

Proficient Auto Logistics Inc. (Q1)
May 7, 2025

Corporate Speakers

- Bradley Wright; Proficient Auto Logistics Inc.; Chief Financial Officer
- Richard O'Dell; Proficient Auto Logistics Inc.; Chairman and Chief Executive Officer
- Amy Rice; Proficient Auto Logistics Inc.; President and Chief Operating Officer

Participants

- Bruce Chan; Stifel; Analyst
- Tyler Brown; Raymond James; Analyst
- Ryan Merkel; William Blair; Analyst

PRESENTATION

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

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^ Thank you. And good afternoon, everyone.

I'm Brad Wright, Chief Financial Officer of Proficient Auto Logistics. Thank you for joining us on our first quarter 2025 earnings call.

Under SEC rules, our Form 10-Q covering the three-month periods ending March 31, 2025 and '24 will include financial statements for both the predecessor accounting entity, Proficient Auto Transport and the successor entity, Proficient Auto Logistics, Inc.

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

However, our earnings release provides comparative summary combined financial information for the first quarter 2025 to the three-month periods ending December 31, 2024, and March 31, 2024, for the combined companies.

Our earnings release can be found under the Investor Relations section of our website at proficientautogistics.com.

Our 10-Q when 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 it 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 our forward-looking statements. Further information can be found in our SEC filings.

During this call we may also refer to 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, will provide a company update as well as an overview of the company's combined results for the first quarter.

After our prepared remarks, we'll open the call to questions.

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

Now I'd like to introduce Rick O'Dell who will provide the company update.

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

I'll start with an overview of our operations during the first quarter and some trends that provide insight into our expectations for future quarters. The first quarter of this year was characterized by two different portions. January through mid-February was a period of unusually low volume, continuing weak revenue per unit and disruptive weather. January unit volume was up 1% versus January of 2024.

The revenue for the combined group, which included ATG this year and excluded ATG last year, was lower by 17.3% year-over-year. Through mid-February, when we spoke to you regarding our fourth quarter of 2024, year-to-date revenue was still up by approximately 17.5% versus the fourth quarter of the prior year.

However you will recall that we alluded to expectations for a stronger March enabled by new contract visibility at the time that would produce a full first quarter that was essentially in line with the fourth quarter of 2024 from both a revenue and profitability standpoint.

As you saw in our earnings release, that is, in fact, where we ended up with revenue, adjusted operating ratio and adjusted EBITDA substantially similar to fourth quarter of 2024. March proved to be a strong month for deliveries with our unit volume 17% higher than the same month of 2024 and revenue up by 11% versus March of 2024, which did not include ATG.

Industry sales were particularly strong in March with auto SAAR reaching 17.8 million units, the highest monthly mark since April of 2021.

By comparison, the National Auto Dealers Association reported SAAR of 15.6 million for January and 16 million for February. Most industry observers attribute the increased sales volume in March to a pull forward of sales driven by the expected 25% tariffs in early April on imported automobiles announced by the current administration. April auto sales and deliveries started very strong on the same basis, but industry data seems to indicate a decelerating sales trend through the month of April and which carried into May. Automotive services and technology company, Cox Automotive, estimates that April SAAR ended at approximately 16.4 million.

In turn, we saw a very strong April, though we are seeing moderation in transportation volume, especially from imported vehicles. The economic impact of tariffs, both on our customers and the ultimate consumer and the uncertainty of additional policy changes has meaningfully impacted the outlook for 2025 with respect to auto demand and the shifting automotive supply chain.

During April, analysts at Goldman Sachs cut their full-year projected SAAR to 15.4 million units, down from 16.3 million previously. Cox Automotive and Morningstar have reduced their forecast to 15.6 million and 15.5 million, respectively. Morgan Stanley and Global Data have posted bear case scenarios of 15 million and 14.9 million, respectively, which we hope will be avoided with recent relief on the stacking of automotive tariffs.

Obviously the strength of the consumer economy will also be a key factor.

Our OEM customers are dealing with this economic uncertainty and the prospect of significantly increased costs relative to their expectations in real-time. They're making decisions about where their production occurs and whether to curtail imports, both on a near-term and a structural basis. Their decisions on these critical issues will have a significant bearing on the environment that Proficient will navigate over the remainder of 2025. That being said, we're confident in our network's capability to assist with these changing needs.

Even as we assess the impact of these industry headwinds, Proficient remains focused on our long-term objectives including continued increases in our market share and the effective integration of our merged operating companies, driving improved efficiency, providing high-quality service, and improved profitability.

As we've reported in the past communications, Proficient gained significant new business during the first quarter of this year that we expect will contribute as much as \$60 million to our top line on an annual basis.

Our national footprint proved its value during the onboarding of these new commitments, flexing the breadth of our sub-haul channel and enabling the transfer of surplus revenue-generating equipment and drivers to new volume without impacting existing business elsewhere in our network.

In the event that overall industry demand for auto hauling services remains weak, we anticipate that there could be additional financial stress on undercapitalized industry participants. Proficient will protect its strong balance sheet position and focus on efficiently serving customers and will capitalize on market share opportunities as they are presented.

We were also pleased to announce the closing of the acquisition of Brothers Auto Transport on April 1. This strategic addition increases our presence and density in the Northeast and Mid-Atlantic regions and provides new load sharing opportunities and other efficiencies to our existing operations. The introduction of Brothers Operations has gone smoothly with seamless service for our new customers there, and the integration effort is moving much more quickly than prior acquisitions as we have solidified systems, process and structure in our organization.

In addition to our previously merged six companies being on the common transportation management system, Brothers Auto Transport will be converted to this technology during the second quarter. All companies including Brothers will be using our common accounting and reporting system by July one as well.

I'll now turn it over to Brad to cover some key financial highlights.

Bradley Wright^ Thank you, Rick.

I'll start with a few summary statistics. All prior year comparisons are for the combined companies, which did not include ATG in Q1, but did include ATG in Q4. Fourth quarter 2024 amounts reflect final audited results.

Operating revenue of \$95.2 million in the quarter was up 1% from last quarter, but down less than 1% from the prior year.

Units delivered of 494,509 represented a 5% decrease compared to last quarter and a 21% increase from the first quarter of 2024. Revenue per unit, excluding fuel surcharge, was approximately \$177, up approximately 5% from the previous quarter, but down approximately 9% from Q1 2024. Company deliveries were 35% of revenue in the quarter, unchanged from Q4. Therefore, sub-haul deliveries were 65% of revenue this quarter, also unchanged from the prior quarter.

Our OEM contract business generated approximately 91% of total transportation revenue, continuing a trend in place through the second half of 2024.

Our dedicated fleet service generated revenue of \$4.3 million during the first quarter, up from \$3.4 million in the fourth quarter of 2024, but down by 33% from \$6.4 million in the first quarter of 2024.

We continue to expect that the dedicated fleet business will contribute between \$4 million and \$5 million of revenue per quarter in 2025.

Our revenue from spot opportunities during the quarter comprised 4.3% of total revenue at approximately \$3.7 million, unchanged from the fourth quarter of 2024, but down from \$13.8 million in the first quarter of last year. The average revenue per unit premium for spot buy during the quarter was approximately 25% to 30%. The modest increase in the proportion of revenue from company deliveries is consistent with communicated expectations.

Likewise, the addition of Brothers Auto Transport in the second quarter will facilitate higher company deliveries as their business is heavily skewed to company deliveries at approximately 90%. The company had approximately \$10.9 million in cash and equivalents on March 31, 2025. Aggregate debt balance at quarter end were approximately \$79.2 million for net debt of \$68.3 million.

Our CapEx spend on revenue-generating equipment during 2025 will depend heavily on market conditions.

Our current expectation is for approximately \$15 million of CapEx for the full-year.

However, this amount could increase if pending bids on new business result in increased requirements later in the year. Total common shares outstanding ended the quarter at 27 million, essentially unchanged from December 31, 2024.

Looking to the second quarter, the market strength in March that Rick described earlier continued through much of April before starting to subside. Despite the impact of tariffs on imported volume and slowing sales, we are projecting sequential quarter growth in total revenue in the high single digits for the quarter ending in June.

At expected revenue levels for Q2 above fixed cost coverage, we also expect improved profitability.

We will be closely monitoring the steps taken by our OEM customer base over the coming months to gain better visibility beyond the current quarter.

At this time, we continue to expect the full-year performance to outpace 2024. While initial expectations for 2025 included an improving market as we moved into the second quarter and beyond as well as gains in market share, our current expectations for the year rely more heavily on market share gains and the addition of Brothers to offset a weaker market in the achievement of year-over-year gains. Nonetheless, we continue to see a path to profitable performance and will advance strategic imperatives to position Proficient as an industry leader.

Operator, we will now take questions.

QUESTIONS AND ANSWERS

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

Bruce Chan^ Probably the statement of the year, there's been a lot of change to the market over the past few [now]. I'm wondering, if you think it's fair to say that pricing has softened and demand has softened a bit, but consolidation has certainly happened faster than expected, and you still have a lot of big opportunities for market share growth. You've executed on the integration and you've got two more deals under your belt.

I guess my question is, if you think about all of those puts and takes, are we at a point where this business can achieve, call it, \$1 or more in earnings power next year if stock is around \$16 million or slightly below \$16 million? Or do we need it to get higher than that to kind of earnings?

Bradley Wright^ Yes. I think obviously the outlook for this year is pretty uncertain with all the dynamics in the marketplace. But I guess I would say we're extremely encouraged.

Obviously there was some pre-buy in the recent market ahead of the tariffs. But we had record revenue in April.

And while I don't think you can do that in the current market, if you sort of just annualize what that revenue level would be, we would expect to operate materially better than our kind of current breakeven type level, more at a 90 type operating ratio in a normalized environment.

Bruce Chan^ And then maybe just as a follow-up, looking for some insights into customer behavior. You talked about the response to what's obviously been a very dynamic tariff environment. You've also had some material changes on the competitive front. Are you hearing anything in terms of potential restocking once we sort of get past this air pocket? Are customers pulling bids forward or delaying tenders?

And what in terms of renewal rates on contracts?

Amy Rice^ Sure. A few points there.

So on the current landscape, OEMs are taking a variety of actions or inactions. So for example, certain importers have just continued business as usual and figure that the landscape for tariffs will become clearer in time and they will continue to adjust in real time as that occurs.

Others have chosen to hold cars in the hopes of getting better information on which to make decisions, and therefore, they've stopped the flow of their cars, if not entirely, substantially relative to what would be considered normal.

There has been a little bit of pull-forward activity trying to get ahead of the tariffs, but as you know they came on relatively quickly, and it's difficult to shift a lot of production volume very quickly.

So a little bit of pull-forward, I would not say that, that was significant in the transportation flows.

What happens from here will be the decisions around mix between domestic production and what continues to be imported, which models have the economic characteristics to continue to participate in the domestic market and how retail pricing plays out in a post tariff environment. And a lot of that is still pending. The second part of your question was around pricing renewals.

And you alluded to this in your earlier question, the current market is relatively weak for pricing power. The OEMs are under significant cost pressure and are looking for some relief on cost in their supply chain from any source that they can find it.

So to the extent that those bids are taking place at the current moment, it's a little more challenging to push the value proposition relative to the price lever. We've got to balance those carefully.

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

Tyler Brown^ So I don't know if this is the right question, but I'm going to ask it anyway.

So what is your mix between domestically produced autos, say, moving out of a domestic OEM and basically an imported VIN that's maybe being moved out of, say, a port?

Amy Rice^ We would estimate that we are roughly 60% domestic, 40% imported. Some of that imported volume, we take directly from port locations and some of it rails inland and then we take it from a rail head to its ultimate destination.

So there is a little bit of blurring of those freight flows, but we think we are predominantly domestic with probably 30% to 40% on the import side.

I would tell you though, and as you would expect, there's a regional flavor to that, of course. The East and West have a heavier component of the import shares just being in the port locations.

Tyler Brown^ Brad, a couple of maybe housekeeping items or maybe a couple of things you could help us with. So just roughly, how much does Brothers do annually in revenue?

Bradley Wright^ Well I think you could look for -- it's smaller than ATG, right but not significantly smaller, call it, maybe 3/4 of it.

Tyler Brown^ I forget exactly, something like \$30 million. Does that seem?

Bradley Wright^ A little lighter than that, Tyler.

Tyler Brown^ But in the 10-K, I think you mentioned specifically that the cessation of one of your large competitors could bump revenues by, say, 15%.

I think that's about, call it, \$60 million of incremental revenue.

One, I'm curious if that has changed at all, up or down. And to be clear, that number does not include any additional outstanding contract wins or bids. And number two, I think you said, it was going to ramp.

So can you just help us size what that incremental revenue would be in '25? And maybe if you could put those two together, roughly how much incremental revenue in '25 should we see from those?

Amy Rice^ Yes. So the \$60 million figure is annualized. The new business started mid-first quarter and ramped up as we move through the quarter.

So we're getting to a normalized run rate of what would be roughly \$60 million annualized. And then in terms of other market share gains, there remains potential for us to win incremental business as we continue moving through the year. And we've been in the practice of sharing with the market net new gains on a quarter-by-quarter basis.

Tyler Brown^ And then my last one, just real quick. Brad, on the Q2 commentary, I think you said high single-digit sequential move in revenue. Would EBITDA be pretty similar? Or should we think it's slightly better or slightly worse than high single digits? Just any color there would be helpful.

Bradley Wright^ Yes. So I think what you would see at that level of revenue is improvement at the adjusted or line, which would carry down to EBITDA, too, Tyler.

I mean you're probably not still to where we intend to be, but you're probably into the mid-90s at that point. Kind of a targeted incremental margins would be in the 20% to 25% range.

Tyler Brown^ That's like a good rule of thumb.

Bradley Wright^ Yes.

I think that's right. Absent some outlier self-insurance expense or something like that.

Operator^ Our next question comes from the line of Michael Francis with William Blair.

Ryan Merkel^ This is Mike Francis on for Ryan.

First off, I was curious if you get a little more color on April. You said it was a record month, but can you give us sort of an idea of what growth was like in that quarter? And then as it goes for Q2, what does that imply for the rest of the second quarter growth?

Bradley Wright^ So I think we're being a little bit conservative just given the market uncertainty. And I guess what we're our current outlook would be 8% incremental revenue over the first quarter.

Amy Rice^ So I can give you a little bit of a sense there. I mean we gave you some indication of how March compared to last year. April compared more favorably to last year than March.

So again, we did see a sequential gain from March to April even as we look on a year-over-year comparative basis.

We did though see a bit of a pulling back, right, towards the end of the month that has carried forward here into early May.

So our expectations for May and June remain at a level that is lower than what we saw in April, absent a change or easing in tariff policy that might catalyze something that today is not known.

Ryan Merkel^ And then another question for me, M&A, finish Brothers in the quarter. Should we expect there to be more sort of opportunities or with there being some uncertainty in the market, is that something that's probably locked up for the next few quarters?

Bradley Wright^ Yes. I think we'll take a cautious approach to the next step and kind of see what the market dynamics are and gauge our operating performance in this volatile environment before we would move forward aggressively. That being said, we are starting to see some distressed assets come to market. And we'll just be smart about the opportunities that we pursue and those that we would want to pass by.

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

Bruce Chan^ Just wanted to get a better sense of capacity, maybe both in your model and in the industry. Is there a percentage that you're kind of thinking about now for both? And what is the order book for new equipment look like? And maybe just to help investors understand, if you could talk about the delivery timeline for that new equipment as well.

Amy Rice^ Sure. So from a capacity perspective, I would say, in the current market environment, most of your players have got some flat capacity, but the industry overall had a large player exit the space.

So if automotive volumes were to return in a sustainable way, I think the industry would feel a crunch on capacity.

But in the current environment, I think things are not overly tight just because it's a little bit of an uncertain and relatively unfavorable environment.

In terms of our order book on equipment, we do have some new equipment that's coming in, relatively modest in absolute numbers.

And we do have sort of a destination for that new equipment to be deployed, and that's really how we're looking at the market for incremental new builds in the near term.

So if we gain incremental business and we need additional trucks to support it, we intend to do that. To the latter part of your question on delivery timelines, there is new equipment that is available either partially or fully built right now. And the market for used equipment is also becoming more available.

So I would say, lightly aged used equipment is starting to come to market. So there's not a scarcity or a long lead time to order new equipment at the current juncture.

Bruce Chan^ And Amy, when you think about the capacity from that shuttered competitor, do you have a sense of how much of that comes back in to serve specifically the new vehicle market?

Amy Rice^ The fleet of the player that left the industry was not a newer fleet in its average life. And so I'm not sure that much of that equipment would be retained in the new vehicle market.

Some of it may move downstream and do the remarketed and secondary space. I don't have specific numbers or estimates there to share, but that would just be my supposition.

Bruce Chan^ And then just one final quick one.

I know it's a little bit speculative, but there's been some talk of tax changes with respect to interest on auto payments. Have you had any discussions with customers about what that could mean for demand in SAAR?

Amy Rice^ We really haven't. I mean tariffs and production and supply chain strategy is the gorilla in the room for our customers right now. And then I think, of course, they are also focused on the incentive space and what drives end customer demand, but I think they're tackling the biggest first.

Operator^ And I'm currently showing no further questions at this time.

I'd like to hand the call back over to Rick O'Dell for closing remarks.

Richard O'Dell^ Okay. Well thank you for your interest in Proficient Auto Logistics. We're excited about April being a record month. And while it's a difficult environment, we have a high level of confidence in our ability to manage through this and are confident that also that our network is going to be helpful to the OEMs as they manage through this dynamic environment with the potential changes of routing that could result from some of the changes to their supply chain.

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