Proficient Auto Logistics (Q2)

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Corporate Speakers:
- Bradley Wright; Proficient Auto Logistics; Chief Financial Officer
- Richard O'Dell; Proficient Auto Logistics; Chairman, Chief Executive Officer
- Amy Rice; Proficient Auto Logistics; President, Chief Operating Officer

Participants:
- Bruce Chan; Stifel; Analyst
- Tyler Brown; Raymond James; Analyst
- Alexander Paris; Barrington Research; Analyst

PRESENTATION

Operator^ Good day. And thank you for standing by. Welcome to the Proficient Auto Logistics second quarter Financial Information Conference Call.

At this time all participants are in listen-only mode. (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.

Bradley Wright^ Good afternoon, everyone.

I'm Brad Wright, Chief Financial Officer of Proficient Logistics. Thank you for joining us for Proficient's Second Quarter 2026 Earnings Call.

Earlier this afternoon, we issued two press releases, one detailing our second quarter 2026 financial results and a second, announcing our definitive agreement to acquire Hansen and Atom as well as some financing transactions.

We have also posted on our website an investor presentation that accompanies today's discussion.

Press releases and the presentation materials can be found under the Investor Relations section of our website at profitelogistics.com.

Our 10-Q and filed can also be found under the Investor Relations section of our website.

During this call we will 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 two press releases 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 an explanation of how we compute these non-GAAP financial measures and reconciliations of those profitability measures to the most comparable GAAP measures.

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 second quarter of 2026 and an overview of the strategic rationale for the acquisition. After our prepared remarks, we will open the call to questions.

During Q&A, please limit yourself to one question plus one follow-up. You can get back into the queue if you have additional questions.

Now I would like to introduce Rick O'Dell for opening comments.

Richard O'Dell^   Thank you, Brad. And good afternoon, everyone.

Before discussing our second quarter results, I want to begin with the acquisition announcement we shared today.

We're excited to announce our agreement to acquire Hansen & Adkins, a founder-built business with more than 30 years of history, a strong reputation for service, deep relationships with leading OEM customers and broad talent throughout the organization.

I'd like to recognize Steve Hansen and Louis Adkins for building one of the most respected operators in our industry and also welcome the Hansen & Adkins employees and our carrier partners. Their collective commitment to safety, customer service and operational excellence has been central to the company's success and is a key reason we're so enthusiastic about this transaction.

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We believe this acquisition represents a compelling strategic and financial opportunity. Upon closing, the combined organization will benefit from greater scale, expanded geographic coverage enhanced network density and broader capabilities to support our customers across North America.

We also see opportunities to improve asset utilization great operating efficiencies and strengthen the earnings power of the business over time.

Importantly, both companies share a similar culture and a commitment to safe, reliable execution which we believe will support successful integration over the coming months and long-term value creation.

Turning to the second quarter.

Industry saw trends improved sequentially from the challenging conditions experienced in the first quarter and volume trends became more stable.

However the impact of several subseasonal quarters and depressed rates became increasingly evident in the form of industry-wide driver shortages and constrained carrier capacity. Rising operating costs including fuel and maintenance, pressured the market and our quarterly results.

As market conditions continue to strengthen, we believe we are well positioned to benefit from seasonal favorable tailwinds across the trucking and auto hauling markets.

Recovering automotive production, normalized dealer inventories and improving inventory turnover are supporting higher finished vehicle shipment volumes.

At the same time regulatory actions and driver recertification requirements are contributing to tighter capacity following a multiyear freight recession, supporting improving spot rates and carrier pricing dynamics. Hansen & Adkins greater brokerage exposure relative to Proficient provides increased participation in the recovering spot market.

Additionally, recent court rulings including the Montgomery case, could further benefit Proficient as heightened carrier qualification standards and liability exposure may reduce reliance on marginal capacity and shift demand toward larger, established safety-focused providers such as Proficient.

Our customer discussions have been constructive in response to the evolving market conditions and as we're able to improve fuel surcharge coverage and secure certain rate adjustments during the quarter, our margins improved sequentially each month fishing with June's operating ratio of 95.7% which is the best month thus far this calendar year. These trends give us increasing confidence that the industry is moving toward a more balanced and sustainable operating environment.

Looking ahead, we believe scale, dependable asset-based capacity and operational excellence matter more than ever for the automotive industry. The acquisition of Hansen & Adkins once completed, will strengthen our ability to support customers, create new opportunities for our employees and carrier partners enhance our long-term financial profile and drive meaningful value for shareholders.

Importantly, we believe the transaction comes at an inflection point for the industry, positioning us to capitalize on tightening capacity, improving market fundamentals and more favorable pricing environment as conditions normalize.

With that, I turn it back to Brad to review our financial results and key performance highlights for the quarter.

Bradley Wright^   Thank you, Rick.

In general, financial metrics have improved sequentially in the second quarter of 2026 versus Q1.

However not to the levels achieved in what was a record quarter for the company in Q2 of 2025. And an improving cost profile during each sequential month of the second quarter gives us reason for optimism that financial ratios entered Q3, more in line with investor and company expectations.

Summarizing year-over-year comparisons. Total operating revenue for the second quarter of 2026 was $109.4 million, a decrease of 5.3% versus the same quarter of 2025. Total units filter during the second quarter totaled 580,962 which was a decrease of 8% compared to the same quarter of 2025.

However revenue per unit was higher than Q2 of 2025 by 2.9%. Adjusted EBITDA for the second quarter was $7.6 million versus $11.3 million in the second quarter of last year.

As already mentioned, we experienced increased fuel costs and driver payments, both company and sub all in response to seasonally inflated demand. These costs were incurred in advance of the customer payment cycle catching up to higher fuel and sequentially rising volumes.

The result was higher accounts receivable and corresponding lower cash balances at quarter end. This balance imbalance, however self-corrected during July. Net debt was $62.3 million at the end of the second quarter for a net debt leverage ratio of 2.1x on a trailing 12-month adjusted EBITDA of $30.3 million.

Our equipment CapEx has remained light during 2026, less than $5 million year-to-date. Following the acquisition that we will be further detailing in a moment, we will assess the available fleet assets on a combined basis and make a determination of CapEx through year-end that is based on needs of the entire company and takes into consideration forthcoming asset deliveries that were already scheduled.

Total common shares outstanding on June 30 were $28.1 million, an increase of approximately 218,000 shares since year-end 2025 or less than 1% as a result of vesting RSU grants. There were no additional share buybacks during the second quarter as we positioned our capital and debt resources in preparation for a significant acquisition.

Finally, as we look ahead to the second half of 2026, we are forecasting volumes that reflect typical seasonal fluctuation of a relative pullback in July and August, followed by rising volume through the fall. That said, revenue yield of similar volumes is expected to improve as supply constraints, incentive pricing and the transportation market moving away from unsustainable low rates becomes more evident over time.

Taking into account the acquisition that closed in mid-Q3, we believe that reported second half revenue will total between $350 million and $370 million with operating ratios approximating 97% and EBITDA margins between 8% and 9%. This outlook assumes that the synergies expected from the combination will start to be realized as we're entering 2027.

I'd now like to turn the call over to Amy Rice for a fuller overview of the Hansen & Adkins.

Amy Rice^ Thank you, Brad. Rick has expressed some of the broad strategic rationale that we believe make this combination so compelling.

I would like to expand on that with some details about Hansen & Adkins, and the complementary nature of their business with Proficient Auto Logistics.

At over $400 million in revenue and greater than $27 million in EBITDA on a trailing 12-month basis through March, the combination of HNA's U.S. and Canadian businesses are only modestly smaller than Proficient.

The Canadian business comprises roughly 13% of their overall revenue, and at that level, positions them as one of the largest in the Canadian market.

This will represent a new market for Proficient and one that we believe has meaningful upside potential over the long term.

With a meaningful fleet of company assets which mirrors our target age profile as one of the youngest in the industry, particularly for the U.S. market.

We will be well positioned to meet the evolving market in which asset-based capacity with high-quality drivers is crucial. The combined enterprise post closing will be the largest auto hauler in the North American market and one of only a very few with a fully national footprint in the U.S.

as well as comprehensive Canadian coverage.

At over $800 million in revenue and $60 million in adjusted EBITDA on a trailing 12-month basis, we expect to participate in roughly 1/4 of the addressable new vehicle transportation market. enabling network efficiencies for both the company and customers. Hansen & Adkins has employed a company fleet focus and derives approximately 60% of their revenue from company deliveries versus 40% from the subhaulers segment which, when combined with Proficient, we'll bring the overall mix to very nearly half and half.

Many of the locations served for auto transport are rail and port facilities. And with more of the infrastructure footprint covered by the combined enterprise, we have a stronger value proposition for OEMs, as they have needs for nimbleness in their transportation supply chains.

Notably, we are excited to welcome the experienced and talented workforce across the HNA entities as well as the enhanced network of partners in the owner-operator and third-party carrier space.

As we have discussed with investors throughout our relatively short history, density in key markets matter and the combined footprint will allow us to strategically deploy our fleets, exhibit flexibility to address customer needs and coordinate routes to enhance capacity, improve utilization and reduce empty miles.

While both Proficient, and Hansen & Adkins, have existing business across the spectrum of OEM clients, our respective customer bases are complementary, providing natural diversification, both in the context of geographies served and in customer concentration.

Our businesses are not built around terminal network, the way that other trucking and LTL companies might be.

However we do have points of service where there is overlap, and we expect to realize synergies from the integration of our operations over time.

Of particular note, the combined companies will have a repair and maintenance network that is strategically placed in high-traffic zones, allowing us to achieve the cost synergies of in-sourcing a higher percentage of our maintenance costs versus paying third-party providers.

These synergies in the areas of network optimization, maintenance efficiencies, improved backhaul opportunities and procurement advantages are in addition to the identified cost savings from optimizing our combined G&A functions. The upfront purchase price in the transaction reflects an enterprise value of $130 million which includes the assumption of approximately $75 million in outstanding equipment financing and $55 million paid to sellers.

Payment at closing will include $3 million in Proficient common shares with the remaining $52 million in cash. The amount of debt assumed versus value paid to sellers will be adjusted to reflect the actual debt outstanding and assumed by Proficient at closing.

In addition, there is potential for an earn-out payment in the first quarter of 2027 based on achievement of forecasted EBITDA for the full year ending December 31, 2026. Any earnout payment will be made at multiples consistent with the base purchase price.

Concurrent to the completion of the acquisition transaction, Proficient is restructuring its overall debt portfolio. Equipment financing for both the Proficient and Hansen & Adkins fleets will be brought under one syndicated facility with a capacity of up to $120 million. The balance at closing will be approximately $100 million.

A 7-year convertible bond has been placed for $75 million in base value, a capped call in an equal amount has been obtained to synthetically increase the conversion premium on convertible bonds by up to 75% over the premium set in the convertible indenture which mitigates equity dilution for current shareholders.

Final terms on the convertible will be established when the market closes tomorrow on August 11, and we will separately disclose the final terms at that time.

Finally, the separate line of credit arrangements employed by the two companies are expected to be combined into an expanded syndicated line of credit facility after closing and the amount in terms of this new structure will be disclosed upon completion.

In summary, we believe this combination is transformative for the auto haul industry and brings meaningful benefits to our customers in addition to enabling us to further lean into scale and efficiency to achieve improving financial results, consistent with the investment thesis that underscored Pal's creation. Hansen & Adkins meets all of our strategic criteria for growth through acquisition and its magnitude differentiates this transaction from what we've done in the past.

With all preexisting PAL entities fully integrated, bringing HNA into the PAL environment will be a coordinated and methodical process over the next six months.

We already share many of the same enterprise systems and a similar values and organizational mindset, and we are excited to meet the challenges of the industry in a more compelling fashion as we move forward.

I'll now turn the call back to Rick for closing comments.

Richard O'Dell^   Thank you, Amy.

In closing, we believe this transaction comes at exactly the right time for our industry, scale, reliability and operational excellence have never been more important. The acquisition of Hansen & Adkins will create a stronger platform built on proven leadership, disciplined execution and industry-leading capabilities. This transaction also reinforces Proficient's position as the acquirer of choice, providing a scalable foundation to continue consolidating a highly fragmented market and creating long-term value for all stakeholders.

Looking ahead, we're well positioned to benefit from improving pricing dynamics and increasing demand for asset-based capacity with the financial strength to continue investing in our fleet, service offerings and customer relationships -- we're confident this combination strengthens our competitive position and accelerates our path for sustainable growth. Thank you for your time and interest.

We're excited about the opportunities ahead and look forward to delivering on the significant potential of this partnership.

Operator, we'll now open it up for questions.

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) Our first question comes from the line of Bruce Chan with Stifel.

Bruce Chan^ Maybe I want to start out by following up on some of your comments about the market. Certainly understand the margin pressure from the tightening capacity, typically a good indication of the early cycle inflection to your point, -- but I know that you typically have a longer duration pricing recovery just given the average contract tenure here.

So I want to get your sense for when you expect pricing to sort of outpace the cost inflation is our timeline of that? And then whether or not you have an opportunity to maybe take any out-of-cycle price increases and address some of that margin squeeze?

Amy Rice^ Yes, Bruce, the market has sort of forced some short-term adjustments in particularly strained geographies, so we've been working with customers, most recently in many cases, on short-term incentives to support capacity enhancement and given trophies. And what we're finding is with additional rate support, we can be more successful in bringing additional capacity to the market.

So we're getting some positive proof points that enhance rate supports enhanced service. And we're using that as a platform for a broader conversation with our customers where we are seeing service challenges or we do see greater demand need for our customers that's currently unmet.

So what I would say to your question is, I think we have certainly come off of the bottom of the market in terms of low rate pressure. There has been some failures in the ability to start the traffic at very low rates. And that's helpful to reestablishing sustainable rates going forward.

And now as you mentioned, off-cycle price increases, to the extent that there is a supply-demand imbalance is incumbent on both us and our partner customers to figure out how we close that gap. And we are finding that supporting drivers and third-party capacity with a more compensable rate structure is an enabler.

So I use the opportunity there.

Bruce Chan^ So I guess given those comments and given the recent acquisition, is it -- is it fair to say that we will be looking at price to sort of outpace the cost inflation by end of the year? Is that more of a 2027 event?

Amy Rice^ Well part of the story there is what happens on the cost side of the profile. Again we've seen a very volatile fuel environment due to the macro backdrop. And it's unclear at this point when fuel normalizes back to what has been more typical for the last several years.

I think that's a key component. Maintenance costs and supply costs, insurance costs, there has been increased pressure there as well.

I do think our scale in the combination helps us to combat some of that.

We have greater purchasing power, and we have a greater maintenance footprint to be able to be more efficient in our maintenance spend.

So I'm optimistic in terms of what that represents as we bring the two networks together.

To hit your question on timing head on, yes, I think we come into 2027 with a good table set for the year on a combined basis.

Bruce Chan^ Okay. And then just one more for me on the deal.

I don't know if I missed it, but do you have a sense for what the margin profile looks like for the combined entity pro forma any thoughts on whether this deal is accretive at the get-go and any synergy targets or guidance that you can provide there?

Bradley Wright^ Yes. Bruce, definitely accretive from the get-go.

I mean their financial their financial profile looks a lot like ours. The company generates a lot of cash, and they do have good margins, but nonetheless, subject to the same challenges that we've got in the current environment.

I'm conservatively projecting for the rest of the year that we would run at 97% and an 8% to 9% EBITDA margin.

But I think that there's plenty of room for upside to that as we get into '27 and start realizing the synergies that have come along with this combination.

Bruce Chan^ So that 97% includes the synergies or that's exclusive of the synergies?

Bradley Wright^ I think that's -- I mean we haven't baked in a lot of synergies there because, frankly, we've identified some places that we will attack, but that still needs to be cost out between now and implemented between now and the beginning of the year.

So there's not a lot of synergy built into that number.

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

Tyler Brown^ Rick, Amy, obviously one of the big developments this quarter was the Supreme Court's ruling on Montgomery and I guess the potential risk on brokered loads.

So obviously you guys have a very large mix of subcontractor capacity.

I'm just kind of curious about what the implication of Montgomery is for you. And frankly, the broader industry? I mean is it going to lead to some forced purging of some of the subcontractors that maybe can't meet some of the stringent safety thresholds?

Or are you expecting to see outside inflation on the liability side? I'm just curious what you guys are thinking about that case for you and frankly, for the industry more broadly?

Amy Rice^ Yes.

So one thing I would remind the group, though our sub hole segment is roughly 60% of our current portfolio. That's comprised of both owner operators who run under our Transportation Authority as well as third-party carriers who run under independent transportation authority.

I bring that up to say the owner operators are already under our liability.

So the incremental risk with Montgomery is really pertaining to third-party carriers.

And we've got a more stringent third-party screening set of criteria and set of insurance and safety requirements of our network of parties than what we've seen in a lot of the industry.

And I think a lot of the regulatory enforcement that's taking place is starting to purge some of the less scrupulous players in that space, and it is also contributory to some of the supply shortage that we're all feeling across the industry.

That said, both from a risk mitigation standpoint and a capacity reliability standpoint, having a large asset base to rely upon to deliver and then having a strong, safe reputable set of third-party carriers is the best way to protect ourselves from broker reliability. To your question, yes, broker liability insurance is becoming more expensive, though within our insurance portfolio, that's a very small piece of our overall coverage portfolio.

Tyler Brown^   Okay.

So of the 60% with just Power legacy, is there -- is it mostly under your DOT authority? Or is it a rough mix? I'm just curious what that mix is?

Amy Rice^   I'd say we're at least 20% within the owner-operator space.

Patrick Brown^   Okay.

Okay. And then just, Amy, just any color on the spot market, what was that mix in the quarter? Maybe you mentioned it, I may miss it. And then -- what are you kind of seeing here into July and August?

And on that, is the reduction in the subhaul volumes, is that kind of a function of those routing guides starting to break down because there's just an inability to move those wins at those prices.

Is that the right way to think about it?

Amy Rice^   There are several questions in there.

I'll take them one by one. The spot market is reemerging for sure.

What we are experiencing in the spot market is we've shared consistently that our bread and butter is contract business for customers. And so given the limited number of customers in this industry, it would be unwise to abandon contract rate and chase spot freight.

There's too few customers to do that. without endangering our reputation and just sending a really bad message.

And so what we've done is where we see that demand is in excess of the capacity we have against our contract business.

We've been discussing with customers rather than putting the access to the spot market, is there an opportunity for short-term incentives or surge rates that we could use to essentially participate in the spot market to move the broader contract traffic. And we've done a lot more of that.

So maybe not traditional spot traffic, but the opportunity to enhance and augment our capacity and movement in a particular area when the demand is acute for a given customer.

In terms of what we're seeing in July and August, we're seeing the typical seasonal period where -- there are some plant shutdowns in early July which is followed by a bit of a languishing in the rail pipelines in the latter part of July and into August.

So we have seen a pullback from where we were in the second quarter. And candidly, it was needed -- there was a backlog of demand that across the industry, carriers have benefited from some time work off that backlog.

At this point, I would say inventories have normalized. And when I say inventories, I mean inventories available to us to move.

Inventories have normalized.

Our service metrics have IMRs recovered, and we're ready to move into the fall season that tends to ramp up through the end of the year. And then your question -- your last question about reduced share -- excuse me, sub hauler volume and what's driving that in this higher fuel environment -- it is very expensive as an independent third-party carrier to cover your operating costs and particularly higher cost of fuel.

And so what we've seen in that whole segment of the industry is third-party carrier who have historically chosen to run in our portfolio consistently have had to chase the highest dollar.

And so some of that capacity has moved into opportunistic freight on a short-term basis to try and recoup some of the outsized costs that they've had to bear over the last several quarters. And it's resulted in reduced subhauler capacity on our network.

Some of it also has been due to exits in that space.

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

Alexander Paris^ Congratulations on the -- reaching the inflection point and maybe more significantly the acquisition of HNA. Listening to your prepared comments, it sounds like it will be accretive from the get-go, and there will be synergy opportunities in 2027 to improve its contribution.

I heard Brad, your guidance on second half expectations for the combined company.

I think you said in the press release that the deal would close in August at some point.

So you're not going to get the July and most of the August revenue.

I wonder if you could give guidance on the current quarter like you usually do, pre-acquisition?

Richard O'Dell^   Yes.

Look, on a stand-alone basis, we're looking for revenue in Q3 this probably at or right around the Q2 level, maybe up just slightly.

But given seasonality, I would expect it to be kind of flattish. And yet, because of some of the pricing dynamics and the better cost control that we experienced in June.

I think we can continue to see better OR, better profitability on that same level of revenue.

Alexander Paris^   Okay. And then again listening to your second half guidance, post acquisition, it sounds like this is going to be a $900 million company or so on a run rate basis on an annual basis and EBITDA of $90 million or so.

Is that talking about right?

Richard O'Dell^   Seems a little high.

I think one of the slides that we have, I mean if you just look on a trailing 12 basis, it's probably maybe like.

Amy Rice^   In about $50 million.

Richard O'Dell^ $50 million to $65 million of EBITDA.

Operator^   Our next question is a follow-up from Bruce Chan with Stifel.

Bruce Chan^   Thanks for the follow-up here. Brad, I just want to maybe pull at that margin thread a little bit and what the combined entity looks like, especially as we get into '27. You'd previously talked about -- I know this is maybe a couple of years ago, but seeing enable low 90s OR-type organization maybe being able to whittle that down into the high 80s -- is that still the idea here? Is that something that you think you can achieve towards the end of '27? Or is there a new level that we should sort of be thinking about.

Bradley Wright^   Well Bruce, we still think that there's a lot of room to push OR down.

I don't know that I would be thinking 90% or below in 2027. And I think we're still in an environment where, again with June like 95%, I think when we start putting the two companies together and realizing those synergies, we should be able to get below that level.

But that's going to take a little time. And so I don't want to be to abulent without having the chance to really dig in and see what level of synergies are available to us.

But we still believe that getting there, whether that's in '27 or '28 to that more reasonable 95% and below is certainly in the cards.

Bruce Chan^   Okay. Yes. That's helpful. And then, Amy, maybe one from your side, you talked about the sub hauler mix.

I don't know if that looks similar for Hansen & Adkins.

What does that do to the overall sub-power mix -- and if you think about a now much larger fleet, maybe close to double the size before is there an opportunity to move a lot of the volume even more company.

Amy Rice^   So Hansen & Adkins mix is about the inverse of ours.

So they are about 60% move in the company segment and about 40% in the subhaul segment.

But I would say more of their revenue in the subhaul segment is on owner operators relative to Shales. And much of what they do in the third-party carrier space is a more traditional brokerage model.

So we should have a diversified mix of channel tools in our toolkit here.

But to your question, yes, I mean on a combined basis, I think our mix on company assets should be roughly 50%, and that's powerful in terms of being able to provide a more reliable service product on company assets supplemented by ow operators.

Bradley Wright^   And I would just comment on margins.

I mean it's just math, but -- at this point, with the combined organization, a 94.8% is about $1 per share in earnings per share and 92%about $1.50.

So in terms of needing to necessarily get to an 88% OR to have meaningful EPS and return for shareholders as we step along the way we'll be generating some meaningful EPS and good returns for shareholders.

Operator^   I would now like to hand the call back over to Rick O'Dell for closing remarks.

Richard O'Dell^   Well thank you for your interest in Proficient Auto Logistics.

We're really excited about the Hansen & Adkins addition to our organization, and we look forward to capitalizing on this opportunity for all the stakeholders, being our customers, our employees and our shareholders. Thank you.

Operator^ This concludes today's conference. Thank you for your participation.

You may now disconnect.