

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

Date: Thursday, 23rd October 2025

Operator: Please stand by. Good morning and welcome to the Ryder System Third 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 third 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, and Cristy 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. The Ryder team delivered our fourth consecutive quarter of earnings per share growth. The third quarter earnings were in line

with our expectations as the operating performance of our resilient contractual businesses and the benefits from our strategic initiatives more than offset headwinds from freight market conditions. The business continues to outperform prior cycles, demonstrating the impact from actions that 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 with a strategic update. Cristy will then take you through our third 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 strong foundation provided by our transform business model.

Let's begin with a strategic update on slide four. We remain focused on creating compelling value for our customers through operational excellence and investment in customer-centric technology, while further improving full cycle returns and unlocking long-term value for our shareholders. We expect earnings growth in 2025 driven by the operating performance of our resilient contractual businesses and the execution of our strategic initiatives. We are on track to realize the benefits from the strategic initiatives we outlined at the beginning of the year. These benefits are the key drivers of the year-over-year earnings growth expectations.

Long-term secular trends that favor transportation and logistics outsourcing remain strong, and we are well-positioned to benefit from increased domestic industrial manufacturing as 93% of our revenue is generated in the US. We delivered high teens ROE of 17% for the trailing 12-month period, which is in line with our expectations during a freight cycle downturn. We expect our transform business model to deliver ROE in the low to mid-20s, when market conditions improve for our transactional, rental and used vehicle sales businesses, which will enable us to achieve our over the cycle ROE target of low-20s.

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. Our transformed business model has demonstrated its resiliency over this elongated freight cycle downturn, which is going on its fourth year. We are confident that our cycle-tested business model will continue to outperform prior cycles, while providing us with a solid foundation to meaningfully benefit from the eventual cycle upturn.

Consistent execution of our balanced growth strategy is increasing the earnings and return profile of our business, while also growing our capital deployment capacity. Ample capacity and our strong balance sheet support our capital allocation priorities focused on profitable growth, strategic investments and returning capital to shareholders. Aligned with these priorities, our board recently authorized a new discretionary 2 million share repurchase program that replaces a program that was largely completed. So far in 2025, we've returned \$457 million to shareholders by repurchasing approximately 2.2 million shares and paying our dividend. Since 2021, we have repurchased approximately 22% of our shares outstanding and increased the quarterly dividend by 57%. Our new share repurchase program and the dividend increase announced earlier this year demonstrate our commitment to disciplined capital allocation.

Our 2025 forecast range for free cash flow is unchanged at \$900 million to \$1 billion, which reflects lower year-over-year capital spending and includes an annual 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 and 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 which freight market conditions remain at or 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 toward 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 \$13.05, more than double the 2018 comparable EPS of \$5.95. ROE is expected to be approximately 17%, up from the 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 conditions. 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 third quarter performance.

Cristina Gallo-Aquino: Thanks, Robert. Total company results for the third quarter are on page six. Operating revenue of \$2.6 billion in the third quarter, up 1% from prior year, primarily reflects contractual revenue growth in SCS and FMS. Comparable earnings per share from continuing operations were \$3.57 in the third quarter, up 4% from \$3.44 in the prior year. The increase primarily reflects higher contractual earnings and the benefit from share repurchases. Return on equity, as Robert previously mentioned, our primary financial metric was 17%, up from prior year, reflecting higher contractual earnings and share repurchases, partially offset by lower rental demand and used vehicle sales results. Year-to-date free cash flow increased to \$496 million from \$218 million in the prior year due to reduced capital expenditures and lower income tax payments.

Turning to fleet management results on page seven. Fleet Management Solutions operating revenue was in line with prior year. Pre-tax earnings in fleet management were \$146 million, up year-over-year, reflecting higher choice lease performance driven by pricing and maintenance cost savings initiatives, partially offset by lower used vehicle sales and rental 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. Rental results for the quarter reflect market conditions that remain weak. Rental demand increased sequentially, but the increase was below historical seasonal demand trends. Rental demand this quarter was also lower than last year.

Rental utilization on the power fleet was 70%, down slightly from prior year of 71% on an average active power fleet that was 6% smaller. Lower rental demand was partially offset by higher rental power fleet pricing, which was up 5% year-over-year. Fleet management EBT as a percent of operating revenue was 11.4% in the third 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 pricing declined 6% and truck pricing declined 15%. On a sequential basis, pricing for tractors was unchanged and pricing for trucks increased 7%. Sequential pricing benefited from a higher retail mix as we realize better proceeds using the retail sales channel versus the wholesale channel. In the third quarter, 54% of our sales volume went through our retail sales channel, up from 50% in the second quarter. As a reminder, in the second quarter, we exited out of some aged inventory and increased our level of wholesaling activity. Our retail mix is still below prior year levels of 68%, reflecting ongoing weakness in market conditions.

Pricing in our retail sales channel declined 4% sequentially for tractors and was unchanged for trucks. During the quarter, we sold 4,900 used vehicles, down sequentially and up versus prior year. The sequential decline was driven by the actions we took in the second quarter to sell aged inventory. Used vehicle inventory of 8,500 vehicles was in 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.

Turning to supply chain on page nine. Operating revenue increased 4%, driven by new business in omnichannel retail. Supply chain earnings decreased 8% from prior year as the benefits from operating revenue growth were more than offset by e-commerce network performance and higher medical costs. Supply chain EBT as a percent of operating revenue was 8.3% in the quarter at the segment's long-term target of high single digits.

Moving to dedicated on page ten. Operating revenue decreased 6% due to lower fleet count, reflecting the prolonged freight downturn. Dedicated EBT was in line with prior year, reflecting acquisition synergies 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. DTS remains on track to realize the benefits from the Cardinal acquisition synergies. Dedicated EBT as a percent of operating revenue was 7.8% 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: Thanks, Cristy. Turning to slide 11, year-to-date lease capital spending of \$1.2 billion was below prior year. Rental capital spending of \$271 million was also below prior year levels, reflecting weaker freight market conditions. For full-year 2025, lease spending is expected to be \$1.8 billion, reflecting lower lease sales activity. Lease spending is expected to be down approximately \$200 million from prior year, reflecting the prior year impact of OEM deliveries from vehicle orders in 2023. We expect the ending lease fleet to remain fairly consistent with current levels by year-end.

Forecasted rental capital spending is approximately \$300 million, down from prior year. By the end of this year, our ending rental fleet is expected to be down 12%. 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 third 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 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 delevering 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 improving contractual earnings. This creates approximately \$3.5 billion of incremental debt capacity, resulting in \$14 billion available for capital deployment. Over that same three-year period, we estimate approximately \$9 billion will be deployed for the replacement of lease and rental vehicles and for dividends, leaving \$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 \$1.2 billion for

discretionary share repurchases, reducing our share count by 22%. Our balance sheet remains strong, with leverage of 254% 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 \$13.05 above the prior year of \$12.00, as higher contractual earnings, benefits from our strategic initiatives and lower share count more than offset the impact from market conditions in rental and used vehicle sales. Our updated forecast continues to reflect contractual earnings growth, as well as a muted environment for used vehicle sales and rental. Although 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 freight market conditions. We are, however, encouraged by robust sales and pipeline activity in SCS.

Our 2025 ROE forecast is unchanged at 17% and is in line with our expectations given current market conditions. As mentioned earlier, our free cash flow forecast of \$900 million to \$1 billion is unchanged from the prior forecast and reflects lower capital expenditures in 2025 and an estimated annual benefit of \$200 million from the permanent reinstatement of tax bonus depreciation. Our fourth quarter comparable EPS forecast range is \$3.50 to \$3.70, versus a prior year of \$3.45.

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. They represent structural changes we're making in 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 benefit of \$125 million 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 of 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. During the third quarter, we incurred some incremental costs related to the optimization of our network, but expect continued progress on this initiative with incremental benefits expected in 2026. 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 driving our outperformance relative to prior cycles, our transformed business model also provides a solid foundation for the business to meaningfully benefit from the eventual cycle upturn. As such, we expect an annual pre-tax earnings benefit of at least \$200 million by the next cycle peak. The majority of the \$200 million benefit is expected 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 for new sales and revenue growth. As freight capacity and driver availability tighten, we expect to see incremental sales opportunities and improved revenue growth in DTS as private fleets seek solutions to address these challenges.

In supply chain, muted volumes in our e-commerce network 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' resilience and performance during the prolonged freight market downturn, and are confident each of our business segments is well-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 opportunity 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 10-Q 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, please make sure your mute function is turned off to allow your signal to reach our equipment. Again, press star one to ask a question. We'll pause for just a moment to allow everyone an opportunity to signal for questions. And our first question will come from Scott Group with Wolfe Research.

Scott Group: Hey, thanks. Good morning. I want to ask how you think these CDL regulations impact the business model. What are the puts and takes? I don't know if you have a sense on your – on the lease side of the business. Are you more exposed to large fleets, private fleets, small fleets where there may or may not be less exposure? And do you think there's risk that if there's fewer drivers that could pressure used truck pricing? I don't know, just some of the puts and takes.

Robert Sanchez: Yeah. Scott, I think that's still developing. But I would say that what it's likely to do is tighten the driver market. The drivers that are impacted – just for purposes of our supply chain and dedicated business, we don't have any of those types of drivers in our company. So tighter driver market typically is good news for our dedicated business, as you're more likely to have companies looking for help on how to bring those drivers in. As far as our customer base on the lease side, I'll – let me hand that over to John so he can give you a little more color on that.

John Diez: Yeah. Scott, the majority of our lease portfolio, if you think about it, there are private fleets that are doing specialized deliveries, whether they're food distributors or even local deliveries. Most of what we think is going to get impacted is that over the road transport space, which are doing dock-to-dock deliveries that don't require special handling. So I would say the majority of it is not impacted by this. Our estimates, based on the number of CDL drivers out there, could be as much as 5% impact to the overall capacity. So not expecting a meaningful change there to our customer base but certainly will put pressure on wages over time. And I think that will favor more outsourcing activity for our business, both on the dedicated side as well as individuals looking to cut cost and coming to us for either their fleet maintenance or dedicated solutions.

Scott Group: Okay. And Robert, I know you – usually on the Q3 call you give at least some thoughts perspective on the next year. We've had some multi-year initiatives, some of those like the lease pricing kind of – I think this is the final year of it, the fleets sort of shrinking a little bit as the year plays out. So what are the drivers of earnings growth next year? Are there headwinds to be thinking about? Just overall puts and takes as you think about 2026 earnings growth potential.

Robert Sanchez: Yeah. As I was going into this call, I thought there would be a lot more clarity this year than there was last year given we had an election coming up last year. So there's still a lot of uncertainty. But I would tell you it's a very similar story in that you should expect contractual earnings growth. Really, we have \$50 million left in our strategic initiatives, of \$150 million. So you should expect a good chunk of that, if not all of it, to really come in next year.

In addition to that, although we've had some muted sales in lease and dedicated because of the freight market softness and extended downturn, the really strong part of the story this year is supply chain. We are seeing a very strong sales year in supply chain this year. It's on pace to be one of our best sales years. So those contracts should start coming in as we go into next year. Probably second, third quarter we'll start to see them – more of them come in. But I would expect revenue and earnings growth really driven by the supply chain side next year.

And then on the transactional side, it's really when do we think the freight cycle is going to turn? And we're now in our – we'll be on our fourth year of a downturn. So at some point it will. If it happens earlier in the year, we'll get some boost from our rental and used vehicle. If it happens later in the year, we'll get less than that. But it's really that \$200 million of incremental earnings that we're expecting by the time we hit our next peak. When that turn happens, you'll start seeing some of that. It doesn't all come in the first year, but you'll start seeing some of that. And there's still not a lot of certainty of when we're going to see that.

But one of the things you mentioned around tighter market could be more capacity coming out of the spot market, which is probably a good thing for the overall freight market. As you know, we have zero-based budgeting here. So you expect us to continue to manage our overheads and look for cost takeouts there. If it is a slower – if it is a slow market from a freight market standpoint, so we don't see an upturn, then you should expect another strong free cash flow year. Unless we see a big freight rebound, I think, that's probably in – it's probably in the cards for us next year. Another strong free cash flow year. And then also continued share repurchase. So really continued execution on our balanced growth strategy, which I think has given us really good results so far and will continue to do so.

Scott Group: Thank you guys.

Robert Sanchez: 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. And our next question will come from Ben Mohr with Citi.

Ben Mohr: Hi. Good morning. Thanks for taking our question. Wanted to touch on more about your used gain being challenged in the quarter. In thinking about 4Q and 2026, can you share how you frame thinking about the truck tariffs? Presumably you could allocate purchases towards US-made trucks, USMCA compliance can alleviate tariffs on foreign-made trucks. You've got higher new truck pricing that should lift your used truck prices. And you can possibly pass through to customers higher new truck pricing given the strong truck leasing industry pricing discipline. And also private fleets would probably want to outsource more to you, if it's more economical to lease than buy. Can you walk us through kind of maybe some of these points and what you're thinking the puts and takes whether net-net it could be an overall benefit?

Robert Sanchez: Yeah. First, I'll say that we're still – we still don't have clarity on what the impact on the pricing is going to be and how much of any of it will be passed through. But I think you hit on some of the key points that, number one, if there is a price increase, and I think there's market dynamics here, so all the OEs, regardless of whether – where they're doing their final manufacturing, will have to compete in the marketplace with those that may be doing more domestic versus across the border. But any increase that we see, obviously, we pass through in our lease rate with our customers. We're not buying trucks until we have signed leases. Those increases will likely – if they do happen, will slow down the purchase of new trucks, I would expect, which should give – which should accelerate getting the supply of trucks in the market down to where they need to be. So that could be – help accelerate the balance of the freight market.

But for Ryder, just as importantly, the cost of used equipment, and used equipment that was purchased prior to the tariffs, should be more valuable. And we should see some help on the used truck side over time as the higher pricing of new trucks comes in. So those are the big ones. I think at the end complexity at Ryder is our friend. And I think the uncertainty has not been our friend, just like it's – uncertainty is not a friend of any business. But more complexity is good for us. And certainly, we're seeing plenty of it coming down the pike with some of this tariff talk. Also, some of the changes in driver regulations and qualifications, and who could be a driver. So those things over time, really, I think make the work that we do more complex, which should bode well for outsourcing and should bode well for companies like ours.

Ben Mohr: Great. Really appreciate that. Maybe as a follow-up, just thinking longer-term, capital structure-wise, as you shift your mix to more supply chain and dedicated, how might you think about maybe kind of trending down your leverage target to be more in line with your supply chain and dedicated peers? It looks like most of them have leverage around zero to one to two times.

Robert Sanchez: Yeah. That's a good question. But I think if you look at our balance sheet, you can see that the majority of the capital that we're spending is still heavily weighted towards our FMS business. The good news is the profitability of that business is significantly improved. So the contracts that we've signed over the last, now, five, six years are certainly more profitable than what we had historically. So that allows us to continue to hold our leverage and keep our leverage where it is, even as there's been a shift in certainly the revenue and earnings for the company. So John, you want to add something to that?

John Diez: Yeah. And Ben, I think right now we're at the lower end of our target range. You should expect once the freight market recovers, we are going to be spending more capital to not only replenish the fleet, but grow the fleet both for lease and rental. So you will see our leverage move up within the range as we kind of upcycle the business. So that's kind of one of the dynamics here, is we're on the trough end of the cycle, which you're seeing us on – operate towards the latter end.

It will take multiple years, I would say, before we start seeing a meaningful impact to our capital structure from the growth that we're seeing in supply chain and dedicated.

Ben Mohr: Great. Really appreciate that. Thank you.

Robert Sanchez: Thank you, Ben.

John Diez: [Inaudible].

Operator: Thank you. And moving on to David Zazula with Barclays.

David Zazula: Hey, thanks for taking my question. For Steve or Cristy, Robert's comments suggested a pretty positive outlook for supply chain solutions kind of into the quarter and next year. Can you contrast that with some of the headwinds you saw this quarter? Were they temporary? Is some of the revenue going to be able to offset the poor network performance in e-commerce? Just any color you can provide there. Thank you.

Robert Sanchez: Steve?

Steve Sensing: Yeah. David, as you look at it, we had our ninth consecutive quarter of EBT earnings last quarter. We remain in high single digit. I'd really put it in three buckets. We had higher medical costs in the quarter. In e-comm, there was a productivity miss really associated with a couple of accounts where volumes were lower than what was forecasted. And then, as Robert said, in our strategic initiatives, the continued optimization of our multi-client, e-comm and Ryder last-mile, footprint we did have some customers that requested to move earlier in the year. So we've got some moves going on here in the second half where we had planned those to happen in Q1. But we did want to accommodate them. So a little bit of higher move and shutdown cost as well.

Cristina Gallo-Aquino: Great.

David Zazula: Super helpful.

Cristina Gallo-Aquino: David, so I'll add to that. David, no, I was just going to add to that then. In the forecast that we've provided for the fourth quarter, what we're expecting there on the high end of the range is that rental will continue kind of at this flat, sequential demand environment. And on the UVS side, on the high end there would be some market improvement and also some benefit from us shifting to more retail mix on the used vehicle side. And then on the low end, it would just be that demand drops below Q3 levels, so a declining environment, and that used vehicles also has a modest decline.

David Zazula: Very helpful. And then just if I could squeeze one in on SelectCare. It seems like there's some headwinds in SelectCare there. One can maybe discuss whether we should think of those as temporary. Or is there something going on there? And then should we think of SelectCare as being more volatile than it historically has been? It's been a pretty consistent grower over time. So anything you can provide there on the SelectCare line? Thanks.

Robert Sanchez: Yeah. I'll let Tom give you a color. But remember, SelectCare has a component that's contractual and then another component that is more the rebillables or the more transactional part as we've got customers that need body work and other types of work to do. But go ahead.

Tom Havens: Yeah. So I would view it as temporary. As we looked at the quarter, it was just lower activity. And as Robert mentioned, that lower activity in the transactional forms of SelectCare. And we certainly expect that to return to more normal levels in the fourth quarter.

David Zazula: Great. Thanks so much.

Operator: And the next question will come from Ravi Shankar with Morgan Stanley.

Ravi Shankar: Hey. Thanks, guys. Just a follow-up on the non-domicile CDL rule. Understand that you said it's [inaudible] direct impact for you guys. But how do you think about the timing and maybe the indirect impact? If you can kind of rewind a little bit to 2018 with the ELD mandate and the 2020 Drug & Alcohol Clearinghouse, kind of when there were regulatory changes in the industry that impacted small truckers, how quickly did that, kind of the second derivative, flow up to you guys? And also, how – what's the timing that you think this impact will take place? Is this something that will happen right away? Is it 2026? Is it going to take several years? What are you guys thinking right now?

Robert Sanchez: Yeah. Look, those are good questions, but it's hard to tell at this point still. We don't know what the timing of this is, but the estimates are that it's 5% of the driver market that could come out over the next couple of years. So it's probably not something that happens overnight. It happens over a period of time. And whenever there's been a tightening of the driver market, it's typically good news for outsourcing. So again, we would expect to see some improvement, which – much needed improvement, I would tell you, on demand for dedicated services. And that's an area that as the market tightens up, you should see that.

You should also see an increase in the transactional parts of our leasing business, rental and used vehicle sales, because as some of those drivers that are maybe one-way and our typical truck load type fleets go down, some of the private fleets are going to have to pick up the slack. And we've seen that tilt over the last couple of years more towards the for-hire driver. You may see that come back towards the private fleet, which would benefit our leasing customers and our dedicated business.

Ravi Shankar: Understood. And as a follow-up to that, just on that point of private fleets, I think there's been some speculation about private fleet growth over the years. And yesterday, we may have

heard that there are some signs that maybe private fleets may be kind of giving back just given cost inflation and other issues. What do you think are some of the structural trends in private fleet growth right now? And kind of how do you think that lasts through the upcycle?

Robert Sanchez: Yeah. I think we've seen that in our lease fleet and our dedicated fleet over the last several years. Coming out of COVID, there were a lot of trucks that were ordered that came in that probably our customers didn't need them all at that point once the COVID high came down. So you've seen those fleets defleeting over the last two to three years. And we believe that's probably getting closer to the tail end of it now. But yeah, there's no doubt that private fleets have been defleeting over the last two to three years.

Ravi Shankar: Understood. Thank you.

Operator: And we'll take a question from Jeff Kauffman with Vertical Research Partners.

Jeff Kauffman: Thank you very much. Congratulations, everybody. I just wanted to focus a little bit on the bonus depreciation. How is that going to funnel into the financial statements. Is it just going to be a cash flow benefit? Is it going to help the operating margins? And how is that going to accelerate? I think you mentioned a \$200 million benefit. Maybe I'm wrong. But I just kind of want to get a better idea of how that's going to flow through the financials.

Robert Sanchez: Cristy?

Cristina Gallo-Aquino: Yeah. Hi, Jeff. So yes, the bonus depreciation right now for us is going to be a cash tax benefit. And we are estimating that to be about \$200 million. We would expect that at the same level of capital spending in future years it would continue to be about \$200 million in the next several years. That's the way it's going to flow through our financial statements. There is no tax rate effect of this. And from a – from our operating margins, we continue to price our leases at

market rates. So there really isn't a meaningful impact. It's just a cash timing benefit that we're going to be getting.

Jeff Kauffman: All right. And the \$200 million number is an annual number. Correct?

Cristina Gallo-Aquino: That is correct. Yes.

Jeff Kauffman: Okay. That was my only question. Thank you. Thank you, gentlemen.

Operator: And our next question comes from Jordan Alliger with Goldman Sachs.

Jordan Alliger: Yeah. Hi. Morning. Just wanted to come back to supply chain for a second. You mentioned the margins were in the high single digit target for the third quarter. You mentioned the e-commerce network productivity or performance. Is that something that just is isolated into the third quarter and it drops off and we could get back to some – sort of a sequential improvement from here? Or does it sort of linger on? And then secondly, you commented that supply chain sales pipeline has been really strong and could start impacting in the 2Q, 3Q next year. Can you talk a little bit about the trade-off? If you start getting back to the revenue growth targets that you'd like to see longer-term, is there a trade-off with margin on startup? Or can we hold these high single digits as that starts to flow in? Thanks.

Robert Sanchez: Yeah. I'll let Steve answer that. I'll tell you the last part of that. I do think we're certainly excited about the growth. We are not changing our earnings leverage targets though for supply chain. So I still would expect same earnings leverage targets. Just to be – it's going to be nice to get back closer to our target growth rates. But go ahead, Steve.

Steve Sensing: Yeah. I think in the quarter, as you think about Q4, there's going to be some continued optimization of the footprint, specifically in e-commerce and last-mile. So I think that would

continue. It would set us up for a rebound in 2026. We also are seeing, in the second half, a few more plant shutdowns in automotive as they retool and move models around to different plants. So that's another one. Didn't really stand out in the quarter, but that's some items that we're seeing here in the back half.

Jordan Alliger: Thank you.

Operator: And our next question will come from Harrison Bauer with Susquehanna.

Harrison Bauer: Great. Thank you for taking my question. You've laid out your peak-to-trough market improvement opportunity of around \$200 million. And that was off a 2024 base. With used vehicle sales down on the gains part, or maybe \$50 million this year and rental earnings contributions also down notably, do you think that peak-to-trough opportunity might be close to \$300 million if we rebase the transactional earnings contribution to 2025?

John Diez: Yeah. Harrison, this is John. I think your observations are directionally accurate in that if you think about where we were in 2024 from a gains perspective and where we're sitting today, obviously we've had a pullback in our UVS gains. As a reminder, our expected normalized gains annually are in that range of \$75 million. So clearly, more opportunity on the UVS side relative to where we were back in 2024. Rental has also taken a step back since then, which would suggest that it's a little bit more than the \$200 million that we originally had calibrated. So we are going to need to make investments to grow the rental fleet and continue to invest in that fleet over time, which factors into that \$200 million. But you're absolutely right, the \$200 million is maybe not reflective of where we sit today, which is more depressed than where we were a year ago.

Harrison Bauer: Thank you. And as a follow up to the non-domicile CDL conversation, I appreciate how you mentioned how the removal of drivers would impact different parts of your business. But what

do you think the sort of other side of that, where there might be additional trucks to the market and how that might affect used vehicle prices? Thank you.

Robert Sanchez: The question is additional trucks as a result of having fewer drivers?

Harrison Bauer: Correct. Yeah. The displacement of drivers and what might happen with those trucks, and any pressure to use vehicle prices or residual values.

Robert Sanchez: So you're saying that, yeah, there'd be more used trucks in the – yeah, I think that would be – time will tell, but I think that would be more than offset by just the benefit of more trucks needing to be there to replace them. You're going to have to – you're going to need more newer trucks or less – or newer model year trucks to replace them. So yeah, it's hard to tell exactly how it all falls out. But generally, I would tell you that as the market tightens for drivers, that is a good thing for used trucks. And that's a good thing for our rental business.

Operator: And our next question will come from Brian Ossenbeck with J.P. Morgan.

Brian Ossenbeck: Hey. Good morning. Just wanted to ask a little bit more specifics on the rental demand. I think you said it was a little bit weaker than seasonal. I don't know if you can call it anything in particular there. And similarly for the e-comm, sounded like it was a productivity miss on maybe volume. So is there anything within that vertical that you can read into, or is this more of a one-off from a specific customer and whatever their forecast was and whatever that warehouse was supposed to look like? But evidently[?] they didn't deliver.

Robert Sanchez: So I'll let Tom address the rental, what we saw in the quarter versus what we expected.

Tom Havens: Yeah. Cristy mentioned it a little bit in our opening comments, but the third quarter was slightly down from our expectations and slightly worse than what we would typically see from a

seasonal demand trend by about a – it was about 1%. If you look at the trend year-over-year, you can see that. So as you step off into the fourth quarter here on that slightly lower demand, that's reflected into the fourth quarter forecast as well. So it's a little bit worse than what we had expected.

Robert Sanchez: And certainly, well off of our target of where we want to be from a utilization standpoint. Steve, you want to address the e-comm?

Steve Sensing: Yeah. Brian, I'd say that productivity missed to a forecast is really a one-off situation in the quarter.

Brian Ossenbeck: And I just on the rental demand, if it was worse, and I appreciate you updating the guidance for the run rate, but what – is there anything in particular that surprised you to the downside? Was it a combination of things? Anything you can really point to?

Tom Havens: Yeah. There's good and bad in the detail of the data. But the good point is our pure rental business, year-over-year, the demand for our non-lease customers renting trucks was flat year-over-year. So what we're seeing is our lease customers haven't picked up their demand. And we certainly haven't signed – lease sales have been a little bit muted. And we would typically have await new leases as we sign new business. So those are the two areas that we're down in demand. The other good point here, and you saw it in the numbers, the RPD was up about 5%. So we are seeing good rate discipline in rental. So I think when we see our lease customers start to rent again, that'll be a really good sign for us.

Brian Ossenbeck: Thank you, Tom.

Operator: And we'll take a question from Ben Mohr with Citi.

Ben Mohr: Great. Thanks for bringing me back in. Just looking at the bright side, your strong sales performance in SCS and you seem very excited about SCS leading growth in 2026. Can you talk more about your recent developments in your incubator for tech that had developed your RyderGyde, RyderShare, RyderShip and tech-driven sales? In our research, it looks like load board and broker apps using AI have been supporting one truck owner operators. And be curious to hear about similarity with your tech supporting your logistics managers and the outsourcers that you serve.

John Diez: Yeah. Ben, John Diez here. Two components to your question. One around tech. Clearly, what we're seeing, the investments we're making in RyderShare, RyderShip and some of the other technologies that are customer-facing is making a difference. That's really a big differentiator in what we're seeing in the sales activity. We are starting to see large customers take action in reshaping their supply chain. So these technologies are making a difference in those opportunities and how we compete.

With regards to the second part of your question around AI, clearly we're deploying some of these technologies, especially around agentic AI technologies, with regards to improving our service levels and improving the effectiveness of some of our solutions, specifically around our transportation management and brokerage part of the business. That's making a difference in optimizing rate for our customers, improving our overall service levels, as well as improving our effectiveness around our freight bill audit and pay activity there. So you are seeing that in the supply chain space, as well as some of the activities we're deploying to other parts of the business, including fleet management and dedicated.

Ben Moore: Great. Thanks very much.

Operator: And our last question comes from Scott Group with Wolfe Research.

Scott Group: Hey, thanks. Just real quick, can you just let us know what's in the guidance for gains in the fourth quarter? And it's always a little hard to know with that slide on the residual values, how much cushion is left to stay within the ranges on residuals before we risk either losses or having to do something with depreciation assumptions?

Cristina Gallo-Aquino: Yeah. Hi, Scott. So on the guidance itself – well, first, let me remind you, in the quarter pricing was somewhat stable. And at this level, we're still maintaining gains on the P&L. So I would expect the fourth quarter to be similar or somewhat better because we are expecting, on the high end, a modest improvement in pricing. So we think that it will be higher than the third quarter results.

As far as how much can we sustain, the sensitivity right now is we would need pricing to decline 8% from where it is today in order to hit the bottom end of our residual levels. We are not anticipating a decline. And so right now that's not what we're forecasting. But that is the amount that it would need to decline to hit the bottom end.

Scott Group: Okay. It doesn't sound like it, but just to be sure, you're not planning any residual assumption changes or changes in accelerated depreciation, or anything like that, for next year?

Cristina Gallo-Aquino: That's right. Right now we're comfortable with our residuals where they're at.

Scott Group: Okay. Perfect. Thank you, guys. Appreciate it.

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

Robert Sanchez: Okay. Well, thank you. We're near the top of the hour. So thanks again for your ongoing interest in Ryder and great questions. Talk to you guys soon.

Operator: Thank you. That does conclude today's conference. We do thank you for your participation. Have an excellent day.