

Conference Title: Ryder System Second Quarter 2025 Earnings Release Conference Call

Date: Thursday, 24th July 2025

Operator: Good morning and welcome to the Ryder System Second Quarter 2025 Earnings Release Conference Call. All lines are in a listen only mode until after the presentation. Today's call is being recorded. If you have any objections, please disconnect at this time. I would now like to introduce Miss Calene Candela, Vice President, Investor Relations for Ryder. Miss Candela, you may begin.

Calene Candela: Thank you. Good morning, and welcome to Ryder's Second Quarter 2025 Earnings Conference Call. I'd like to remind you that during this presentation, you'll hear some forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from these expectations due to changes in economic, business, competitive, market, political, and regulatory factors.

More detailed information about these factors, and a reconciliation of each non-GAAP financial measure to the nearest GAAP measure, is contained in this morning's earnings release, earnings call presentation, and in Ryder's filings with the Securities and Exchange Commission, which are available on Ryder's website.

Presenting on today's call are Robert Sanchez, Chairman and Chief Executive Officer, John Diez, President and Chief Operating Officer. Cristina Gallo-Aquino, Executive Vice President and Chief Financial Officer. Additionally, Tom Havens, President of Fleet Management Solutions, and Steve Sensing, President of Supply Chain Solutions and Dedicated Transportation Solutions, are on the call today and available for questions following the presentation. At this time, I'll turn the call over to Robert.

Robert Sanchez: Good morning, everyone, and thanks for joining us. I'm proud of the Ryder team for delivering our third consecutive quarter of double-digit earnings per share growth. Second quarter results were above our expectations, driven by outperformance in our supply chain segment. This benefit was partially offset by increased used vehicle wholesale volumes to manage aged inventory levels. The business continues to outperform prior cycles, driven by our resilient contractual portfolio that reflects the actions we've taken under our balanced growth strategy to de-risk the business, increase the return profile, and accelerate growth in our asset-light supply chain and dedicated businesses.

I'll begin today's call by providing you a strategic update. Cristy will then take you through our second quarter results, and John will review capital expenditures and our increasing capital deployment capacity. I'll then review our updated outlook for 2025 and discuss how we expect to leverage the momentum of our transformed business model. Let's begin on slide four. Turning to slide four, the structurally higher earnings profile of our transform business model and execution on our strategic initiatives continue to drive earnings growth.

We remain on track to realize the benefits from the strategic initiatives outlined during the February earnings call. These benefits are the key drivers of the year-over-year earnings growth we are expecting. Long-term secular trends that favor transportation and logistics outsourcing remain strong. The value that our solutions bring to our customers remains compelling. We are also well-positioned to benefit from increased industrial manufacturing in the US, as 93% of our revenue is generated here. We delivered a return on equity of 17% for the trailing 12-month period, which is in line with our expectations during a freight cycle downturn and continues to demonstrate the resilience of our transform business model.

Earnings growth from our high-performing contractual portfolio reflects our value proposition as well as our pricing discipline. Over 90% of our operating revenue is generated by multiyear contracts. We expect our transformed and cycle-tested business model to continue to outperform

prior cycles. In addition to increasing the return profile of our business, the earnings power of our contractual portfolio continues to provide us with increased capital deployment capacity, which we expect to use to support profitable growth and return capital to shareholders.

Earlier this month, we announced a 12% annualized increase to our quarterly dividend, reflecting higher profitability and improved returns over the cycle. In 2025, we returned 330 million to shareholders by repurchasing approximately 1.7 million shares and paying our dividend. Since 2021, we have repurchased approximately 21% of our shares outstanding and increased the quarterly dividend by 57%. We increased our 2025 forecast for free cash flow by approximately 500 million to a range of 900 million to 1 billion, due to lower expected capital spending and the estimated cash flow benefit of approximately 200 million from the permanent reinstatement of tax bonus depreciation.

Slide five illustrates how key financial and operating metrics have improved since 2018, reflecting the execution of our strategy. In 2018, prior to the implementation of our balanced growth strategy, the majority of our 8.4 billion of revenue was from FMS. Ryder generated comparable earnings per share of 5.95 with an ROE of 13%. Operating cash flow was 1.7 billion. This was during peak freight cycle conditions.

Now, let's look at what we're expecting from Ryder today. In 2025, a year in which freight market conditions are expected to remain near trough levels, our transformed business model is expected to generate meaningfully higher earnings and returns than it did during the 2018 peak. Through organic growth, strategic acquisitions, and innovative technology, we have shifted our revenue mix towards supply chain and dedicated with 60% of 2025 revenue expected to come from these asset-light businesses, compared to 44% in 2018. 2025 comparable earnings per share is expected to be between 12.85 and 13.30, more than double 2018 comparable earnings per share of 5.95. ROE is expected to be approximately 17%, up from 13% generated during the 2018 cycle peak.

As a result of profitable growth in our contractual, lease, dedicated, and supply chain businesses, operating cash flow is expected to increase to 2.8 billion, up approximately 65% from 2018. As shown here in 2025, the business is expected to continue to outperform prior cycles, even when comparing the pre-transformation peak to the current market environment. We're proud of the strong performance of our transform business model and believe that executing on our balanced growth strategy will continue to deliver higher highs and higher lows over the cycle. I'll now turn the call over to Cristy to review our second-quarter performance.

Cristina Gallo-Aquino: Thanks, Robert. Total company results for the second quarter are on page six.

Operating revenue of \$2.6 billion in the second quarter, up 2% from prior year, primarily reflects contractual revenue growth in SES and FMS. Comparable earnings per share from continuing operations were \$3.32 in the second quarter, up 11% from \$3 in the prior year. The increase reflects higher contractual earnings and share repurchases. Return on equity, as Robert previously mentioned, our primary financial metric was 17% up from prior year, primarily reflecting higher contractual earnings. The ROE benefit from share repurchases was offset by used vehicle sales and rental performance. Year to date, free cash flow increased to 461 million from \$71 million in the prior year, reflecting lower working capital needs and reduced capital expenditures. The benefit in working capital reflects lower tax payments and the timing of vendor payments.

Turning to fleet management results on page seven. Fleet management solutions operating revenue increased 1%, driven by choice lease revenue, which was up 2%. Pre-tax earnings in fleet management were 126 million, down year over year, reflecting weaker freight market conditions. Higher choice lease performance driven by pricing and maintenance cost savings initiatives, partially offset lower used vehicle sales results. We continue to see progress on our pricing and maintenance cost initiatives and remain on track to achieve the benefits targeted for this year.

Used vehicle sales results in the second quarter were negatively impacted by the decisions we made to exit out of some aged inventory by utilizing our wholesale channels. We do not plan on executing this level of wholesale trades going forward and given that we are not expecting any significant change to market conditions for the second half, we expect used vehicle sales results to be in line with first quarter levels for the next two quarters.

Rental results for the quarter reflect market conditions that remain weak. The sequential increase in rental demand for the quarter was in line with prior year and below historical trends as contemplated in our prior forecast. Rental utilization on the power fleet was 70%, up from 69% in the prior year, on an average active power fleet that was 7% smaller. Although utilization remains below our target range of mid-70s, year-over-year comparisons improved for the first time since the third quarter of 2022. Rental power fleet pricing was up 4% year over year. Fleet management EBT as a percent of operating revenue was 9.7% in the second quarter below our long-term target of low teens over the cycle.

Page eight highlights used vehicle sales results for the quarter. Year-over-year, used tractor and truck pricing both declined 17%. On a sequential basis, pricing for tractors increased 3% and pricing for trucks decreased 10%. Pricing in the second quarter reflects increased wholesale volumes to manage aged inventory. Approximately 50% of our sales volume went through retail sales channels this quarter, compared to 65% in the prior year. Pricing in our retail sales channel increased sequentially, with tractor retail pricing up 10% and truck retail pricing up 4%. During the quarter, we sold 6200 used vehicles, up sequentially and versus prior year. Used vehicle inventory of 9600 vehicles was slightly above our targeted inventory range. Used vehicle pricing remained above residual value estimates used for depreciation purposes.

Slide 19 in the appendix provides historical sales, proceeds, and current residual value estimates for used tractors and trucks for your information. Although used vehicle sales results were negatively impacted by higher wholesale volumes, lower levels of aged inventory position us to

increase our use of the retail sales channel, where we realize higher pricing. As such, we expect a higher retail sales mix in the balance of the year compared to current levels.

Turning to supply chain on page nine, operating revenue increased 3%, driven by new business as well as higher customer volumes and pricing. Supply chain earnings increased 16% from prior year, reflecting operating revenue growth and improved performance from our initiative to optimize our omnichannel retail network. Supply chain EBT as a percent of operating revenue was 9.7% in the quarter, at the high end of the segment's long-term target of high single digits.

Moving to dedicated on page ten, operating revenue decreased 3% due to lower fleet count, reflecting the prolonged freight downturn. Dedicated EBT increased 1% year over year, reflecting acquisition synergies and prior year integration costs that were partially offset by lower operating revenue. DTS results continued to benefit from strong performance of our legacy dedicated business, reflecting pricing discipline as well as favorable market conditions for recruiting and retaining professional drivers. Dedicated EBT as a percent of operating revenue was 7.9% in the quarter at the segment's long-term high single-digit target. I'll now turn the call over to John to review capital spending and capital deployment capacity.

John Diez: Turning to slide 11. Year-to-date lease capital spending of 832 million was below prior year, reflecting delayed OEM deliveries in the prior year. Rental capital spending of 268 million was also below prior year levels. For full year 2025, lease spending is now expected to be 1.8 billion, down 300 million from our prior forecast, reflecting lower lease sales activity. Lease spending is expected to be down 200 million from prior year, reflecting delayed OEM deliveries in 2024. We expect the ending lease fleet to remain fairly consistent with current levels by year-end.

Forecasted rental capital spending remains at approximately 300 million, down from prior year. Our ending rental fleet is expected to decrease 12% by year-end, and our average rental fleet is expected to be down 5%. The rental fleet remains well below peak levels as we manage through

an extended market downturn. In rental, we've continued to shift capital spending to trucks versus tractors. As of the second quarter, trucks represented approximately 60% of our rental fleet. Our full year 2025 gross capital expenditures forecast of approximately 2.3 billion is below prior year. We expect approximately \$500 million in proceeds from the sale of used vehicles in 2025, and full-year 2025 net capital expenditures are expected to be approximately 1.8 billion.

Turning to page 12. In addition to increasing the earnings and return profile of the business, our transformed contractual portfolio is also generating significant operating cash flow. Improving the overall cash generation profile of the business is one of the essential elements of our balanced growth strategy. Better earnings performance is driving higher cash flow generation and in turn, is delivering our balance sheet at a more rapid pace. This momentum is creating incremental debt capacity, given our target leverage range of between two and a half and three times.

As shown on the slide, over a three-year period, we now expect to generate approximately 10.5 billion from operating cash flow and used vehicle sales proceeds. Our operating cash flow will benefit from the permanent reinstatement of tax bonus depreciation and improving contractual earnings. This creates approximately 3.5 billion of incremental debt capacity, resulting in 14 billion available for capital deployment. Over the same three-year period, we estimate approximately 9 billion will be deployed for the replacement of lease and rental vehicles and for dividends, leaving around 5 billion of capital available for flexible deployment to support growth and return capital to shareholders. We estimate about half of this capacity will be used for growth CapEx, and the remaining to be available for discretionary share repurchases and strategic acquisitions, and investments.

Our capital allocation priorities remain unchanged and are focused on supporting our strategy to drive long-term profitable growth and return capital to shareholders. Our top priority is to invest in organic growth. We've taken a balanced approach to investing, and since 2021 have invested approximately \$1.1 billion in strategic M&A and have deployed approximately 1.1 billion for

discretionary share repurchases, reducing our share count by 21%. Our balance sheet remains strong with leverage of 251% at quarter end, at the lower end of our target range, and continues to provide ample capacity to fund our capital allocation priorities. With that, I'll turn the call back over to Robert to discuss our outlook.

Robert Sanchez: Turning to our outlook on page 13. Our full year 2025, comparable EPS forecast is updated to a range of 12.85 to 13.30 above the prior year of 12, as higher contractual earnings and the benefits from our strategic initiatives more than offset the impact from market conditions in rental and used vehicle sales. Our updated forecast continues to reflect contractual earnings growth, with a more muted second-half recovery in used vehicle sales. All those sales pipelines remain strong. The prolonged freight downturn and economic uncertainty continue to cause some customers and prospects in lease and dedicated to delay decisions. These near-term contractual sales headwinds are consistent with current market conditions. We are, however, encouraged by robust sales and pipeline activity in SCS.

Our 2025 ROE forecast is revised to 17% from a range of 16.5% to 17.5%. The revised forecast remains in line with our expectations given current market conditions. As mentioned earlier, we increased our free cash flow forecast by 500 million to a range of 900 million to 1 billion to reflect lower capital expenditures and the permanent reinstatement of tax bonus depreciation. Our third quarter comparable EPS forecast range is 3.45 to 3.65, versus a prior year of 3.44.

Turning to page 14. The key driver of expected earnings growth in 2025 is incremental benefits from multi-year, strategic initiatives that are well underway and related to our contractual, lease, dedicated, and supply chain businesses. We have good visibility of these initiatives. They represent structural changes that we're making to the business and are not dependent on a cycle upturn. Upon completion, we expect these initiatives to generate annual pre-tax earnings benefits of approximately 150 million, which will be a key component to achieving our long-term ROE target of low-20s over the cycle.

In FMS, we expect to realize an incremental annual benefit of approximately \$20 million in 2025 from our lease pricing initiative. This results in a total of \$125 million benefit relative to our 2018 run rate, reflecting portfolio pricing under the new model. We expect 50 million in benefits over multiple years from our maintenance cost savings initiative announced in mid-2024. In DTS, we expect to realize 40 to 60 million in annual synergies from the Cardinal acquisition at full implementation. The majority of these synergies are related to maintenance efficiencies and replacing third-party operating leases with the benefits from Ryder ownership and asset management. In SCS, we are focused on optimizing our omnichannel retail warehouse network through continuous improvement efforts, driving operational efficiencies, and better aligning our footprint with the demand environment.

Since the second half of 2024, we have seen improved productivity in this vertical as a result of these actions and expect incremental benefits throughout 2025. By year-end 2025, we expect to realize approximately 100 million from these initiatives, benefiting all three business segments. Approximately 70 million of these benefits are incremental to 2024. In addition to continuing to increase the return profile of our contractual businesses, we are also focused on ensuring the business is well-positioned to benefit from the eventual cycle upturn. As such, we expect an annual pre-tax earnings benefit of approximately 200 million by the next cycle peak and expect to begin to realize these benefits during the upturn. Although over 90% of our operating revenue is supported by long-term contracts that generate relatively stable and predictable operating cash flows over the cycle, each business segment has meaningful opportunities to benefit from the cycle upturn.

We expect the majority of the 200 million benefit to come from the cyclical recovery of rental and used vehicle sales in FMS. In dedicated, improved driver availability and lower recruiting and turnover costs are benefiting earnings but have been a headwind to new sales and revenue growth. As freight capacity tightens and driver availability becomes more challenging, we expect to see incremental sales opportunities and improved revenue growth in DTS, as private fleets seek

solutions to address this pain point. In supply chain, muted volumes in our omnichannel retail vertical have been a headwind to revenue and earnings. We expect supply chain results to benefit as volumes from these services recover and our optimized warehouse footprint is leveraged. We've been pleased by the business's resilience and performance during the prolonged freight market downturn and are confident each of our business segments is appropriately positioned to benefit from the cycle upturn.

Turning to page 15. Our transformed business model continues to deliver value to our customers and our shareholders. We continue to outperform prior cycles, and our results are benefiting from consistent execution and the strength of our contractual portfolio. We continue to see significant opportunities for profitable growth supported by secular trends, our operational expertise, and ongoing momentum from multi-year strategic initiatives. We remain committed to investing in products, capabilities, and technologies that will deliver value to our customers and our shareholders. That concludes our prepared remarks. Please note that we expect to file our 10Q later today. At this time, I'll turn it over to the operator to open the call for questions.

Operator: Thank you. If you would like to ask a question, please signal by pressing star one on your telephone keypad. If you are using a speakerphone, make sure your unmute function is turned off to allow your signal to reach our equipment. Again, press star one to ask a question, and we'll pause for just a moment to allow everyone an opportunity to signal for questions. We'll now take our first question from Ravi Shankar with Morgan Stanley.

Ravi Shankar: Great. Thanks. Morning, everyone. Great to see the dry powder on the balance sheet here. Are you confident deploying that now, or do you think you need to wait for the up cycle and maybe a little more clarity before you decide what to do there?

Robert Sanchez: Hey, Ravi. Yeah. We feel really good about the dry powder. We've got repurchase programs in place already. We are always looking for acquisition opportunities. Then obviously,

as we get into the freight up cycle, we're going to be investing organically in vehicles not only for lease but for rentals. We feel really good about where we're at. We think we've got a great balance, as you saw on that page that John took us through. Really feel we've got the dry powder we need to do all of the things that we want to do across each of those areas.

Ravi Shankar: Great. Thank you. If I can squeeze for a quick follow-up here. Noted on the retail versus wholesale mix in the back half. How were you thinking about the different scenarios on residual truck values in the back half of the year just given the uncertainty around the cycle?

Robert Sanchez: What we're thinking about on the pricing?

Ravi Shankar: Yes. Correct.

Robert Sanchez: Yeah. Look, as we look at the back half, what we've seen and what probably many of you have seen is that tractor pricing has begun to move up. Our tractor pricing is, as we showed, even with the additional wholesaling activity we did, was still up 3%. If you look at retail only, it was up 10%. We would expect that trend to continue. We did bring down the top end of our guidance, primarily because we don't expect the increase to be as significant as we originally did. So more muted increase. We would expect a steady increase, especially in the fourth quarter, as we get into the fourth quarter in terms of tracking. But we're very encouraged by what we're seeing in the used tractor market.

Ravi Shankar: Very good. Thank you.

Operator: If you find that your question has been answered, you may remove yourself from the queue by pressing the star key followed by the digit two. We'll now take our next question from Scott Group with Wolfe Research.

Scott Group: Hey, thanks. Just a follow-up there. Just maybe a little bit more on why we went to losses on sales in Q2, and why it goes back to gains right away in Q3. I don't know that we've seen it inflect so quickly in the past. Then, just maybe if that's right, though, that we get this uplift from \$0.20 or so of gains, we typically see just the core earnings get a little bit better. Q2 to Q3, so are there other offsets to think about in the guide for Q3?

Robert Sanchez: Yeah, I think the reason we went to a loss was really driven by the fact that we had this incremental wholesaling activity of aged inventory. We talked about it on the last call. We said we were going to do it. We did. We actually did a little more than we had originally expected, so that probably cost us about \$10 million in the quarter. There were about 1000 units that we did there, incremental to what we had done in the first quarter. That's really why we know is going forward, we still have some wholesaling to do, but we don't expect to do anywhere near that magnitude of it. That's what would get us back to more of the gains levels that you saw in Q1.

Scott Group: I don't know if you had other thoughts on the other part of the question, just about, if we get that 10 million or whatever uplift in in used, are there other offsets to think about in the guidance for Q3?

Robert Sanchez: No, I think we're expecting, if you think about, of course, the high end of our guidance, we said at the beginning of the year we had about 70 million in earnings improvement from initiatives. That comes out to like a buck 20. We were at 12 bucks last year with the initiatives that we have that gets us to 13.20. I guess it's pretty close to the high end. The incremental earnings are really coming from the contractual parts of the business, more than offsetting some incremental challenges that we have in rental and used vehicle sales. We lowered our range last quarter because of rental. We lowered a little bit, and this quarter, we're lowering a little bit because it used vehicle sales. Those transactional parts just haven't really come back because you know the market hasn't come back with all the uncertainty.

I think this quarter is a little less uncertainty than there was a quarter ago, and hopefully, next quarter, there's a little less uncertainty than this quarter, and things continue to improve. But those are really it. I would tell you the only other headwind is just obviously contractual sales. Contractual sales but the uncertainty has been more muted, especially in our lease and dedicated businesses, so we need that business. We need customers to get to the point where they're making decisions, and we get those sales back on track. Because that does create some headwind in terms of the growth of earnings, as that comes back. We are pleased, though, we have seen a pickup in sales on the supply chain side. Got some larger customers that are making decisions, and we're very pleased with what's going on there. But we haven't seen that yet on the dedicated and leasing side.

Scott Group: If I can ask one more, just to that point, I get the cash flow benefit to you from the bill, but how do you think it changes customer behavior? Is there more buying instead of leasing? Is it a risk to you? Are you seeing because of the cash flow benefit? Is there any reason why leasing activity would pick up? Just any thoughts there?

Robert Sanchez: I think historically, when you've seen, we feel like we've had bonus depreciation for a long time, but when you go way back, when bonus depreciation will get turned on and off. Typically, you would see an increase in overall business spending, and that is good for us because that means there's more activity in the marketplace. We get more opportunities to pitch our leases and our services. Yes, it does provide a free cash flow benefit for us going forward, but at least for the next several years. But it also, more importantly, stimulates the economy and gets our customers to feel better about making investments, whether it's buying additional equipment or leasing and signing contracts for additional equipment.

Scott Group: Thank you, guys.

Robert Sanchez: Thanks, Scott.

Operator: We'll now take our next question from David Zazula with Barclays.

David Zazula: Hey, thanks for having me on. We've talked a little bit about the three Q portion of the guide. Given three Q and full year, we can back into what is going on in four Q. Can we talk early assumptions on what you're expecting in four Q from an FMS perspective, leasing environment? Any thoughts you have into that portion of the guide?

Robert Sanchez: If you look at the range of the guide on the top end of the range, it's primarily we're expecting historical sequential trends in rental. Then on the used vehicle side, we're expecting some increase or flattish in Q3 and then some increase, mild increase, modest increase, if you will, and used vehicle pricing in Q4. On the low end of the range, however, we're expecting flat rental with no seasonal pickup and actually continued declines in used vehicle pricing in Q3 and Q4. That gives you an idea of the goalpost that we've got out there in terms of what could happen.

The contractual business is more consistent. We're expecting that to continue to perform the way it has been. Then obviously, we expect to continue to execute well on our initiatives, and we're certainly on track with achieving the 70 million that we originally targeted.

David Zazula: Thanks. I can just ask about OEM delays and some of the drivers behind the CapEx change. Are those things that you're expecting to reverse in 2026? Early, do you expect an environment that would warrant increased capital spending on your part in '26?

Robert Sanchez: Yeah. Look, I think the tax bill is certainly going to be helpful. We need the freight market to finish correcting. I keep saying we're closer to the end of the beginning, I still think we're way closer to the end in the beginning, after three years of this. We are seeing an early signs just with what's happening with used tractor pricing. We're still seeing rental, those soft, and kind of flattish. Then the lease miles per unit are bumping along flattish, too. We still haven't seen the big

pickup. I think there's still certainly lingering uncertainty around tariffs, and hopefully, that gets resolved here in the next month or so. Mostly resolved, and then as a matter of that, freight market rebalancing, and we're back off to the races.

So yeah, that could turn around certainly next year. The CapEx decline is primarily just not having the lease and rental CapEx that we would normally see as we start building the business back up. Yes, some of that, you should start to see that come back in 2026.

David Zazula: Thanks so much.

Operator: We'll now take our next question from Harrison Bauer with Susquehanna.

Harrison Bauer: Great. Thank you for taking my questions. Maybe could you walk us through about how you're thinking about the margin patterns in the back half of the year, really across your different segments for FMS, maybe on an X gain basis? Then, as you take a step back, considering all your segment margins, including FMS X gains, are at or approaching their long-term guides. In 2026, as you pivot to growth more, do you think there might be some margin pressure that comes with that?

Robert Sanchez: Let me hand it over to Cristy; she can give you a little color around the margin expectations. Then we can talk about what would happen as we start to grow.

Cristina Gallo-Aquino: Yeah. Hi Harrison. On the margin side for the FMS business, we are expecting Q3 and Q4 to have growth in those periods. Also, because we're catching the tail on some of the deterioration that we saw last year from rental, and now with rental stabilizing, that should get better. But regardless of that, we're obviously benefiting from the initiatives in FMS related to pricing and maintenance. That is continuing to provide benefit in our margins for those periods.

On the supply chain side, it's more of the same of what you've seen. We've had good growth there as well as our initiative around the omnichannel retail network. We are also expecting margin growth in those periods. Then, with dedicated, we've talked about that one. We do have the benefits from the cardinal synergies, but we are seeing lower fleet count than that will impact comparable earnings comparisons year over year. That will put some pressure on that. But overall, as we said, we expect earnings growth, and we should continue to benefit from these initiatives and all the stuff we've done to the contractual business to really make it as resilient as it can be.

Robert Sanchez: Yeah. I think you mentioned that the segments are all at or near their target margins. If you look at supply chain and dedicated are at their target margins, FMS is not at the target margins right now. They're at the low double digits. We want them to be in the low teens. That's going to get to the low teens as we start to see the market recover, as you start to get rental and used vehicle sales contributing. That's how you start to see that come back. Hopefully, that's happening already next year, and we start to see that improvement. But that's the missing piece, if you will, to the puzzle.

The only other thing I would add to what Cristy said is on the supply chain side. As we go into the second half of the year, they've been on a tear in terms of the growth and the consecutive quarters of earnings growth. We expect to see that in three or four. However, you do catch the tail of some of the earnings improvement that we had last year, and then you also could have some, we've got a lot of new business that has been signed, and you could have some lumpiness around when that starts to come in. But as we get into the fourth quarter, we expect to really start to see growth on the top line accelerate, and then the bottom line also begin to grow.

Harrison Bauer: Great. Thanks for all that color. Then maybe just a quick follow-up on your truck and tractor mix, as John alluded to in the rental business. But maybe could you update us on the differences you're seeing in demand in your lease and rental on tractors versus trucks? Thank you.

Robert Sanchez: Let me hand that over to Tom.

Tom Havens: Well, I'll start with lease. I know you can see that we've had some headwinds on the lease fleet growth year over year. But when you strip that out and look at the different classes, trucks are actually up year over year, about 2000 units. The business headwinds are in the tractor-trailer classes, which is where you might expect it to be with the transport challenges that we're seeing in the market in general. I think that's a generally good trend from a truck perspective, and we expect tractor-trailers to come back at some point, as Robert mentioned, as the market improves.

On rental, I think John hinted in his opening comments, we have continued to invest in the truck fleets, and it sits at about 60% of the rental fleet today. We expect that to continue through this year. As the market does improve, I would expect that we would invest in some tractors in the rental fleet, probably in 2026. But we'll wait to see as the market improves before we do that and grow that tractor fleet again.

Harrison Bauer: Thank you.

Operator: We'll now take our next question from Jordan Alliger with Goldman Sachs.

Jordan Alliger: Yeah. Hi. I'm just sort of curious on the used truck markets. It's great, we're seeing the sequential increase. You indicated you expect that trend to continue. What underpins that? Is it more a function of new truck prices or higher orders are down, but people still need high-quality trucks? Or is it a function, perhaps, of maybe supply getting a little firmer in the overall trucking market?

Robert Sanchez: Yeah, I think it's probably all of those things that you mentioned. We are getting to a point where this freight recession has been going on for a while, and you're starting to see some

other people that are looking to replace vehicles that they have. Used vehicles and the vehicles that we have are attractive. I don't know, Tom, if you want to give them.

Tom Havens: Yeah. The only thing I might add is, if you look at the sleeper classes in particular, is where you're seeing the most price uplift in used vehicle sales. I think our inventory probably mirrors the overall general inventory of used vehicles. Our sleeper inventory is relatively low, and I think that's what's driving the pricing. It's, I think, an indication that you're getting closer to equilibrium at least on that class. Hopefully, the others will follow soon.

Robert Sanchez: These are high-quality vehicles that are pricing. If you look at historical charts that we have there, they've come down to pretty low levels. That's where you start to see some folks coming in to replace units.

Jordan Alliger: Then just as a follow-up, the supply chain margins continue to be at target, despite the difficulty in closing deals, and maybe revenue growth being operating revenue growth below target. Is that how it should work going forward? What underpins the strength in the margins, despite perhaps the less-than-optimal revenue growth?

Robert Sanchez: Yeah. I think it's an indication of the value prop of the work that we do in supply chain. Let me hand it over to Steve to give a little more calling.

Steve Sensing: Yeah, Jordan. First of all, I want to thank the team for focusing on the business and our customers. There's three or four things that we've been focused on, you remember a few years ago, we focused on investing in our startup effectiveness teams. We continue to do that. As Robert said, as we bring on new business, we've got the right approach and execution on that. Teams also focused on continuous improvement in the business. We've been very disciplined, I think, on the overhead structure and our pricing on new contracts. I think a diversification of the port-to-door

capabilities and service offerings is attractive to our customers. As Robert said, we're off to a good start, we should expect, as we exit Q4, to be in that mid-single-digit range.

Jordan Alliger: Thank you.

Robert Sanchez: The only thing I'd add to that is that as we get through this uncertainty, I think what was really holding up decisions in supply chain has been the uncertainty, because it's not all just tied to the freight market. We're starting to see some of that loosen up now, but we're encouraged about the opportunities to continue to grow that business. Especially if you start to see more industrial manufacturing pick up in the US, and more industrial manufacturing come to the US, I think we're well-positioned to play in that space.

Jordan Alliger: Thanks.

Operator: We'll now take our next question from Jeff Kauffman with Vertical Research Partners.

Jeff Kauffman: Hey, everybody. Congratulations. Bigger picture, thought question on maintenance. Some years ago, we thought outsourced maintenance was a strategic growth weapon. It's been kind of stagnant for the last few years. We can blame the environment. Blame the fleet. Maybe some of it has to do with the mix where you're focusing more on trucks versus tractors. But I just kind of wanted to think about maintenance, because in theory, in an environment like this, when nobody's buying trucks, maintenance should become really important.

A lot of fleets are complaining to me that their maintenance costs are rising. What's going on with maintenance? Why hasn't it grown the last couple of years? Is it a strategic decision? Is it a customer decision? Is it a mixed decision? Where do we think the outlook for outsourced maintenance is in the long run?

Robert Sanchez: Yeah. I'll let Tom give you more of an answer there, but I'll tell you that we haven't given up on it. We've got an initiative around mobile maintenance that we're trying to grow with our Torque product, where we're going out and doing retail mobile meetings. I think the real opportunity may be there is retail as opposed to these contractual multiyear agreements for a guaranteed maintenance. We're finding as customers that don't want to do a full-service lease, many of them just want to do retail. They want to pay by the drink, and they want to pay retail.

That high, along with the mobile service, seems to really have some good prospects. We're focused on getting that initiative off the ground and getting growing it. But no, we haven't given up. By the way, any of those customers that you run into are having trouble with maintenance, make sure you send them our way. Let me give that over the top.

Tom Havens: Let me make a couple more comments on talk. I think Robert's right. We haven't had that product historically in the past, where it's a straight retail pay-by-the-drink and pay-as-you-go product. Our traditional maintenance offering is contractual, and we do think that there's a good market for that out there today, as you mentioned, Jeff. But because it's a new business for us, it's still a start-up for us, I would call it. The revenues up about 75% year over year, which is good growth, but not meaningful for us yet. But we're certainly continue to invest in that. We've got about 200 techs doing that today, and we're expecting to grow that quite a bit. We're looking in that space in terms of acquisitions as well. Hopefully, we'll find something there.

Then on our traditional select care fleet, I know it's down quite a bit year over year. We've talked about that, and previous earnings calls as to why that happened. But sequentially, here we've seen some growth in that fleet. You can see that in the numbers. Our revenues are up, our margins are up in select here, so we certainly haven't abandoned it. We expect growth in that select care fleet for the balance of year as well. I think that, along with what we're doing with Torque, we're trying to grow in that maintenance space, as you mentioned.

Jeff Kauffman: Just following up on that and thank you. If I think about some of the projects you have going on in Ryder Ventures, what's going on there? Is this excess free cash flow and opportunity to come into markets that may be weak, and maybe look for strategic opportunities?

Robert Sanchez: Yeah, remember, if you step back, first of all, I want to buy companies that are well-run. We're not looking for turnaround situations, and we want to buy companies that are certainly within our core businesses. We're in the market always. We did a several of them over the last few years. We did IFS and Cardinal last year. We're looking for the right ones. We're patient. We've got plenty of dry powder now to do them, and we're going to continue to look till we find the right ones.

Around Ryder ventures, that's been more an avenue for us to see what technology is coming to market that could help our customers. What technology is coming to market that we may want to acquire, as we did with Baton? But yeah, I don't see that being a huge draw of capital for us unless we find, again, the right acquisition candidates for us.

Jeff Kauffman: Okay. That's my question. Thank you.

Robert Sanchez: Thanks, Jeff.

Operator: We'll now move to our next caller, who is Brian Ossenbeck with J. P. Morgan.

Brian Ossenbeck: Hey. Good morning. Thanks for taking my questions. Just on the residual slide, I know you talked about tractors starting to pick back up, but you can kind of see that inflection going to the midpoint and out of the range. But it looks like truck is getting closer. I don't know if that's anything you would expect to cross that line. Could you just give us an update in terms of what you do think and what might happen if there are any actions you sort of have to take if you cross

that? Obviously, we watch these closely, but we haven't seen the truck one come down to that level just yet.

Robert Sanchez: Yeah. Just as a reminder, Brian, this quarter's numbers and those endpoints of those lines include all the extra wholesaling that we did in the quarter. That's why it's gone to where it is. Without that, it would up certainly higher than it is now. But I'll let Cristy give you a little more color on that.

Cristina Gallo-Aquino: Yes. Hi, Brian. Basically, on the trucks, what you're seeing there is the impact of the aged inventory, which was primarily in the truck space. That is where we took those actions. What you're seeing here is the trucks, regardless, if you look at retail activity, did have a sequential price increase. As Robert had mentioned earlier, we're still happy to see that the retail pricing is holding and improving slightly.

With that said, on your question, anything that's happening in the market right now is really just as a result of this prolonged freight environment. We wouldn't think that that would be something that would be for an extended period of time. There would be no impact, or clearly not a material impact on our results if that were to continue. We're not concerned, our residuals are reasonable at this time, and we don't have any concerns on that end.

Brian Ossenbeck: Cristy, even if it were to go lower for whatever reason, like, it doesn't trigger anything, right? We've seen the tractor go in that range before, but I don't know, on the truck side, if we were to go below that line. It doesn't really trigger anything, if that's my understanding is correct in terms of like adjustments, sort of things you need to do. Is that correct?

Cristina Gallo-Aquino: That's correct. Like I said, if it were to go below that line, we don't think that it would be for a prolonged period of time. It would be a temporary, something happening in the market. And so, we're not concerned. Again, if you go back to our history, what we're seeing right

now is the lowest levels we've seen in over 25 years. Every time that has hit these levels, we've seen a rebound. We don't believe that this is permanent or longer-term by any means.

Robert Sanchez: Brian, this really highlights the benefit of having broader residuals down to where we have both from a pricing standpoint and an accounting standpoint, because, even in these low and these trough level market conditions, we're still not at a point where we're having to do anything else around residual values. We feel really comfortable with where they're at.

Brian Ossenbeck: Understood. Just one quick follow-up on the bonus depreciation for Ryder. Is that obviously the benefit for this year? But does that structurally improve the free cash flow conversion going forward? Is this all just more of a catch-up that you're seeing now? I would assume it is permanent, but just to clarify that.

Robert Sanchez: Yeah. Cristy.

Cristina Gallo-Aquino: Yes, that's correct. We do expect to continue to have that cash benefit for the next several years.

Brian Ossenbeck: Okay. Thanks very much. Appreciate it.

Robert Sanchez: All right. Thanks, Brian.

Operator: We'll now take our next question from Daniel [inaudible].

Daniel: Yeah. Thanks. Good evening, guys, and good morning. At the end of your prepared remarks, you talked a little bit about the contractual sales delays, I think in the dedicated side as well. I guess I'm curious, did that improve at all through the second quarter? I would have thought we

started 2Q at maybe peak uncertainty, and maybe that would have caused the delays. But it feels like we've gotten some more business certainty since then.

Have you seen any of those initially delayed kind of dedicated contracts come back? Has the pace of delays gotten worse? Just what's kind of happening as we look forward in the back half of the year? What are you assuming for conversions in the back half of the year on that side, given the slower kind of business there?

Robert Sanchez: Yeah, to be honest, we have not seen it. We didn't see it improve. We did see the improvement in supply chain, now our supply chain customers are more the larger, call it the Fortune 500 type companies, and we did see more decision-making in that segment. But around a smaller and mid-sized customers, most of our dedicated supply chain customers still seeing more hesitation. That can change quickly if you start just to get more clarity. Again, I think with the bill being passed, you get that helped clarify some, but we still have, I think, a lot of uncertainty tied to some of the tariffs.

I think once we get clarity on that, I would expect we would begin to see some more decision-making and start to see some more points being put on the board in terms of sales. Now, the other thing I would tell you is the pipelines are really solid. In our lease pipeline, I think is at a record level. That's just a reflection of the fact that we've got a lot of customers that are out there in the market but haven't pulled the trigger yet. That could build very well when uncertainty clears, that we would expect to really start to see a lot of activity there.

Daniel: On the second part of that question, is there any improvement in that baked into the back of the guide for the back half?

Robert Sanchez: Not a lot. No, we haven't built in a lot of improvement there. We're kind of assuming that this continues. Obviously, if it doesn't prove based on lead times, it's probably more likely to

be a benefit as we get into 2026, maybe a little bit in Q4, but more into 2026. The top end of the range is really still assuming there's not much of a pickup.

Daniel: That's helpful. Then just a follow-up on Scott's question earlier and a few around the truck pricing assumptions. It sounds like you're embedding some gain in sale. I think, Cristy, if I heard you right, part of that is just mix because you're going to wholesale less in the back half of the year. But are you actually making a directional bet that truck pricing improves, baked into that back half guidance?

Robert Sanchez: There's a slight improvement, primarily in the fourth quarter. But it's a small improvement in the market, not a significant one. Really, more of the improvement is just the fact we're going to wholesale less, and your retail percentage will go up.

Daniel: Okay. Appreciate the color.

Robert Sanchez: Thank you.

Operator: At this time, there are no additional questions. Let's turn the call back over to Mr. Robert Sanchez for closing remarks.

Robert Sanchez: Okay. Thanks, everyone. Thanks for your continued interest.

Operator: That does conclude today's conference, and we thank you all for your participation. You may now disconnect.