

Proficient Auto Logistics, Inc. (Fourth Quarter Financial Information)

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Corporate Speakers:

- Brad Wright; Proficient Auto Logistics; Chief Financial Officer
- Rick O'Dell; Proficient Auto Logistics; Chairman and Chief Executive Officer
- Amy Rice; Proficient Auto Logistics; President and Chief Operating Officer

Participants:

- Tyler Brown; Raymond James; Analyst
- Bruce Chan; Stifel; Analyst
- Alexander Paris; Barrington Research; Analyst
- Ryan Merkel; William Blair; Analyst

PRESENTATION

Operator^ Good day. And thank you for standing by. Welcome to the Proficient Auto Logistics Fourth Quarter Financial Information Conference Call. (Operator Instructions) Please be advised that today's conference is being recorded. I would now like to hand the conference over to your speaker today, Brad Wright, Chief Financial Officer. Please go ahead.

Brad Wright^ Good afternoon, everyone. I'm Brad Wright, Chief Financial Officer of Proficient Auto Logistics. Thank you for joining us on Proficient's Fourth Quarter 2025 Earnings Call.

Under SEC rules, our Form 10-K covering the 3- and 12-month periods ending December 31, 2025 and 2024, will include financial statements for both the predecessor accounting entity, Proficient Auto Transport and the successor entity, Proficient Auto Logistics, Inc.

We're not required to provide and the Form 10-K will not contain pro forma financial data for the combined companies.

Our earnings release provides comparative summary financial information for the fourth quarter and for the 12 months ended 2025 to the same periods of 2024 for the combined companies. Note that these results are preliminary as our financial audit for 2025 is not yet complete.

Our earnings release can be found under the Investor Relations section of our website at proficientautologistics.com. Our 10-K when filed, can also be found under the investor relations section of our website.

During this call we'll be discussing certain forward-looking information. This information is based on our current expectations and is not a guarantee of future performance.

I encourage you to review the cautionary statement in our earnings release describing factors that could cause actual results to differ from those expressed by the forward-looking statements.

Further information can be found in our SEC filings. During this call we may also refer to non-GAAP measures that include adjusted operating income, adjusted operating ratio, EBITDA, and adjusted EBITDA.

Please refer to the portions of our earnings release that provide reconciliations of those profitability measures to GAAP measures such as operating earnings and earnings before income taxes.

Joining me on today's call are Rick O'Dell, Proficient's Chairman and Chief Executive Officer; and Amy Rice, our President and Chief Operating Officer.

We will provide a company update as well as an overview of the company's combined results for the full year and for the fourth quarter of 2025. After our prepared remarks, we will open the call to questions.

During Q&A, please limit yourself to one follow-up. You may get back into the queue if you have additional questions. Now I would like to introduce Rick O'Dell, who will provide the company update.

Rick O'Dell^ Thank you, Brad. And good afternoon, everyone. I'd like to start by thanking our team members for their dedicated efforts in 2025. Together, we delivered over 2.3 million vehicles in 2025 and grew our business to over \$430 million in revenue, up 11% versus 2024.

Our team responded quickly and effectively to significant changes in the market throughout the year to meet customer needs of reliable quality service. Reflecting on 2025, the automotive market peaked in March and April ahead of tariff impacts and the remainder of the year was weaker than our expectations.

As we discussed in our last earnings call the fourth quarter started out at a slower pace with October SAAR at 15.3 million units. And while November and December volumes improved modestly, the full quarter saw our results finished lower year-over-year and lacked a more typical seasonal year-end volume push.

Despite this trend, our fourth quarter revenue and unit volumes each increased over 11% year-over-year as a full quarter of the Brothers acquisition and new business wins more than offset the weaker core market.

With regard to profitability, adjusted operating ratio for the fourth quarter was modestly better than the prior year. Results for the quarter were unfavorably impacted by a reduction in operating leverage due to the core market volume decline, as well as higher-than-usual insurance claims expense from the recognition of a major claim in the quarter under the higher retention levels of our new insurance program.

Importantly, these factors muted underlying cost control and efficiency improvements for the quarter.

We remain confident in continued momentum in the operating ratio reduction from the foundational improvements achieved over the course of 2025 and additional opportunities ahead of us.

Closing out the quarter as part of our annual goodwill impairment review, we recorded a noncash goodwill impairment charge of \$27.8 million during the quarter. This charge represents an updated fair value based on a discounted cash flow analysis and primarily reflects downward changes in market conditions since the time of our initial public offering.

Importantly, this charge is noncash and does not impact our liquidity, cash flow or the underlying operations of our business.

As we look ahead to this year, January SAAR finished lower than forecasted and while still being finalized, may be the lowest monthly SAAR in several years as severe winter weather across multiple regions disrupted dealership operations and delayed consumer purchase decisions.

As weather impacts ease, we expect healthy dealer inventory levels, continued sales incentives and a stronger tax refund season to support improved consumer demand over the coming months.

We continue to see underlying resiliency in the automotive market as replacement demand and aging vehicle fleet and lower interest rates support a stable demand environment.

While automotive OEMs continue to face cost pressure and the pricing environment is not as strong as we'd like to see, [POL] provides highly reliable quality service and is critical infrastructure in the automotive transportation supply chain.

We continue to show discipline in our pursuit of new business and in the retention of incumbent business to ensure sustainable profitability and reinvestment.

Our financial performance in automotive trucking is not universally healthy in this market, we are well positioned to improve our performance in a down market, generate strong cash flow and respond quickly and efficiently to customer needs as the market improves.

The company has an increasingly stronger balance sheet position, and we will advance our strategic objectives for continued margin expansion and market share gains. Now I'll turn it back over to Brad to cover key financial highlights.

Brad Wright^ Thank you, Rick. First, to reiterate a few high-level financial statistics. Total operating revenue for the full year 2025 of \$430.4 million was an increase of 10.7% versus 2024.

Operating revenue for the fourth quarter of 2025, \$105.4 million was an increase of 11.5% over the fourth quarter of 2024. Adjusted EBITDA of \$40.2 million for the full year 2025 was essentially unchanged from the combined 2024 result.

However, recall that the first quarter of 2024 was pre-IPO -- first half, I'm sorry, of 2024 was pre-IPO with different financial and market characteristics in the second half of 2025 as compared to the second half of '24 was meaningfully improved. To that point, fourth quarter 2025 adjusted EBITDA of \$9.2 million was an increase of 32% over the same quarter of 2024.

Total units delivered during 2025 of more than 2.3 million autos represented an increase of 16.2% from 2024, although revenue per unit was lower in 2025 by about 6%, reflecting the market shift away from spot traffic opportunities which we have now fully cycled. Provision continues to refine its operations and position for higher profitability even in the current market which will be amplified through operating leverage when volumes improve.

Our healthy cash flow characteristics have allowed for a meaningfully improved leverage position. Over the past three quarters, net debt to trailing 12-month adjusted EBITDA has gone from 2.2x as of June 30 to 1.7x September 30, and finished at 1.5x on December 30, 2025.

While the June 30 level of debt was not outsized and well within our covenants, the current position enhances our flexibility for future capital structure decisions.

In 2025, the vast majority of our growth came from market share gains and an acquisition as with the exception of the pre-tariff momentum early in 2025, the underlying new vehicle market did not grow.

In 2026, the forecast for SAAR is lower than 2025 actual, and this forecast has weakened since we last reported, reflecting a Q4 that lacked the typical seasonal peaking.

Therefore any growth in our 2026 revenue and related profitability improvement is expected to be a result of our internal initiatives, essentially unaided by the general market.

At this time we are confident that we can achieve year-over-year growth in revenue for the full year, and we reiterate our objective of 150 basis points of full year improvement in our adjusted operating ratio. That said, we will fully cycle the larger share gains from early in 2025 as well as the Brothers acquisition as of the first quarter.

While we have gained new business in bid processes and expect that to continue, the competitiveness of the pricing environment is such that we're forced to bow out of certain incumbent pieces of business when the price point moves below a level where we can attract and retain drivers and produce an acceptable return.

While we have not experienced material gains or losses, we are seeing both gains and losses in this environment, and we're prioritizing profitability above the pursuit of top line growth alone.

Regarding the first quarter of '26, as I mentioned, we have year-over-year improvement from last year's market share gains in the Brothers portfolio. However recall that the first quarter is seasonally the lowest quarter of the year. Thus far in 2026, we have seen extended plant shutdowns and significant weather interference.

We expect Q1 revenue to be higher than the first quarter of 2025, but lower sequentially from Q4 of 2025. Expect modest improvement in adjusted operating ratio due to our restructuring initiatives producing results and an expected normalizing of claims performance relative to last quarter.

Absent improvement in market conditions, we expect CapEx spending to be relatively light again in 2026. Total equipment CapEx was approximately \$10.2 million in 2025 and expected maintenance CapEx of between \$10 million to \$15 million in 2026 would maintain our fleet average life between five and six years.

Trailing 12-month adjusted EBITDA less CapEx was approximately \$30 million for 2025. When compared to our market capitalization, even in light of a share price increase of over 60% in the last three months, this level of net cash flow to total market capitalization equates to an 11% yield.

Finally, total common shares outstanding ended the year at 27.8 million, essentially unchanged from the end of the previous quarter. Operator, we'll now take questions.

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) Our first question comes from the line of Tyler Brown with Raymond James.

Tyler Brown^ Brad, you threw out a few numbers there. On Q1, I just want to make sure I have it. You're expecting revenues to be down sequentially and the OR to improve sequentially or year-over-year?

Brad Wright^ We expect modest improvement sequentially, Tyler.

Tyler Brown^ Okay. Sequentially. Okay. Perfect. Very helpful. Okay. And then, Rick, there's been a lot of talk out there about tightening capacity, obviously across the whole space.

But I'm just curious what you guys are seeing in the auto hauling market specifically. Do you think that auto hauling has any unique exposure to non-domiciled CDLs? Is it more or less of an issue than the broader complex? Just curious if you have any thoughts anecdotally.

Amy Rice^ Sure. I think the non-domiciled issue is becoming a current issue. The final rule -- the interim final rule is now sitting with the OMB. And as a result of state audits and states changing policies prospective to a final rule, we are starting to see more enforcement action in more places.

So that impacts both somewhat of a current driver population, but I think it meaningfully impacts the recruiting of new drivers because that entire population of would be drivers is precluded from entering the market.

For auto haul, we are lightly insulated there because we generally -- we don't hire drivers who are new CDL recipients. We require drivers that have experience driving a large truck before they move into auto haul as it's specialized.

So we are somewhat insulated. But yes, I do think it is taking capacity out of the market. It's not being felt in terms of pricing characteristics and whatnot in our space because the volume level is so low right now that you don't see all that capacity exit.

Tyler Brown^ Okay. Yes. That's helpful. So from a company-owned perspective, it's not an issue, but are you seeing a decline in motor carrier numbers in your active subhaul population? Because there's been a number of out-of-service placements. I'm just curious if you're seeing that at a deeper level.

Amy Rice^ We wouldn't see it as actively because what happens in a down market, the third-party carriers that we're using are those who choose to participate in our freight very regularly. The folks who choose to participate in our freight more episodically wouldn't have opportunities for dispatch in this volume environment.

So to the extent that some of those bridge players may be exiting the market, not only for us, but in general, in the (inaudible) space, that will be felt when there's a surge and a need for capacity that is no longer there.

Tyler Brown^ Okay. And maybe this is a question for all three of you, but do you think that rates will be up in '26 ex fuel?

Amy Rice^ So you're asking about revenue per unit.

Tyler Brown^ Correct.

Amy Rice^ I think we should be stable, largely stable on a revenue per unit basis. We had significant volatility in our RPU over the course of the last, call it, 12 to 16 months as we were cycling the reduction in spot traffic and dedicated traffic, the level where we are now we're very stable from an RPU perspective.

Tyler Brown^ Okay. And then my last one, just real quick. Brad, obviously it sounds like cash flow should still be good into '26. How should we think about prioritizing capital allocation between M&A, debt paydown, and even repurchases? Is that even a possibility?

Brad Wright^ Yes, Tyler, I think the priorities will be largely as they have been which is to continue paying down debt. Now we've made significant progress there, as I highlighted, over the last year, particularly the last three quarters.

And so that does give us some flexibility and some dry powder to the extent that an M&A opportunity came along, for example, we've got a lot of flexibility to use cash or to take on additional leverage or however we might choose to approach that.

But I think just on a recurring quarter in, quarter out basis, I would expect us to continue to strengthen the balance sheet first. And again, we never rule out share repurchases, but that's probably at the lower end of the priority list at this point.

Operator^ Our next question comes from the line of Bruce Chan with Stifel.

Bruce Chan^ Maybe just to focus a little bit more on the revenue mix and the pricing. You all mentioned a couple of things at work there with the absence of spot opportunity in the competitive market.

I guess, first on the spot side, Rick, you mentioned a few of the kind of points of optimism this year just around the age of the consumer fleet, any kind of tax rebates, refunds. How do those kind of factors play out through the spot versus contract opportunity? How much are you kind of embedding in your outlook for flat revenue per unit?

And then maybe on the competitive front, just to address that, I guess I'm a little surprised that given the cost trajectory in the business, carriers are still pricing so aggressively. So maybe any more detail on what you're seeing in that competitive environment there?

Rick O'Dell^ Yes. So on your first question with respect to what our expectations are for the spot market or what it would take to see the spot market recovery.

I mean I think if the market tightens and inventories tighten, then you see there's more of a sense of urgency for delivery of vehicles that get maybe presold or if inventories get low and demand is high, then you see more spot moves. So we would just take a healthier demand environment to kind of get a recovery in the spot market.

Amy Rice^ Bruce, from my perspective, at this point, any spot opportunity is upside relative to where we have been over largely the last year. So there is very little spot opportunity in the current market.

I don't expect there to be a meaningful amount of spot opportunity in the market that we foresee in the near term. But to Rick's point, any tightening that would introduce that opportunity would represent upside.

Rick O'Dell^ Or driver shortages for other competitors that have contracts, right? If they can't handle their contract business, then it goes to the spot market.

Amy Rice^ And then to your question on OEM pricing, what we are seeing is there's an impact on the OEM side of that equation and there's an impact on the carrier side of the equation.

On the OEM side, as we've seen in recent earnings releases, taking large impairment charges around EV investments and coming off of a year where they bore a significant portion of tariff expense, the OEMs are looking to improve their performance in 2026. And so they've got really stringent cost mandates in place for their procurement departments. And that's what we are seeing in the OEM environment.

On the carrier side of things, we're seeing a lot of carriers with underutilized capacity or the amount of volume that they're carrying is lesser than they would like to be carrying and it's resulting in carrier bidding at rates that, in many cases, are below a threshold that we think represents healthy reinvestment.

And so we're having to show discipline about what we're willing to pursue, what we're willing to defend and when we walk away because we don't think that, that rate level is sustainable in the market over a, call it, 3-year price term.

Bruce Chan^ Okay. Great. That's super helpful. And then maybe just for a final question here. You mentioned the in-sourcing and the cost control programs. I think we're a little more than year and a half or so post IPO. Any updates that you can share with us on progress there or any new opportunities that you may have identified?

Brad Wright^ Well some of the big ones that have now gotten a lot of traction or that will kick in, in the first quarter, the consolidation of all of our health care programs that will kick in or did kick in January 1, 2026. Consolidation of our insurance programs, liability and cargo damage, et cetera, in August of last year is also something that we expect to see result in cost savings during 2026.

The early on stuff has now kind of cycled at this point, the oil and the gas programs, the spare parts, that kind of stuff. And we continue to push on that, and we'll see marginal improvements there as well. But I think it's the insurance and benefits that will kick in the largest portion of the savings in '26.

Amy Rice^ One other comment I would make there, Bruce, is as we move into new vendors and new programs, there's a sort of flushing out of old contracts and prior expense. And so there is some doubling up in the system during that transitional period. And as we move forward, we do see opportunity to just take what I would describe as transitional and integration costs out of the system over time.

Brad Wright^ Yes. And I guess the other thing that I failed to mention is we did some restructuring late in the year last year that reduced some headcount and also got us out of one physical location that will actually create additional savings in '26.

Operator^ Our next question comes from the line of Alex Paris with Barrington Research.

Alexander Paris^ So I have just a couple of questions. First, I think a point of clarification. The market share gains and the Brothers acquisition, we still have one more quarter of a benefit before it cycled through. Did I get that right?

Brad Wright^ For Brothers, yes. On the market share gains, that was during the first quarter, so less of an impact there.

Alexander Paris^ Okay. Got you. And then on the organic front, and then I'm going to finish with M&A. On the organic front, you had said last quarter that there were still a number of OEM contracts that were awaiting awards.

And at that time just like this time you said that some contracts you walked away from due to pricing and so on. I was just wondering if we can get a little update on the color of contract awards either during the fourth quarter or prospectively.

Amy Rice^ Sure. Alex, it's Amy. We did see several open bids sort of matriculate to the award stage over the last couple of months. And what I would describe as puts and takes. We did pick up some new locations in a number of customer accounts.

We also lost some incumbent locations in those same customer accounts, again, by virtue of rate dynamics and where the late stages of negotiations went with respect to rates and profitability. So net-net, we are pleased with where we ended up.

But in a more disciplined environment, we'd like to retain our business as well as gain new markets. In the current environment, we are having to make some hard choices with respect to incumbent business as we pick up some new markets.

As we look ahead, there are a number of what I would describe, they're not national and headlining bids, but there are a number of active bids just in the ordinary course of the business that will play out here over the first and second quarter.

So we continue to see opportunity to bid on new traffic and our customers are still acclimating to our broader network and capability. And we're having much more meaningful discussion with customers about what we can do across a wider swath of their network. So we are encouraged and optimistic about our opportunity to pick up some new business.

Alexander Paris^ Great. That's helpful. Then two, anecdotally and without mentioning the OEM, I had heard a fairly large contract was awarded last year, and you stepped away due to pricing. But I've heard that, that same OEM is coming back and rebidding some lanes because some of these smaller carriers that bid real low are having service issues.

Have we been seeing those kind of things this year? I know you said earlier that it will usually end up in spot, but the absolute rebidding of certain lanes seems to have happened much sooner than they typically do.

Amy Rice^ So you bring up an interesting point, and it's one that we think about, right? So as we get into the late stages of the negotiation, you ask yourself, would I rather be the carrier that wins this business at a rate that I'm not entirely confident I can deliver?

Or would I rather be the carrier waiting in the wing if the guy who wins it can't entirely deliver. And we've made some of the latter in terms of our choices. So to your point, we do think that there's some business that has been awarded that may ultimately come back to market.

And we've tried to position ourselves in a way that our customers know we've got capacity, we've got interest, and we are available to support in the event that they have service disruption.

Alexander Paris^ Great. That's helpful. And then my final question, I'll finish on M&A, as I said I would. Given the weak market, given the weak SAAR given pricing pressures and service delivery challenges, would you -- maybe you can give us a little update on the M&A pipeline? And do you expect to make acquisitions in 2026?

Rick O'Dell^ Yes. We continue to develop a pipeline. We have one that we're actively engaged on. So we'll -- I would expect that we still would expect to maybe do one to two acquisitions a year.

Alexander Paris^ Great which is in line with what you had said at the IPO time and it's actually what you've delivered over the last 12 months or so? Correct.

Operator^ (Operator Instructions) Our next question comes from the line of Ryan Merkel with William Blair.

Ryan Merkel^ I want to start on 4Q. The OR missed, I think, your expectations. And I just want to be clear on why that happened. It sounds like it was the core revenue was a little bit weaker than you thought. What was the core revenue in 4Q? And was the weakness just the November and December seasonality didn't come back as you thought?

Amy Rice^ Yes. So on the revenue front, when we guided at the last quarter, we kind of gave a range of where we thought 4Q would end up. In the end, it ended up a few million shy of what we had anticipated that reflects in November and December that didn't come to fruition the way seasonally it typically does.

So yes, we saw some weaker volume and general revenue there that would have been contributory from an OR perspective, but there were some specific drivers in the quarter which Brad to talk about.

Brad Wright^ Yes. So we referenced in our commentary that we had elevated claims expense. So when we consolidated our insurance programs, we got significant reduction of premium, but we also took on a little more retention or self-insurance.

And as a result, we do expect that there'll be a little more volatility or we're subject to it anyway. And we had one accident in the fourth quarter where we did have to basically reserve up to our full retention amount. And so that had an impact on OR for the quarter, and we would not expect that to recur in Q1.

Ryan Merkel^ How big was that, Brad?

Brad Wright^ Well the full retention that we have on our liability is \$0.5 million, and we reserved all of that.

Ryan Merkel^ Okay. All right. And then the '26 guide, let's start with revenue. I just want to make sure I heard it right. So I think you said you don't expect any help from the market.

So talk about what do you expect from the market? I think you'll have one point of M&A that will carry over. You said flat pricing. So you're thinking a couple of points of volume. Am I understanding that right?

Brad Wright^ You're kind of breaking up a little bit, but I think the point is we don't expect general core market volumes to be higher than 2025. and pretty flattish revenue per unit as well. So -- but we do still expect that we will be able to generate some increase in our overall full year revenue through market share gains.

As Rick mentioned, we will always be looking at strategic additions as well. But we do think that we've got some optimism around market share gains that would push our revenue up organically anyway.

Ryan Merkel^ Okay. So it sounds like mid-single-digit revenue in '26 is in the ballpark.

Brad Wright^ Well just from the organic market, I would say you're probably a little high, but that's -- it's hard to say this early in the year.

Ryan Merkel^ Yes. I get it. Okay. And then on the OR improvement, 150 basis points, is that just all cost saves? And can you tell us how much in dollars you have for cost saves in '26?

Brad Wright^ Yes. So I think most of that would be -- most of it is cost savings, of course, to the extent that we push revenue higher, we get some fixed cost leverage as well.

Amy Rice^ And a meaningful portion of that, Ryan, as well is the ongoing initiative to shift more of our revenue base from the subhaul segment into the company driver segment. We get better asset utilization of our fleet.

And we think that on an apples-to-apples basis, the OR on a company-delivered move is as much as 300 to 400 basis points better than on a move. So we do expect to see progress there which, on the one hand, is cost driven, but on the other hand, is how we operate.

Operator^ This concludes the question and answer session. I would now like to hand the call back over to Rick O'Dell for closing remarks.

Rick O'Dell^ Well obviously the market environment was challenging in 2025. Like I said in my opening comments, certainly pleased with the execution of our employees dedicated to providing quality service to our customers in a challenging environment. And I think I think what we did demonstrate in 2025 is that our collective network is attractive to our customer base.

We grew revenue at 11%. And as we continue to mature our network and focus on our cost initiatives, we've got a high level of confidence in our ability to improve our operating margins.

In the meantime cash flow is strong, balance sheet is improving. And we like where we're positioned in the marketplace, but we just need the marketplace to be a little bit better. And I think there's some -- there are some sort of green shoots out there that could indicate that certainly the second half of 2026 can be better. So we're looking forward to that.

Operator^ This concludes today's conference. Thank you for your participation. You may now disconnect.