2023 Compared to Six Months Ended June 30, 2022

Operating Revenues

Operating revenues increased 2.7% for the six months ended June 30, 2023, compared to the same period of the prior year. When comparing the first six months of 2023 to the first six months of 2022, TTS segment revenues decreased $13.5 million, or 1.2%, and Werner Logistics revenues increased $60.3 million, or 15.4%. The higher Logistics revenues resulted from growth from the ReedTMS acquisition. In the TTS segment, trucking revenues, net of fuel surcharge, increased $19.3 million, or 2.0%, due primarily to a 2.3% increase in average tractors in service, partially offset by a 0.3% decrease in average revenues per tractor per week. TTS segment fuel surcharge revenues for the six months ended June 30, 2023 decreased $33.5 million or 16.9% when compared to the same period of the prior year due to lower average diesel fuel prices in the 2023 period.

Operating Expenses

Our operating ratio (operating expenses expressed as a percentage of operating revenues) was 93.9% for the six months ended June 30, 2023 and 90.1% for the six months ended June 30, 2022. Expense items that impacted the overall operating ratio are described on the following pages. The tables on pages 23 through 25 show the consolidated statements of income in dollars and as a percentage of total operating revenues and the percentage increase or decrease in the dollar amounts of those items compared to the same period of the prior year, as well as the operating ratios, operating margins, and certain statistical information for our two reportable segments, TTS and Werner Logistics.

Salaries, wages and benefits increased $39.1 million or 7.9% in the first six months of 2023 compared to the same period in 2022 and increased 1.5% as a percentage of operating revenues to 32.5%. The higher dollar amount of salaries, wages and benefits expense in the first six months of 2023 was due primarily to increased non-driver pay and the impact of 8.9 million more company tractor miles, partially offset by lower benefit costs. The increase in non-driver pay was primarily due to a larger number of non-driver employees, including the impact from our ReedTMS and Baylor acquisitions. Non-driver salaries, wages and benefits in our non-trucking Werner Logistics segment increased 59% in the first six months of 2023 compared to the same period in 2022, primarily as a result of the ReedTMS acquisition.

Fuel decreased $44.7 million or 20.9% in the first six months of 2023 compared to the same period in 2022 and decreased 3.0% as a percentage of operating revenues due to lower average diesel fuel prices, partially offset by 8.9 million more company tractor miles in the first six months of 2023. Average diesel fuel prices were 89 cents per gallon lower in the first six months of 2023 than in same period in 2022.

Supplies and maintenance increased $13.5 million or 11.3% in the first six months of 2023 compared to the same period in 2022 and increased 0.7% as a percentage of operating revenues. Supplies and maintenance expense increased due to higher costs for over-the-road repairs and tires.

Insurance and claims increased $4.7 million or 6.9% in the first six months of 2023 compared to the same period in 2022 and increased 0.1% as a percentage of operating revenues due primarily to higher expense for new claims resulting from an increasing cost-per-claim and increased cost for repairs. These increases were partially offset by a lower amount of unfavorable reserve development in the first six months of 2023 compared to the same period in 2022.

Depreciation and amortization expense increased $13.5 million or 10.0% in the first six months of 2023 compared to the same period in 2022 and increased 0.6% as a percentage of operating revenues due primarily to the higher cost of new tractors and trailers, and depreciation and amortization on tangible and intangible assets recorded in the ReedTMS and Baylor acquisitions.

Rent and purchased transportation expense for the TTS segment increased $11.0 million in the first six months of 2023 compared to the same period in 2022 due primarily to the Baylor acquisition and more independent contractor miles in the first six months of 2023, partially offset by lower reimbursements to independent contractors because of lower average diesel fuel prices. Independent contractor miles increased approximately 1.6 million miles in the first six months of 2023 and as a percentage of total miles were 4.7% in the first six months of 2023 compared to 4.4% in the first six months of 2022. Werner Logistics purchased transportation expense increased $50.1 million in the first six months of 2023, primarily due to the ReedTMS acquisition, and increased slightly as a percentage of Werner Logistics revenues to 82.5% in the first six months of 2023 from 82.4% in the same period in 2022.

Other operating expenses increased $14.8 million in the first six months of 2023 compared to the same period in 2022 and increased 1.0% as a percentage of operating revenues due primarily to lower gains on sales of property and equipment, and increased costs associated with professional technology services. Gains on sales of property and equipment were $30.2 million in the first six months of 2023, compared to $41.1 million in the same period in 2022. We sold significantly more tractors and trailers in the first six months of 2023 compared to the same period in 2022 and realized substantially lower average gains per tractor and trailer due to lower pricing in the market for our used equipment, which we believe is due to decreased demand for our used equipment because of a greater number of small carriers exiting the trucking industry and an increase in the availability of new equipment in the first six months of 2023 due to fewer production delays compared to the same period in 2022.

Other Expense (Income)

Other expense, net of income, increased $25.0 million in the first six months of 2023 compared to the same period in 2022 due primarily to a $14.3 million decrease in the amount of unrealized net gains recognized on our investments in equity securities, a $10.0 million increase in net interest expense, and a loss from our equity method investment of $0.8 million (see Note 7 in the Notes to Consolidated Financial Statements (Unaudited) set forth in Part I of this report for information regarding our investments). Interest expense increased due to higher interest rates for variable rate debt and an increase in average debt outstanding.

Income Tax Expense

Our effective income tax rate (income taxes expressed as a percentage of income before income taxes) was 24.7% for the first six months of 2023 compared to 24.3% in the same period in 2022. The higher income tax rate in the first six months of 2023 was attributed primarily to the income tax effect of the noncontrolling interest and a lower amount of favorable discrete income tax items in the first six months of 2023.

Liquidity and Capital Resources:

We closely manage our liquidity and capital resources. Our liquidity requirements depend on key variables, including the level of investment needed to support business strategies, the performance of the business, capital expenditures, borrowing arrangements, and working capital management. Capital expenditures, business acquisitions, stock repurchases, and dividend payments are components of our cash flow and capital management strategy, which to a large extent, can be adjusted in response to economic and other changes in the business environment. Management's approach to capital allocation focuses on investing in key priorities that support our business and growth strategies and providing shareholder returns, while funding ongoing operations.

Management believes our financial position at June 30, 2023 is strong. As of June 30, 2023, we had $46.5 million of cash and cash equivalents and $1.5 billion of stockholders' equity. Cash is invested primarily in short-term money market funds. In addition, we have a $1.075 billion credit facility, for which our total available borrowing capacity was $476.4 million as of June 30, 2023 (see Note 9 in the Notes to Consolidated Financial Statements (Unaudited) set forth in Part I of this report for information regarding our credit agreements). After considering recent developments in the banking sector, we believe the six commercial banks in our $1.075 billion syndicated credit facility all have strong tier-one capital ratios and good loan-to-deposit ratios. We believe our liquid assets, cash generated from operating activities, and borrowing capacity under our existing credit facility will provide sufficient funds to meet our cash requirements and our planned shareholder returns for the foreseeable future.

Item 7 of Part II of our 2022 Form 10-K includes our disclosure of material cash requirements as of December 31, 2022. There were no material changes in the nature of these items during the six months ended June 30, 2023.

Cash Flows

During the six months ended June 30, 2023, we generated cash flow from operations of $281.8 million, a 5.3% or $14.3 million increase in cash flows compared to the same six-month period a year ago. The increase in net cash provided by operating activities was due primarily to working capital changes, including a decrease in accounts receivable days sales outstanding, higher depreciation, lower gains on our investments in equity securities, and lower gains on the disposal of property and equipment during the six-month period ended June 30, 2023. These increases were partially offset by a decrease in net income for the six-month period ended June 30, 2023 compared to the same period in 2022. We were able to make net capital expenditures, repay debt, make a strategic loan and investment, and pay dividends with the net cash provided by operating activities and existing cash balances.

Net cash used in investing activities was $280.3 million for the six-month period ended June 30, 2023 compared to $169.7 million during the same period in 2022. Net property and equipment additions (primarily revenue equipment) were $254.2 million for the six-month period ended June 30, 2023, compared to $153.4 million during the same period of 2022. We currently estimate net capital expenditures (primarily revenue equipment) in 2023 to be in the range of $400 million to $450 million, compared to net capital expenditures in 2022 of $317.6 million. We intend to fund these net capital expenditures through cash flows from operations and financing available under our existing credit facility, if necessary. As of June 30, 2023, we were committed to property and equipment purchases of approximately $247.5 million. We also purchased a $25.0 million subordinated promissory note from Mastery Logistics Systems, Inc. on January 24, 2023, with a maturity date of January 24, 2030 (see Note 8 in the Notes to Consolidated Financial Statements (Unaudited) set forth in Part I of this report for information regarding our notes receivable).

Net cash used in financing activities was $64.2 million during the six months ended June 30, 2023 compared to $97.9 million during the same period in 2022. We repaid $53.8 million on our debt during the six months ended June 30, 2023, decreasing our outstanding debt to $640.0 million at June 30, 2023, and had net borrowings on our debt of $17.5 million during the same period in 2022. Subsequent to the end of the quarter, in July 2023, we borrowed an additional $50 million under our 2022 Credit Agreement (see Note 9 in the Notes to Consolidated Financial Statements (Unaudited) set forth in Part I of this report for information regarding our credit agreements). We paid dividends of $16.5 million during the six months ended June 30, 2023 and $15.7 million during the same period in 2022. We increased our quarterly dividend rate by $0.01 per share, or 8%, beginning with the quarterly dividend paid in July 2023. We currently plan to continue paying a quarterly dividend.

We did not repurchase any shares of common stock during the six months ended June 30, 2023. Financing activities for the same period in 2022 included common stock repurchase of 2,495,100 shares at a cost of $102.1 million. The Company has repurchased, and may continue to repurchase, shares of the Company's common stock. The timing and amount of such purchases depend upon economic and stock market conditions and other factors. As of June 30, 2023, the Company had purchased 3,688,190 shares pursuant to our current Board of Directors repurchase authorization and had 2,311,810 shares remaining available for repurchase.

Regulations:

Item 1 of Part I of our 2022 Form 10-K includes a discussion of pending proposed regulations that may have an effect on our operations if they become adopted and effective as proposed. The following is an update to the regulations set forth in our 2022 Form 10-K.

California's ongoing emissions reduction goals have significantly impacted the industry. The California Air Resources Board regulations apply not only to California intrastate carriers, but also to carriers outside of California who own or dispatch equipment in the state. In March 2023, the EPA granted California the authority to enforce environmental rules that are more strict than current EPA requirements. These rules would apply to vehicles beginning with the 2024 model year. Werner continues to structure our fleet plans to operate compliant equipment in California. Approximately 4% of our truck miles in 2022 were in the state of California.

There have been no other material changes in the status of the proposed regulations previously disclosed in the 2022 Form 10-K.

Critical Accounting Estimates:

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the (i) reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and (ii) reported amounts of revenues and expenses during the reporting period. We evaluate these estimates on an ongoing basis as events and circumstances change, utilizing historical experience, consultation with experts and other methods considered reasonable in the particular circumstances. Actual results could differ from those estimates and may significantly impact our results of operations from period to period. It is also possible that materially different amounts would be reported if we used different estimates or assumptions.

Information regarding our Critical Accounting Estimates can be found in our 2022 Form 10-K. Estimates of accrued liabilities for insurance and claims for bodily injury, property damage and workers' compensation is a critical accounting estimate that requires us to make significant judgments and estimates and affects our financial statements.

There have been no material changes to this critical accounting estimate from that discussed in our 2022 Form 10-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to market risk from changes in commodity prices, foreign currency exchange rates, and interest rates.

Commodity Price Risk

The price and availability of diesel fuel are subject to fluctuations attributed to changes in the level of global oil production, refining capacity, regulatory changes, seasonality, weather and other market factors. Historically, we have recovered a majority, but not all, of fuel price increases from customers in the form of fuel surcharges. We implemented customer fuel surcharge programs with most of our customers to offset much of the higher fuel cost per gallon. However, we do not recover all of the fuel cost increase through these surcharge programs. As of June 30, 2023, we had no derivative financial instruments to reduce our exposure to fuel price fluctuations.

Foreign Currency Exchange Rate Risk

We conduct business in foreign countries, primarily in Mexico. To date, most foreign revenues are denominated in U.S. Dollars, and we receive payment for foreign freight services primarily in U.S. Dollars to reduce direct foreign currency risk. Assets and liabilities maintained by a foreign subsidiary company in the local currency are subject to foreign exchange gains or losses. Foreign currency translation gains and losses primarily relate to changes in the value of revenue equipment owned by a subsidiary in Mexico, whose functional currency is the Peso. Foreign currency translation gains were $2.7 million for second quarter 2023 and losses were $47 thousand for second quarter 2022. These gains and losses were recorded in accumulated other comprehensive loss within stockholders' equity in the consolidated condensed balance sheets.

Interest Rate Risk

We manage interest rate exposure through a mix of variable interest rate debt and interest rate swap agreements. We had $150.0 million of variable interest rate debt outstanding at June 30, 2023, for which the interest rate is effectively fixed at 2.88% through May 2024 with two interest rate swap agreements to reduce our exposure to interest rate increases. Subsequent to the end of the quarter, in July 2023, we entered into four additional variable-for-fixed interest rate swap agreements for a notional amount of $130.0 million to further limit our exposure to increases in interest rates on a portion of our variable-rate indebtedness (see Note 13 in the Notes to Consolidated Financial Statements (Unaudited) set forth in Part I of this report for additional information regarding these swap agreements). In addition, we had $450.0 million of variable interest rate debt outstanding at June 30, 2023. The interest rates on our credit facility are based on Secured Overnight Financing Rate ("SOFR"). See Note 9 in the Notes to Consolidated Financial Statements (Unaudited) set forth in Part I of this report for further detail of our debt. Assuming this level of borrowing, a hypothetical one-percentage point increase in the SOFR interest rate would increase our annual interest expense by approximately $4.5 million.

Item 4. Controls and Procedures.

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rule 15d-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act"). Our disclosure controls and procedures are designed to provide reasonable assurance of achieving the desired control objectives. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective at a reasonable assurance level in enabling us to record, process, summarize and report information required to be included in our periodic filings with the U.S. Securities and Exchange Commission (the "SEC") within the required time period and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Management, under the supervision of and with the participation of our Chief Executive Officer and Chief Financial Officer, concluded that no changes in our internal control over financial reporting occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

We have confidence in our internal controls and procedures. Nevertheless, our management, including the Chief Executive Officer and Chief Financial Officer, does not expect that the internal controls or disclosure procedures and controls will prevent all errors or intentional fraud. An internal control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of such internal controls are met. Further, the design of an internal control system must reflect that resource constraints exist, and the benefits of controls must be evaluated relative to their costs. Because of the inherent limitations in all internal control systems, no evaluation of controls can provide absolute assurance that all control issues, misstatements and instances of fraud, if any, have been prevented or detected.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings.

For information regarding legal proceedings, see Note 10 in the Notes to Consolidated Financial Statements (Unaudited) set forth in Part I of this report.

Item 1A. Risk Factors.

In addition to the other information set forth in this report, you should carefully consider the factors discussed under Item 1A (Risk Factors) in our 2022 Form 10-K, which could materially affect our business, financial condition, and future results of operations. The risks described in our 2022 Form 10-K are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, and results of operations.

There have been no material changes from the risk factors disclosed in our 2022 Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

On November 9, 2021, our Board of Directors approved and announced a new stock repurchase program under which the Company is authorized to repurchase up to 6,000,000 shares of its common stock. As of June 30, 2023, the Company had purchased 3,688,190 shares pursuant to this authorization and had 2,311,810 shares remaining available for repurchase. The Company may purchase shares from time to time depending on market, economic, and other factors. The authorization will continue unless withdrawn by the Board of Directors.

No shares of common stock were repurchased during second quarter 2023 by either the Company or any “affiliated purchaser,” as defined by Rule 10b-18 of the Exchange Act.

Item 5. Other Information

Director and Officer Trading Arrangements

During second quarter 2023, no Company director or officer adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as such terms are defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits.

Exhibit No.	Exhibit	Incorporated by Reference to:
3(i)	Restated Articles of Incorporation of Werner Enterprises, Inc.	Exhibit 3(i) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007
3(ii)	Revised and Restated By-Laws of Werner Enterprises, Inc.	Exhibit 3.1 to the Company's Current Report on Form 8-K dated August 14, 2018
10.1	Werner Enterprises, Inc. 2023 Long-Term Incentive Plan	Exhibit 10.1 to the Company's Current Report on Form 8-K dated May 9, 2023
10.2	Form of Restricted Stock Award Agreement	Filed herewith
31.1	Certification of the Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934 (Section 302 of the Sarbanes-Oxley Act of 2002)	Filed herewith
31.2	Certification of the Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934 (Section 302 of the Sarbanes-Oxley Act of 2002)	Filed herewith
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350 (Section 906 of the Sarbanes-Oxley Act of 2002)	Furnished herewith
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350 (Section 906 of the Sarbanes-Oxley Act of 2002)	Furnished herewith
101	The following unaudited financial information from Werner Enterprises' Quarterly Report on Form 10-Q for the quarter ended June 30, 2023, formatted in iXBRL (Inline Extensible Business Reporting Language) includes: (i) Consolidated Statements of Income for the three and six months ended June 30, 2023 and 2022, (ii) Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2023 and 2022, (iii) Consolidated Condensed Balance Sheets as of June 30, 2023 and December 31, 2022, (iv) Consolidated Statements of Cash Flows for the six months ended June 30, 2023 and 2022, (v) Consolidated Statements of Stockholders' Equity and Temporary Equity - Redeemable Noncontrolling Interest for the three and six months ended June 30, 2023 and 2022, and (vi) the Notes to Consolidated Financial Statements (Unaudited) as of June 30, 2023.	
104	The cover page from this Quarterly Report on Form 10-Q for the quarter ended June 30, 2023, formatted in Inline XBRL (included as Exhibit 101).	

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WERNER ENTERPRISES, INC.

Date: August 8, 2023	By:	/s/ Christopher D. Wikoff
		Christopher D. Wikoff
		Executive Vice President, Treasurer and Chief Financial Officer
Date: August 8, 2023	By:	/s/ James L. Johnson
		James L. Johnson
		Executive Vice President, Chief Accounting Officer and Corporate Secretary

Exhibit 10.2

FORM OF
RESTRICTED STOCK AWARD AGREEMENT

THIS RESTRICTED STOCK AWARD AGREEMENT (this "Agreement") is made and entered into as of the ____ day of ___________, 20__ (the "Grant Date"), by and between Werner Enterprises, Inc., a Nebraska corporation (the "Company"), and___________, an eligible participant and recipient ("Participant") under the Werner Enterprises, Inc. 2023 Long-Term Incentive Plan (as defined and described below). As set forth herein, this Agreement is subject to the terms and conditions of the Werner Enterprises, Inc. 2023 Long-Term Incentive Plan.

RECITALS

WHEREAS, the Company has in effect the Werner Enterprises, Inc. 2023 Long-Term Incentive Plan, which was initially adopted by the Board of Directors (the "Board") of the Company on March 16, 2023, subject to shareholder approval, and ratified and approved by the stockholders of the Company on May 9, 2023, and which may be amended and restated from time to time (collectively, the "Plan");

WHEREAS, the Plan permits shares of the Company's common stock, $0.01 par value (the "Common Stock"), to be granted as restricted stock to (i) any key employee (including an employee who is a member of the Company's Board and/or an officer of the Company and/or its subsidiaries), (ii) any non-employee member of the Board, or (iii) any consultant to the Company;

WHEREAS, the Company believes it to be in the best interests of the Company and its stockholders for certain (i) key employees, (ii) non-employee members of the Board, and (iii) consultants to obtain or increase their stock ownership interest in the Company in order to establish a greater incentive in providing services to the Company and to further align their interests with those of the stockholders of the Company; and

WHEREAS, Participant is either a (i) key employee, (ii) non-employee member of the Board, or (iii) consultant, and Participant has been selected by the Compensation Committee of the Board (the "Committee") to receive an award of restricted stock under the Plan.

AGREEMENT

NOW, THEREFORE, in consideration of the promises and of the covenants and agreements herein set forth, the parties hereby mutually covenant and agree as follows:

1. <u>Grant of Restricted Stock.</u> Subject to the terms and conditions of the Plan (attached hereto as Exhibit A and made a part hereof) and this Agreement, the Company hereby grants to Participant an aggregate number of XXXX restricted shares of Common Stock (such restricted shares of Common Stock are hereinafter referred to as the "Restricted Stock" or the "Award"). The Restricted Stock was granted to Participant on the aforementioned Grant Date.

2. **Acceptance of Award.** The granting of this Award does not impose any obligation on Participant to accept such Award. By accepting the Award, however, Participant agrees to be subject to and bound in accordance with the terms and conditions of this Agreement and the Plan. Participant's execution of this Agreement shall evidence and constitute Participant's acceptance of the Award contemplated herein.

3. **Vesting.** Separate designated portions of the Restricted Stock shall become vested on the "Vesting Dates" as set forth on the Vesting Schedule (attached hereto as Exhibit B and made a part hereof). Subject to Section 7 of this Agreement and the terms of the Plan, and until the occurrence of the Vesting Dates, each portion of Restricted Stock for which the respective Vesting Date has not occurred shall be non-vested, may be canceled and forfeited upon (i) Participant's termination of employment, (ii) Participant's removal from the Board, or (iii) termination of the consulting agreement between Participant and Company, and may not be subject to further vesting under this Agreement.

4. **Value of Restricted Stock.** Participant acknowledges that the value of each share of Restricted Stock granted under this Agreement is not predetermined, fixed, permanent or otherwise set, specified or guaranteed whatsoever. On the Vesting Dates and each subsequent date thereafter, the value of such shares that fully vest and become unrestricted shall equal the Fair Market Value of the Common Stock of the Company on the respective date. Participant acknowledges that the Fair Market Value of such shares may fluctuate and vary according to market conditions and other factors. The term "Fair Market Value" means the closing trading price of one share of Common Stock on the NASDAQ Global Select Market^{SM} securities exchange, as published by the *Wall Street Journal* for the date in question.

5. **Taxes.** Participant will be solely responsible for any federal, state, local or other taxes imposed in connection with the granting and acceptance of Restricted Stock, pursuant to the terms of this Agreement and the Plan and with the delivery of Restricted Stock that has vested and become unrestricted pursuant thereto. Participant acknowledges that upon Participant's recognition of the income with respect to the Restricted Stock granted hereunder, the Company may withhold taxes pursuant to the terms of the Plan.

6. **Issuance Upon Vesting; Withholdings.**

(a) On the designated Vesting Dates, Participant shall have all rights as a stockholder for any Restricted Stock that vested and became unrestricted upon Participant's satisfaction of all applicable tax withholding amounts and requirements. The shares are payable to Participant upon vesting and shall be transferred to the holder in book entry form.

(b) The Company is not obligated to deliver any Restricted Stock that has vested and become unrestricted unless Participant has satisfied all applicable federal, state, local and other tax withholding requirements. Participant may pay all required withholding amounts pursuant to the provisions of the Plan.

7. **Termination of Employment; Removal or Departure; and Death and Disability.**

(a) Subject to the terms of the Plan and this Agreement and unless the Plan and Agreement provide otherwise, during Participant's lifetime, only Participant is entitled to receive the Restricted Stock granted hereunder.

(b) Subject to subsection 7(c) below or accelerated vesting on a Change in Control as provided pursuant to Section 7.7 of the Plan, termination of Participant's employment with the Company will affect the forfeiture of, and rights to become vested in, the Restricted Stock granted herein and such forfeiture shall be governed by the provisions of the Plan.

(c) In the event Participant is an employee and Participant (i) dies while holding Restricted Stock (not otherwise forfeited), or (ii) terminates employment by reason of Disability, all service period and other restrictions applicable to such Restricted Stock shall lapse, and such Restricted Stock shall become fully vested and nonforfeitable in accordance with the Plan. The termination of employment of an employee for reasons other than death or Disability shall be governed by the terms of Section 7.17(a) of the Plan.

(d) The removal of a non-employee member of the Board for misconduct will affect the forfeiture of, and rights to become vested in, the Restricted Stock granted herein and such forfeiture shall be governed by the provisions of the Plan. The departure of a non-employee member of the Board for reasons other than removal for misconduct shall be governed by the terms of Section 7.17(b)(2) of the Plan.

(e) The removal of a consultant for misconduct will affect the forfeiture of, and rights to become vested in, the Restricted Stock granted herein and such forfeiture shall be governed by the provisions of the Plan. The departure of a consultant for reasons other than removal for misconduct shall be governed by the terms of Section 7.17(c)(2) of the Plan.

8. Nonassignability of Award. The Award of Restricted Stock shall not be assigned, mortgaged, pledged, attached, sold, transferred or otherwise encumbered by Participant other than by will or the applicable laws of descent and distribution, except as may be permitted by the Board or Committee from time to time in accordance with the Plan. If Participant attempts to alienate, assign, pledge, hypothecate or otherwise dispose of Participant's Award, such Award may be terminated and become null and void pursuant to the Plan without any payment or consideration by the Company to the Participant.

9. No Stockholder and Dividend Rights. Participant shall not be deemed for any purpose to have any dividend, voting, liquidation or other rights with respect to the Restricted Stock granted hereunder, except to the extent that such Restricted Stock vests and becomes unrestricted.

10. Restrictions on Transfers of Common Stock.

(a) Participant agrees individually and for Participant's heirs, legatees and legal representatives, with respect to all unrestricted shares of Common Stock acquired pursuant to the terms and conditions of this Agreement (or any shares of Common Stock issued pursuant to a stock dividend or stock split thereon or any securities issued in lieu thereof or in substitution or exchange therefor), that Participant and Participant's heirs, legatees and legal representatives shall not sell or otherwise dispose of such shares except pursuant to an effective registration statement under the Securities Act of 1933, as amended (the "Securities Act"), or except in a transaction which, in the opinion of counsel for the Company, is exempt from the registration and prospectus delivery requirements under the Securities Act.

(b) As further conditions to Participant's receipt of the unrestricted Common Stock acquired pursuant to this Agreement and the Plan, Participant agrees individually and for Participant's heirs, legatees and legal representatives, prior to such acquisition, to take any actions, as counsel for the Company determines may be necessary or appropriate for compliance with the Securities Act and any applicable securities laws. Participant also understands and acknowledges that federal and state securities laws govern Participant's right to sell, transfer and otherwise dispose of the Restricted Stock, whether vested or unvested.

(c) Unless otherwise determined by the Board, no certificates representing restricted shares of Common Stock acquired under this Agreement shall be issued to Participant. In lieu of certificates, shares representing Restricted Stock acquired under this Agreement shall be transferred to the holder in book entry form with restrictions on the shares duly noted.

(d) Unless the Board determines otherwise, any unrestricted shares of Common Stock acquired under this Agreement and in accordance with the Plan shall not bear a restrictive legend, provided Participant satisfies the requirements set forth in Section 6 hereto and state and federal securities laws.

11. Adjustments. In the event there is a change in the number or rights and privileges of the outstanding shares of Common Stock (or of any stock or other securities into which such Common Stock may be changed or for which it may be exchanged), then the Board or Committee may adjust the number or rights and privileges of the shares subject to the Award if the Board or Committee in its sole discretion determines that such change equitably requires such an adjustment. As part of the adjustment, the Board or Committee shall determine, in its sole discretion, the manner of any such adjustment. Any adjustment or substitution provided for in this Section 11 or the Plan shall not result in the issuance of any fractional shares.

12. Board and Committee Authority. As consistent with the Plan and this Agreement, the Board and Committee have the power and discretion to interpret this Agreement; adopt rules for the administration, interpretation and application of this Agreement; and interpret or revoke any such rules (including, but not limited to, determinations relating to the termination of Participant's employment, removal from the Board, or termination of Participant's consulting relationship, and whether any Restricted Stock has vested or shall be deemed vested). All actions taken and all interpretations and determinations made by the Board and Committee in good faith will be final and binding upon Participant, the Company and all other interested parties. No member of the Board or Committee will be personally liable for any action, determination or interpretation made in good faith with respect to this Agreement.

13. Rights and Powers of Company Not Affected. The existence of the Restricted Stock granted under this Agreement shall not affect in any way the rights or powers of the Company or its stockholders to authorize and effect any or all adjustments, recapitalizations, reorganizations or other transformations or alterations to the Company's capital structure, business or operations; any merger or acquisition of the Company; any issuance of bonds or debentures; any preferred or prior preference stock ahead of or affecting the Common Stock or the rights thereof; a dissolution or liquidation of the Company; any sale or transfer of all or any part of the Company's assets or business; or any other lawful corporate act or proceeding of a similar character or otherwise.

14. No Right to Employment or Continued Relationship with the Company.

(a) To the extent Participant is an employee, the provisions of this Agreement (including the granting and vesting of the Restricted Stock) do not confer upon Participant any right to continued employment with the Company or its subsidiaries, nor do any of such provisions interfere in any way with the right of the Company or subsidiary (as the case may be) to terminate Participant's employment or to make any modification to Participant's compensation at any time.

(b) To the extent Participant is a non-employee member of the Board or a consultant, the provisions of this Agreement (including the granting and vesting of the Restricted Stock) do not confer upon Participant any right to a continued relationship with the Company or its subsidiaries.

15. Changes in Circumstances Affecting Common Stock. Participant expressly understands and agrees that Participant assumes all risks incident to (i) any change hereafter in any applicable laws or regulations or (ii) any change in the value of the Restricted Stock issued under this Agreement or the outstanding Common Stock after the date hereof.

16. Notice. All notices, claims, certificates, requests, demands and other communications provided hereunder shall be in writing and shall be deemed duly given if personally delivered or if sent by a recognized overnight courier; registered or certified mail (return receipt requested and postage prepaid); or electronic correspondence (with confirmed delivery receipt). Participant shall send notice to the Corporate Secretary of the Company at the Company's principal executive offices in Omaha, Nebraska, and the Company shall send notice to Participant at an address designated and provided by Participant to the Corporate Secretary. Notice shall be deemed to be received as follows: (i) for personal delivery, on the date of such delivery; (ii) for recognized courier, on the next business day after sent; (iii) for registered or certified mail, on the third business day following that on which the notice was postmarked; and (iv) for electronic correspondence, when receipt of confirmation is given (or if no receipt is provided, on the business day following the date of electronic delivery).

17. Assignment of Agreement. Participant is prohibited from assigning, transferring or otherwise conveying this Agreement, including any or all of Participant's duties and obligations hereunder, until the terms, conditions and restrictions contained herein have been satisfied and released or unless the Board or Committee consents and permits otherwise.

18. Amendment or Modification; Counterparts. This Agreement may be amended, modified or supplemented only by a written instrument executed by all parties to this Agreement. This Agreement may be executed in one or more counterparts. Each counterpart shall be deemed original, but all such counterparts together shall constitute but one agreement.

19. Severability. If any provision of this Agreement is adjudicated or determined by a court of competent jurisdiction to be invalid, prohibited or unenforceable for any lawful reason, such provision (as to such jurisdiction) shall be ineffective and rendered null and void. In such event, the remaining provisions of this Agreement shall remain effective, valid and enforceable.

20. Governing Law. This Agreement shall be governed by the laws of the State of Nebraska without regard to the principles of conflicts of laws and with respect to all matters, including (but not limited to) matters of validity, construction, effect, performance and remedies. Participant expressly submits to the exclusive personal jurisdiction and exclusive venue of the federal and state courts of competent jurisdiction in the State of Nebraska.

21. Waiver of Jury Trial. Each party to this Agreement hereby irrevocably and unconditionally waives, to the fullest extent permitted by law, the right to trial by jury in any suit, action or proceeding arising hereunder.

22. Terms of the Plan Govern. All parties acknowledge that the Restricted Stock is granted under and pursuant to the Plan, which shall govern all rights, interests, obligations and undertakings of the Company and Participant. The terms and provisions of the Plan, as it may be amended from time to time, are hereby incorporated herein by reference. The Plan shall govern and be controlling in the event (i) any of the terms of the Plan and this Agreement are inconsistent or conflict, or (ii) this Agreement is silent and does not include provisions with respect to a particular matter or circumstance. All capitalized terms not otherwise defined herein shall have the meanings assigned to such terms in the Plan.

23. Acceptance. The Participant hereby acknowledges receipt of a copy of the Plan and this Agreement. The Participant has read and understands the terms and provisions thereof and accepts the Restricted Stock subject to all terms and conditions of the Plan and this Agreement.

IN WITNESS WHEREOF, the parties hereto agree to the terms and conditions herein and have executed this Restricted Stock Award Agreement, effective as of the Grant Date first set forth above.

PARTICIPANT:		**WERNER ENTERPRISES, INC.:**
	By:	
Signature		Signature
		Derek J. Leathers
Name (Print)		Name (Print)
		President and CEO
Title		Title
Date		Date

EXHIBIT A

WERNER ENTERPRISES, INC.
2023 LONG-TERM INCENTIVE PLAN

EXHIBIT B

VESTING SCHEDULE

Separate portions of the Restricted Stock granted pursuant to this Agreement shall vest on the “Vesting Dates” according to the following schedule and the Grant Date:

1. *First Vesting Date.* ___________ percent (XX%) of the shares of the Restricted Stock Award shall become vested, and the restrictions on such shares shall lapse, on [_____________];

2. *Second Vesting Date.* ___________ percent (XX%) of the shares of the Restricted Stock Award shall become vested, and the restrictions on such shares shall lapse, on [_____________];

3. *Third Vesting Date.* ___________ percent (XX%) of the shares of the Restricted Stock Award shall become vested, and the restrictions on such shares shall lapse, on [_____________]. On such final Vesting Date, all shares of the Restricted Stock Award shall have vested, and all restrictions on such shares shall have lapsed.

EXHIBIT 31.1

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO RULES 13a-14(a) AND 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934
(SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002)

I, Derek J. Leathers, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Werner Enterprises, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2023

/s/ Derek J. Leathers

Derek J. Leathers
Chairman, President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO RULES 13a-14(a) AND 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934
(SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002)

I, Christopher D. Wikoff, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Werner Enterprises, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2023

/s/ Christopher D. Wikoff

Christopher D. Wikoff
Executive Vice President, Treasurer and Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

In connection with the Quarterly Report of Werner Enterprises, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2023 (the "Report"), filed with the Securities and Exchange Commission, I, Derek J. Leathers, Chairman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 8, 2023	/s/ Derek J. Leathers
	Derek J. Leathers
	Chairman, President and Chief Executive Officer

EXHIBIT 32.2

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)**

In connection with the Quarterly Report of Werner Enterprises, Inc. (the “Company”) on Form 10-Q for the period ending June 30, 2023 (the “Report”), filed with the Securities and Exchange Commission, I, Christopher D. Wikoff, Executive Vice President, Treasurer and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 8, 2023

/s/ Christopher D. Wikoff
Christopher D. Wikoff
Executive Vice President, Treasurer and
Chief Financial Officer