

Schneider Company Profile

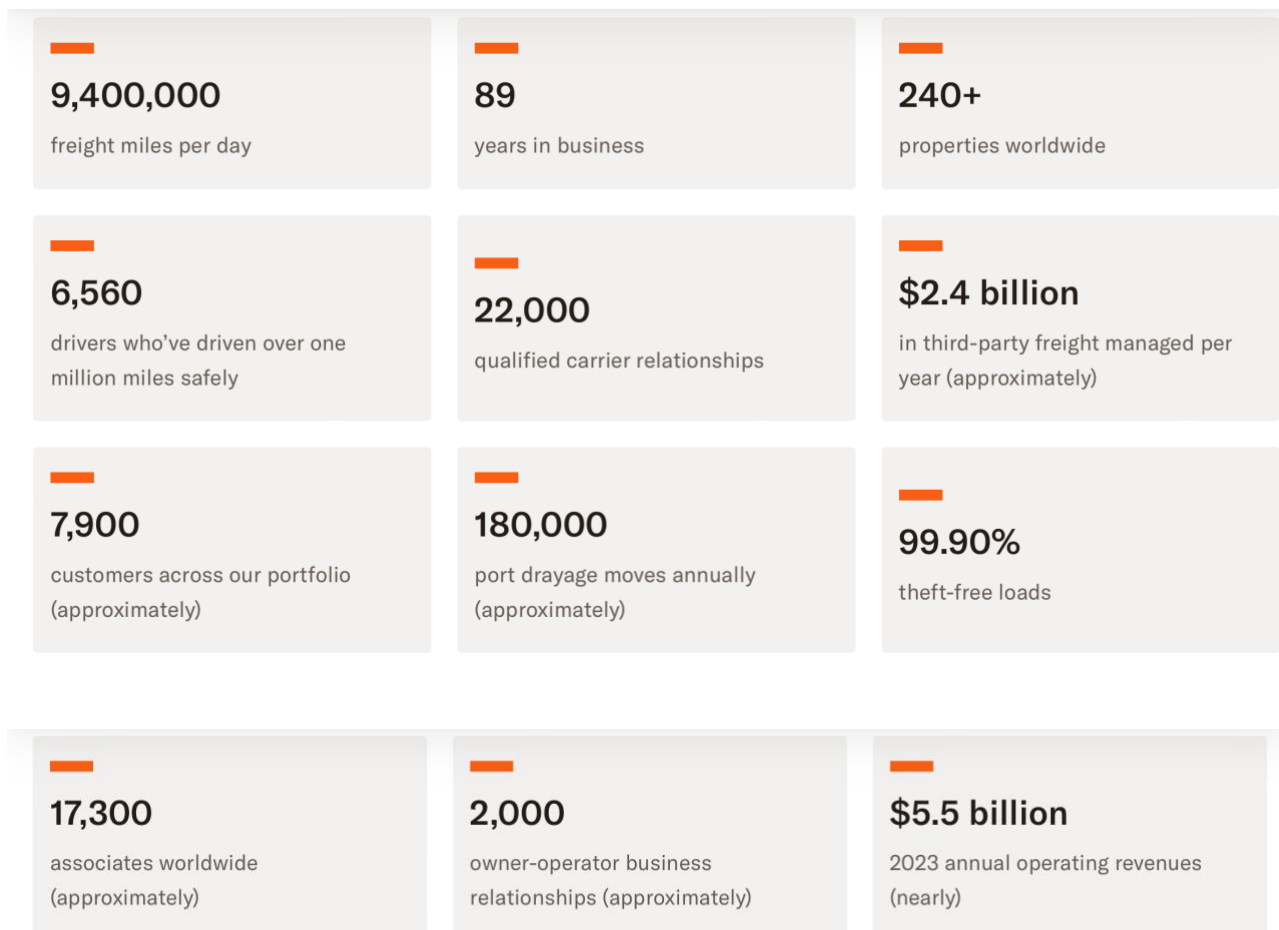
Overview>Senior Management

President and Chief Executive Officer	Mark Rourke
Chief Financial Officer and Executive Vice President	Darrell Campbell
Chief Innovation and Technology Officer	Shaleen Devgun
Chief Administrative Officer and Executive Vice President	Rob Reich
Chief Commercial Officer	Erin Van Zeeland

Overview>Employees

2023: 17,300

Insight>Strategic Profile



Schneider, founded in 1935, is headquartered in Green Bay, Wisconsin, USA. It is a provider of premium truckload and intermodal services including transportation, logistics and related services.

Schneider Logistics (a wholly owned subsidiary of Schneider) provides logistics services to shippers globally. Its supply chain services include transportation management, transloading and distribution, supply chain management and supply chain advisory services. The division manages warehousing space and dray drivers at US ports.

In 2014, the company changed its name to 'Schneider', from the previous title, 'Schneider National'.

In 2023, Schneider announced its revenue to slowdown by 17% y-o-y to \$5,498.9m, while income from operations decrease by 51% to \$296.4m. The result is reflected by the persistent challenges of the current freight environment.

Truckload revenues fell by 3.6% y-o-y in 2023 to \$2,155.7m in a large part due to the ongoing US freight recession. At the same time Schneider's Intermodal segment saw revenues down 18.4% to \$1,050.7m due to its transition from working with BNSF to Union Pacific in US Western railroad transport. Finally, its Logistics segment also saw a large drop in income, -28.8% to \$1,393.7m.

Insight>Strategic Outlook [New section, in part moved from Strategic Profile]

As North America rebalances from the macroeconomic factors that have beset most industries, so Schneider National appears to be in a period of transition. It is looking at long term investments in all three divisions with a view to improving revenues and profitability.

The Truckload division has two major elements - LTL and Dedicated. In 2023 the company added 500 liveried trucks to its Dedicated fleet as it aims to strengthen this income stream, in part through an acquisition it made that year. At the same time it acquired Massachusetts based M&M Transportation deepens its reach in US NE, Midwest and SW road transport.

Even bigger changes are underway at the Intermodal division. After a 30-year relationship with Western US railroad company BNSF Schneider chose to switch its railroad drayage operations to Union Pacific at the beginning of 2023. At the same time it has begun new relationships with the newly formed Canadian Pacific Kansas City (CPKC) railroad for Mexico-US transport, to take advantage of the move to near shoring by US manufacturers. In the ensuing six quarters the company saw significant drops in income and profitability, even as the company's stated aim was to double its intermodal business by 2030.

Schneider's Logistics division was hit by drops in revenues due to the soft e-commerce market in 2023, and increased competition in the market from major players like GXO. Revenues per order fell and volumes fell in the brokerage business. Port drayage revenues fell at the same time that year.

Such major changes are not new at the company. The then privately-held Schneider's logistics division sold its freight forwarding business to Norbert Dentressangle to focus on its core competence in late 2010. The sale encompassed seven locations in the US (San Diego, Los Angeles, San Francisco, Miami, Atlanta, New York and Chicago) and two locations in China (Tianjin and Shanghai).

According to Schneider's then CEO, "As we continue to refine our Enterprise strategy, it has become clear that while freight forwarding and customs brokerage is an exciting business with

significant potential, it is not part of the strategic focus on our core truckload, logistics and intermodal services,”

Although the company is set to focus on its core services, Schneider Logistics 'US warehousing and distribution services has come under recent attack as the company has been hit with several unfair labour and wage violation lawsuits in its handling of Walmart distribution centres in California's Inland Empire and Chicago. The results are still pending and this may result in a strategic change in this service offering.

The company is also emphasizing its port logistics capabilities. Schneider port logistics has deconsolidation and import/export facilities in Savannah, Norfolk, Houston, Los Angeles and Seattle, as well as an inland port in Elwood, Illinois. “We work with major retailers, white goods manufacturers, agricultural and commodities companies, and electronics manufacturers across the country. We operate over 8,000,000 sq ft of storage and cross-dock space at the port locations to facilitate the handling of cargo near the port.”

Another strategy the company is developing is the bundling of its transportation and logistics services offerings. In 2011, it introduced Integrated Delivery Services (IDS) which utilises Schneider's Supply Chain management technology, cross-docking abilities and dedicated trucking experience to provide a new, cost-effective supply chain solution for shippers willing to pool their cargo. "Schneider saw an opportunity to provide a smarter solution for shippers moving LTL freight in the same geographic markets," explained the vice president of IDS for Schneider Logistics.

"Integrated Delivery Services is especially attractive to shippers in the automotive aftermarket, heavy truck and equipment manufacturers, and specialty retailers. Companies within each of these industries run common routes and have similar distribution locations and dispatch schedules; by pooling their deliveries, we provide tremendous efficiencies and cost savings."

In a further emphasis on change of strategy reflecting the difficulties mentioned above, in mid 2014 Schneider National announced that it was expanding its bulk intermodal trailer service after high demand pushed volumes up by 75% over the services first six months. The expansion would add coverage throughout North America, including new reaches into Canada and Mexico.

BenchMark Energy Corp., a refiner and supplier of glycerin for commercial processes, was one of the first to use Schneider's new Bulk Intermodal service into Mexico. Its Chief Executive Officer, Mark Bateman said, “Recently, BenchMark and Schneider completed their first Intermodal shipment to Mexico. Not only was there a cost savings on the transportation, but by eliminating any transload and by streamlining the border crossing process, we were able to move the shipment in days instead of weeks.”

Schneider plans to double the number of its Bulk Intermodal trailers in the next year to meet demand. “As the driver market continues to tighten, chemical companies of all sizes are struggling to get long-haul bulk capacity,” explained George Grossardt, Senior Vice President and General Manager of Schneider's Bulk division. “When customers move loads on the rail with Schneider Bulk, it frees up drivers for their other over-the-road loads.”

Grossardt also noted that some shippers 'initial concerns that conversion from truckload to intermodal would result in service delays were proving to be unfounded. Schneider's network and rail schedules allowed for most shipments to arrive within 24 hours of the time it would take for the load to move over the road.

“Truckload plus one day is very doable for most chemical shippers today,” Grossardt states. “If they can build the extra day of transit into their supply chains, they can count on our Bulk Intermodal drivers to deliver. Many of the customers who have experienced our Bulk Intermodal service have become regular or heavy users because it gives them a largely unconstrained, long-haul liquid bulk capacity option. We have a 100 percent retention rate among customers who ship Intermodal loads.”

Schneider has successful alliances with five of the major rail companies serving the continent (including HAZMAT certification with four primary railways). The company’s 14 intermodal ramps were strategically placed to cover North America. Schneider planned to add more ramps over the course of the next year to accommodate shippers’ needs to serve even more markets.

Insight>Alliances

Remove BNSF

Add Union Pacific

Add Canadian Pacific Kansas City (CPKC) railroad

Insight>Operational Analysis>Operations: Overview

[Table edited]

Overview			
Total Trucks	10,600		
Trailers	47,300		
Containers	27,430		
Chasis	23,800		
Warehousing space	8.5m sq ft		
<i>Source: Schneider</i>			

Insight>Technology [New Section]

As with all major logistics companies, Schneider has a suite of technologies to handle a variety of needs and requirements.

Schneider FreightPower

This is a quote-and-book system for clients to arrange transport through Schneider and its 22,000 approved subcontractors. Schneider FreightPower can be used for

- Asset and non-asset truckload
- Bulk
- Intermodal
- LTL freight

As with all quote-and-book systems this is backed up with a customer service team and a variety of analytical tools that the customer can use to book, track and assess consignments in terms of efficiency, speed and cost.

Transport Management

The company has no single transport management system (TMS). Unlike many of its international rivals, it has not developed one in-house either. According to the company it uses several different TMS systems from third party providers including Oracle, Blueyonder and Four Kites. This could cause problems with multiple TMS being used in transit of goods across North America, with a consignment on a coast-to-coast transit being dealt with by multiple SaaS suites that might not interface well.

Freight Security

Particularly with the risk to goods inbound from Mexico, Schneider takes cargo security very seriously and claims to have a 99.99% success rate in theft prevention. It deals with cargo security in a multi-layered manner.

Where a consignment is considered to be of high value (\$100,000 or more):

- Two drivers will handle the load to keep the vehicle on the road even during rest breaks
- Drivers will have a security conference with stakeholders prior to departure
- The vehicle will have a particular inspection for faults to ensure that breakdowns will not result in unnecessary stops
- The vehicle will have a full tank of fuel and endeavour not to stop for the first 200 or more miles to stop it being tracked by potential thieves
- At a technological level, load tracking with GPS transponders are a standard affair with Schneider, that led the way in the industry with the technology in the 1990s
- High value loads will be geofenced so alerts will go out should it leave a designated zone
- Again with high value loads, an electronic seal will be put on doors etc that alerts authorities should it be broken outside of defined times or locations.

Market Data>Mergers and Acquisitions

M&M Transportation - Dedicated FTL company with 500 trucks and 1,900 trailers that operate into the US NE, Midwest and Southwest

Market Data>Major Contract Listing

January 2023 Union Pacific - Intermodal drayage for US Western railroad operations. Replaces BNSF contract

April 2023 Canadian Pacific Kansas City (CPKC) intermodal drayage operations for Mexico - US link

Segmentation>Regions>North America

Sites - United States



Intermodal locations - North America



Segmentation>Logistics Markets>Cold Chain Logistics

Schneider offers temperature controlled transport of goods in:

- 53' reefers
- 48' reefers
- 53' space saver trailers
- Freeze protected trailers
- And third party carriers for spot freight

Cold chain logistics is offered by FTL, LTL, intermodal dedicated and brokerage channels

Segmentation>Logistics Markets>E-commerce logistics

The company exited first to final mile (FTFM) logistics in 2019 after making \$26m in losses in the first two quarters of the year. It sub-leased sites with leases set to run on, and redeployed other resources.

Segmentation>Themes>Sustainability

Emissions Data

Scope (t CO2e)	2023
Scope 1	955,368
Scope 2	9,531
Total	964,899

Scope 2 is only from wholly owned Schneider locations

Scope 3 is not reported

Climate targets



Within the above headings:

7.5% reduction in CO2e by 2025

Thanks in part to 1.5m miles of zero emissions transport by its 92 battery electric drayage trucks in California, Schneider achieved a 7% reduction in CO2e per mile in 2023.

60% reduction in CO2e per mile by 2035

The company aims to achieve this goal through the following methods:

- Expansion of battery electric truck fleet
- Exploration of other clean transport technologies including HVO and biodiesel
- Data analytics
- Upgrading diesel trucks. Its average age per vehicle is 2.5 years and most are renewed within 4-5 years

Doubling Intermodal Size by 2030

- This feeds into the 60% reduction of CO2 as one ton of goods transported by rail uses the equivalent of one gallon of fuel per 500 miles.
- The switch from BNSF to Union Pacific is said to have reduced emissions by 318,000 tonnes of carbon per year
- As at 2024, there are some difficulties faced by the company in achieving this goal as it has seen revenues and profits fall for the last six quarters since the move from BNSF

Net zero by 2035

The company opened The Grove Innovation Center at its headquarters in Green Bay, WI in 2023 with a view to driving innovations such as the target of carbon neutrality.

In 2023 it achieved a 9.7% reduction in carbon emissions relative to 2019 levels.

Insight - CA battery electric drayage truck fleet

As part of its drive to cut emissions, Schneider National invested in 92 battery electric drayage tractors and two yard tractors in 2023. With a significant amount of third party funding for the fleet at El Munte, Los Angeles, it installed 16, 350kW dual cord dispensers that can charge 32 trucks simultaneously in 90 minutes to 80% charge. This gives each vehicle up to 220 miles of range.

Financial supporters of the fleet and charging site installation included:

- California Air Resources Board and
- California Energy Commission, both of which contributed \$27m to the project
- The US EPA FY 2018 Targeted Airshed Grant and
- Federal Hybrid Truck and Bus Voucher Incentive Programme (HVIP) supported the purchase of another 30 tractors
- Volkswagen Environmental Mitigation Trust funded the purchase of a further 7 vehicles

Such a funding package might not be available to other large LSPs looking to explore zero tailpipe emission fleet investments but this helped the company put together a fleet of such significance that it cut its national CO₂e emissions by 7% in year one.