Conference Title: Ryder Investor Day

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Calene Candela: Okay. Good morning and welcome to Ryder 2024 Investor Day. I'm Calene Candela, and I've been heading up Investor relations for about a year and a half now, and I've been with Ryder for over 30 years. It's truly an exciting time to be at Ryder, as we've seen the benefits from our transformed business model play out over the cycle, and we're even more enthusiastic about what lies ahead, which you'll hear about more today.

Thank you to all of you who have joined us here in person. It's great to have you here. We look forward to talking with you during the break as well as during the solution showcase following the event. For those of you joining us virtually, thank you for tuning in and for your interest in Ryder. The slides have been posted to our website, and the webcast platform includes a feature where you can ask questions.

So there's a few administrative items before we get started. As you know, the company is very serious about safety. So as such, please familiarize yourself with the exits from this room. There's one right over here and it'll lead you directly to a staircase. There's two more right here, and if you head straight back, there's staircases on each side. Next, I'd like to point you to our forward-looking statements, as well as our use of non-GAAP financial measures. And finally, we ask that you put your phones on silent and not to interfere with the audio and video recording we'll be doing the event today.

We've got a very good agenda for you today. Very exciting agenda. Robert Sanchez, our chairman and CEO, will discuss how our transformed business model under the balanced growth strategy and how the next phase of this strategy will deliver even higher returns over the cycle. Next, Karen Jones will discuss our customer-centric approach to innovation and how this is differentiating us in the marketplace. Steve Sensing, we'll talk about our industry vertical

expertise and our expanded capabilities in SCS, and how they're delivering solutions that are perfect our customers supply chains.

We'll then go to our first of two Q&A sessions, which will be followed by a short break. Following the break, Steve Martin will discuss how DTS has transformed following our recent Cardinal acquisition, and Tom Havens will review the successful execution we've seen at FMS, as well as review some of the initiatives the team has working on to continue to enhance returns as well as our customer experience. John Diez, our EVP and CFO, will bring this all together and outline a clear path to achieving higher returns over the cycle. Robert will provide some closing comments, and then we'll go into our second Q&A session.

For those of you in person, I'd like to highlight that we'll be having a solution showcase. I'm sure you saw some of the booths set up outside. It'll be held just outside the room, and it's going to feature business leaders who can talk to you and provide you with more information about some of the key topics and areas that we've discussed today. So you'll have the opportunity to learn more about the expanded capabilities we have in SCS. The Baton team is here to talk about the revolutionary TMS and visibility tools that they are developing. Learn how we're deploying warehouse technology and automation throughout our operations. You'll be able to experience live RyderGyde as well as RyderShare demonstrations. Very interesting there. And you also have the opportunity to learn more about Ryder Electric+, as well as how our business is very well positioned for nearshoring opportunities. So lots of great information. I really encourage you to grab some lunch and speak with the individuals out there, as well as our management team who will be present as well.

I'd also like to introduce Nicole Dominguez here in the front row. She's our Group Director and Investor Relations. I know a lot of you already had the opportunity to meet with Nicole, but if you haven't, please take the opportunity to chat with her and get to know a little bit more about her. Thank you very much, Nicole, for all the work you've done so far for Investor Day. It's been a

really big effort on her part, so thank you very much. Okay, so without further delay, it's my pleasure to introduce our chairman and CEO, Robert Sanchez.

Robert Sanchez: Calene. Listen, thank you all for being here. Both the folks that are here in person and folks that are on the webcast. I'm really glad that we did this here in New York. I think if we had done it in Miami, it would have been the first Investor Day with mask and snorkel because it's been raining in Florida. If you don't know, for the last 3 or 4 days, I think it's going to rain for the next couple. So we were all able to get here and just happen to be here with all of you.

We're really excited about, having this Investor Day. The last one we had was two years ago. This is going to be a lookback of some of the progress we've made, since the last Investor Day, and more importantly, talk about the future and all the exciting opportunities that we see at Ryder, and to continue to grow and also achieve even higher returns.

Those of you that don't know me, my name is Robert Sanchez, and I've been with Ryder for 31 years. I've had the pleasure of leading this company for the last 11. Prior to that, at Ryder, I spent 20 years in various roles throughout the company, in the business and in support functions. So, certainly made this my life's work and couldn't be happier with the place I'm at and the and the team that we have.

So if you ask anybody, what does Ryder do? Most people will tell you rental trucks, Ryder rents trucks. I guess that was an ad in the '70s that has stuck, and people are used to seeing our trucks on the road and figured that is Ryder. But that is a part of Ryder. That's about 10% of the revenues of the company. Ryder does so much more. We lease fleets of trucks, we do deliveries through Dedicated operations, and we run, third-party logistics supply chain operations throughout North America. One of the leaders in that business.

People don't realize all the things that Ryder does behind the scenes to get them the things that they use in their everyday life. So we've talked about it a lot. So we decided for this Investor Day, we would start off with a little video that highlights so many of the things that you use in your everyday life, that Ryder had something to do with getting them to you. So with that, let's go ahead and roll the video.

Video: Behind the Scenes in Daily Life

Speaker1: Every day when you wake up, you depend on America's supply chains to get you the products you rely on. At Ryder, we work behind the scenes to perfect the supply chains, providing warehousing, distribution, and transportation solutions, all powered by our proprietary technology and an industry-leading workforce with logistics expertise.

The result? You have the goods you need at every hour of the day. Whether you start your day with a workout on your treadmill or sharing laughs during breakfast with your family. Ryder has delivered the products you need to start your day and make sure it keeps going smoothly. Trusted by leading automotive manufacturers, we help manage and move the parts for the vehicles you use to get the kids to school and you to work, but we don't stop there. Whether it's a flexible pair of pants and a shirt for the job site or a comfortable outfit for the office, we help you stay in style through services like our Ryder e-commerce fulfillment network, and the office supplies and equipment you use to get the job done. Those passed through our distribution centers and transportation network.

When your workday is over and it's time to tackle your home projects, our port-to-door network and professional drivers keep store shelves stocked, so you always have what you need. As you gather around the table, whether it's a home-cooked meal or pizza night, we make sure dinner is served for you and your pets because they're part of the family too. We enjoy working behind the scenes on the supply chains you depend on. It's why we continue to perfect our port-to-door

supply chain and transportation solutions, and why you can trust and depend on us to always be ever better.

Robert Sanchez: I get a little choked up with that video. But hopefully, it gives you an idea of some of the things that we do. And that's just a really small percentage. Just think about it. We do business with over 40,000 commercial customers. So messages you're going to hear today, number one is that we have a solidified position as an industry leader. We've outperformed throughout this cycle. And we've got a complementary portfolio of services that we provide in the transportation and logistics outsourcing business.

We're very proud of having achieved a lot of our transformation milestones that we set out five years ago. some of those we talked about at the last Investor Day, but many of those have been accomplishments that we've achieved over the last couple of years. So we're going to talk about that. It's all been around executing on our balanced growth strategy. More importantly, we see a lot of opportunity in the future. We're going to talk about the next phase of our balanced growth strategy, which is really around focusing on operational excellence. So being the best at what we're supposed to be good at. And number two, investing in customer-centric innovation because we think the future of transportation and logistics is going to be very much driven by technology and innovation. So we want to be on the forefront of that and that be a competitive advantage for us.

And then last but not least, you may have seen it in the press release this morning. We are raising our long-term target for return on equity from the high teens to the low 20s. So that will be the second increase over the last several years of our returns target, which we think is the best measure of value creation for shareholders.

All right, so who's Ryder? We're a leading provider of outsourced transportation and logistics services in North America. So we are focused strictly in North America. And we want to be the

best at what we do in this geography. We did just under $12 billion of revenue in 2023, making us number 350 in the latest Fortune 500 rankings. We have just over 50,000 employees after the last acquisition that we just did. As I mentioned, we do business with over 40,000 companies, big and small. We have a fleet of just around 250,000 vehicles that we maintain. So one of the largest fleets in North America, we maintain it with a network of 760 truck maintenance locations, which is really a competitive advantage, very difficult to replicate that network.

We also have over 300 distribution centers that we run for customers and our supply chain business. Just over 100 million square feet of warehouse space, making us the second largest warehouse 3PL in North America. We also manage over $10 billion of freight for our customers, where we act as a traffic department and we direct that freight for them. We also have a very diversified portfolio. We do business with companies across 20 different industry verticals.

So how are we structured and how is Ryder set up? We're set up in three business segments, for those of you that aren't familiar. On the far left here is our fleet management business. So if you think about it, it's all about outsourcing of transportation and logistics activities. On the far left is the outsourcing of the truck. So you can go buy your own truck, do your own maintenance, and deal with all the hassles of running a private fleet. Or you can come to a company like Ryder and we'll handle that for you in a turnkey solution.

Second is our Dedicated transportation. That's the outsourcing of the truck and the driver. So you need to run a private fleet. You can do it on your own, or you can outsource the private fleet operation, which is the truck, the driver, the management of that, and all the technology. And we do that for you. Then on the far right is the outsourcing of broader supply chain and logistics services. Think about running distribution centers. As I mentioned, we run over 300 distribution centers. Managing transportation for you so you can have your own traffic department, or you can outsource that to a company like Ryder, where we can manage the transportation and also do brokerage services. E-commerce fulfillment. We have an e-commerce fulfillment operation

that we can handle, end to end for a customer. And then also last mile delivery of big and bulky services. We like to say we have a port-to-door services in supply chain that customers can decide how they want to interact and what they want to outsource to us.

So why these three businesses and what are the benefits of having these three businesses together? First, it's around the equipment. All the equipment that is used, the vehicles that are used by Dedicated and supply chain are all provided by our fleet management operations. That's 34,000 vehicles that are leased by our sister companies from Fleet Management. Having that operating fleet and Dedicated and supply chain also gives fleet management operations opportunities to redeploy equipment when we need it. Vehicles coming back from a lease early, vehicles in rental, we don't need it. We're able to redeploy those into applications in our supply chain and Dedicated. Also giving supply chain Dedicated access to mid-life vehicles that can make us more competitive.

Another important one is revenue synergies. So over 50% of the sales in Dedicated come from fleet management. So we have a group of about 600, sales folks in fleet management that are out, getting customers and looking for opportunities to lease more vehicles. When they find an opportunity where it makes sense to not only lease them the vehicle but also have the driver in the operations they upsell to Dedicated. That's good for Ryder, because for that same vehicle investment, if you go from leasing to Dedicated, the revenue goes up 4 to 5 times on the same vehicle, and the margin dollars go up 2 to 3 times. So it's a great improvement in the returns for that operation.

And then last but not least, shared resources. So our Dedicated and our supply chain business both rely on the same, driver recruiting network, which, as you know, given the difficulties around finding professional drivers, that is a core competency at Ryder. We're in all the markets and we're able to source drivers where most private fleets can't. That's a resource that is shared.

Logistics, engineering, all the designing of these operations, we've got a team of logistics engineers that are shared across Dedicated and supply chain. One that we don't talk a lot about, but is a very important one is the fleet management network. The 760 shops that we have in fleet management, they're scattered around North America. Those shops are used as relay points for some of the transportation solutions that we have in supply chain. So if you think about drivers that are relaying from one city to the next, we use these fleet management shops as relay points to be able to execute those relay networks for our customers. Those are some of the key ones.

The one that is probably becoming most important given where we're going is technology and the shared technology investments that we have across the organization. I'm going to talk a little bit about in a few minutes about where that's coming from. But there's technology which we've developed in supply chain that is also being used in Dedicated, which will soon also be used in fleet management and vice versa. Our vision hasn't changed since the last Investor Day to perfect the supply chains that drive the economy. Perfection, that's a pretty high bar. But as Vince Lombardi said, if you chase perfection, you may find excellence. And that's what we're trying to do.

The folks at Ryder, wake up every day trying to figure out; how do I provide a more perfect solution for my customer to optimize their supply chain. So it's really what drives us. And if you look at the video that we just showed, so many things that are in the economy that flow through the economy, come through the Ryder network, that it's really an exciting opportunity for us and goal to have.

In terms of our values they are really founded on establishing long-term relationships. Typical customers at Ryder, these are contractual relationships. So 90% of our revenues come from contractual multi-year businesses. You're only going to be able to survive a long-term relationship if you're able to achieve these values. The biggest one being trustworthy. Our

employees have to be trustworthy because our customers have to trust us. If they trust us, we're going to have relationships that are going to last decades, which is typically what happens at Ryder. We work every day to earn that trust from our customers and making sure that we're transparent and that we provide the service that they can count on.

2019 was a was an important year in the history of the company at Ryder. We had been working through a prolonged and deep decline in used truck prices. We were one of the largest resellers of used trucks, given the large fleet that we operate and we realized as the market continued to decline that we had to do something different. So we sat around and tried to figure out what are the key, important things that this business model needs differently to take us to a different level in terms of returns for shareholders and performance. And that's where the balance growth strategy was born.

So there's three goals that we set out as part of the balanced growth strategy. The first one was to de-risk and optimize the model. So we realized because of the extended decline in the used truck market, that too much of our return was dependent on that final sale of the used truck. So we lease a truck to a customer for six years. We do all this work, we keep the truck up and running. We do all the hard work to keep that fleet and deliver for the customer, and the returns was all dependent on what the used truck market was doing after six years. The way we were pricing it half the time, we were going to do well and half the time we were not going to do so well because we were pricing to an average residual.

We decided at that point, this probably isn't a good way to run this business considering the volatility we were seeing in used trucks. So we lowered our residual values to call it bottom quartile, bottom quintile levels and just make more of the cash flows come from the lessee. So the lessee had to pay more and there would be less dependence on the used truck market. And we knew by doing that we probably wouldn't grow as much. We said it doesn't matter. That's the only way to make this model perform at the level that we wanted. We lowered the residual

values, raised the lease prices, and that was the most important thing we did to de-risk the business. We also got out of; we had been in the UK for about 50 years, had never had a great performance in that geography, and really sold out of our UK business and really narrowed the focus to strictly North America.

The second area was around; we needed better returns. Given all the hard work that we do, the returns that Ryder just weren't what they should be given the value that we felt we added to customers. So one of the things that we did is; we raised our target returns for our leases. We had historically been targeting 60 to 100 basis point spread. We raised that to 100 to 150 basis point spread. So that was back in 2019. So we're like five years now into replacing the portfolio of businesses of leases that we have with these higher return leases.

The lowering of residual values and the raising of the spread are probably the two biggest things that have driven the transformation at Ryder. Add to that an initiative that we put in place in 19 of lowering our maintenance costs of our fleet –. The maintenance that we perform on the 250,000 vehicles, we wanted to lower that by over $100 million. It was a multi-year initiative. We achieved over $100 million of lower maintenance costs as of 2023. Add that to the returns of the lease portfolio and you just have a much more profitable lease portfolio at Ryder than you had 5 or 6 years ago.

Last but not least, we want to grow because a business that's not growing is not a healthy business. And we wanted to grow in the parts of the business that had less asset intensity and better returns, and that was our Dedicated and supply chain business. So we set out to accelerate the growth in those businesses organically, making investments in marketing and technology, but also doing acquisitions. I'm happy to report that over the last several years, we've achieved the growth targets in those businesses, and we've closed on six acquisitions in the last couple of years. A lot of good progress made on that side of it.

What are the results of all these actions? I think this has become my favorite slide because it really shows pre-transformation results to post-transformation. So in 2018, which by the way, was a peak in the freight cycle, those of you who've been following freight know that was a pretty good year. Comparing that to 2024, which is a trough in the freight cycle. First thing to note is that the revenue mix of our business has changed. Our supply chain Dedicated business in 2018 was 44% of the revenues. Today it's 60% of the revenues.

If you look at the financial metrics, we've really raised the bar across all those financial metrics. Comparable earnings more than double our return on equity has gone from 13% in a peak environment to 16% in a trough environment. Our supply chain revenue growth has gone from 16 to 20. And our operating cash flow, we can't forget about that. It's gone from 1. 7 billion to 2. 4. So a 40% increase in operating cash flow. When you compare pre-transformation peak to post-transformation trough, you're looking at double the financial returns in the new model versus the old model. We're very proud of that. We're very proud of the results that we've gotten to date, but we're excited about what still lies ahead.

This is just to break out for you where that improvement came from. So if I just do a waterfall from 2018 to 2024, you're going to see it's split between the improvements in our fleet management business. Those things I talked about the lower residuals, the higher spreads, the growth, but also that profitable growth in supply chain Dedicated that we focused on is now a major contributor or a much larger contributor to the earnings of the company than it was six years ago. And then also because of the good returns, we've been able to do buybacks. And those buybacks have also contributed to the returns. 5.95 in 2018 versus 12.50 a share in 2024.

This hasn't changed either. This has been the basis of our growth strategy for the last probably 15 years, which is; we're in the outsourcing business. The vast majority of the segments that we're in have not outsourced these activities. So whether it's supply chain, Dedicated, or transportation. The red is what's currently outsourced to Ryder or other competitors, and the gray

area is what's still to be outsourced. All we need to do is chip away at that gray area a little bit every year, and we can get some very healthy growth in our businesses.

Good news, is outsourcing is the harder it gets for customers to do it on their own, the better it is for Ryder. So if it was easy, everybody would just do it on their own. As it gets tougher, you see more people outsourcing. The good news is everything we're doing is getting a lot harder. COVID was a real shot in the arm for supply chain and logistics because it got more complicated. People focused on it a lot more. Companies were figuring out how to be more resilient. Then you got the decoupling with China, all the nearshoring activity. Companies are looking at their supply chains and that's good for us because typically when there's a lot of focus on it, they're going to call in folks like Ryder.

The other area is just around hiring professional truck drivers, hiring technicians. There is a shortage, and there will likely continue to be a shortage in those fields as less people want to get into them. And the folks that have been in them are beginning to retire. And we think that's making it a lot harder for companies that don't do this for a living to find qualified drivers, to find technicians, and they look to companies like Ryder to help them out.

The third one has been the increased cost and complexity around vehicles. Diesel technology didn't change much for probably about 40 or 50 years, until 2004 I think was the first one, then 2007, then 2010. Then there's been an ongoing change in technology driven by the EPA and the drive for cleaner air and safer roads. So that creates more cost, more complexity, more difficulty in maintenance. And that's good for us because more companies are likely to look for somebody that can help them with that.

Then finally, all the disruption, whether it's e-commerce that changes companies, supply chains, zero-emission vehicles. Everybody's looking at when is that going to happen and what do I do

about that. Our customers are always asking us, when is the time and when am I ready? Again, more complexity, more difficulty, good for Ryder.

Talked about the balanced growth strategy, the three goals that we set out five years ago. We're really excited about the fact that we've been able to execute on that. These are the new goals. This is the next phase of the balanced growth strategy. The first one is really around focusing on creating value through operational excellence. That's going to be a continuous improvement mindset that you're going to hear about throughout the day. From each of the segments, about the focus that we have on just always trying to get better, this idea of perfecting what we do. By being really good at what we're supposed to be good at, we're going to keep customers and we're going to be able to bring on new ones.

The second one is around customer-centric innovation. So the future of transportation and logistics is going to be driven by technology and innovation, and we want to be on the forefront of that. We want to have technology that really provides a competitive advantage for our company. And we'll talk a little bit about some of the initiatives that we've got going on there.

Then last but not least, with an eye on returns and an eye on growth and profitable growth. So all these things we want to do while we continue to improve the full cycle returns of the company and continue to grow.

I'm not going to talk about all these. Each of the segment leaders is going to talk about their initiatives around this but around operational excellence an example is in fleet management. We talked about the $100 million plus of maintenance cost savings that they delivered. We're announcing today another $50 million multi-year maintenance cost savings initiative. So we think we'll deliver that over the next couple of years. But we're focused on continuing to refine our maintenance operation. To put it in perspective, we spend about $1. 3 billion a year maintaining

trucks. So continuing to chip away at that and getting better and better can really provide a lot of dividends for the company and for the shareholders.

Second in supply chain is around over the last few years we have acquired multi-client networks. So you think about our Ryder last mile operation, our e-commerce operation, our consumer packaged goods multi-client operations. These are warehouses and networks that are multi-client therefore have more leverage. Over the next couple of years, one of the important things we need to do in the supply chain is to take advantage of that leverage to help us grow.

Then around Dedicated, you're going to hear Steve talk about our flex operating model operating structure, which is really going to help us leverage customers, or optimize customers not just within the customer, but across customers. Around technology, you'll see a nice video here in a few minutes about each of these. But these are proprietary technologies that Ryder has rolled out across each of the segments to help us differentiate the services that we provide.

RyderShare being what's gotten the most press, 35% to 40% of the new sales and supply chain and Dedicated are coming because of RyderShare. It's a visibility and collaboration tool that helps our customers really see what's going on in their supply chain real time. But behind all of that, is this acquisition that we did in 2022 called Baton. So this was a company out of California. It was a startup that was working on optimizing the delivery for truckload operations. We invested in them through our Ryder Ventures, operation. We really like the team and some of them are here today, so you get a chance to meet them. We liked what they were doing. Smart folks out of Stanford and MIT.

We really liked what they were doing and felt that the application they were going after was good, but we felt there was a better application for them to go after, which was this Ryder ecosystem that we have of all the trucks that we utilize. The trucks that our customers are running. And the trucks that we have in supply chain Dedicated. How do we optimize that? That team is currently

working on technology that's going to help us optimize not just within Dedicated or within a customer or within supply chain, but over time, optimize anybody that's inside the Ryder ecosystem. So we're really excited about the work that's coming out of there. It's currently being rolled out to our Dedicated operations and the feedback has been very positive to date.

Finally around improving returns. So in FMS, it's continuing that replacement of the portfolio. So we're five years into a six-year portfolio of leases. So we got one more year left of continuing to drive after. In 2025, we expect there'll be a total savings of 125 million compared to what we were spending in 2018. So we'll have had a full portfolio now of the higher return businesses.

Around supply chain, it's cross-selling to some of the higher return operations and share and co-manufacturing and co-packing. That was an acquisition we recently did, but we think there's a good opportunity to take some of the logistics customers that we have and then cross-sell them some of these services.

Then last but not least, this is a really important initiative for Dedicated. We talked about it on the last earnings call, $40 to $60 million in synergies from the last acquisition we just did of Cardinal. Steve Martin, we'll talk a little bit about that, but really realizing those synergies, can we feel really good about the opportunity to do that and can produce 40 to 60 million in cost savings by 2026.

A good chunk of that is just getting the vehicles that Cardinal had run through the Ryder network, as opposed to leasing them and owning them, and maintaining them on their own. There's significant savings just by being able to leverage that.

This is our money slide for this meeting. And it's really we're raising our long-term ROE target over the cycle. We think that's the best measure of shareholder value. If you go back a few years ago, our target was mid-teens over the cycle. We raised that to high teens back in 2021

2022, and now we're raising it to low 20s. So what does that mean? That means average over the freight cycle Ryder will deliver a low 20s return on equity.

In a peak in the freight cycle, we're probably going to be in the mid-20s, and in a trough in the freight cycle, we're going to be in the high teens. We feel that's a good range for us in terms of the returns of the company and based on the initiatives that we have ahead of us. And we think this could be what we deliver over the next freight cycle. So there's the cycle. It's your transportation. It's the life we've chosen. We've got your ups and you got your downs.

2022 was a record year in earnings for Ryder. Not only were we in a peak of the cycle. You think about post-COVID it's a shortage of everything. Shortage of trucks. Spot rates went through the roof. Used truck prices went through the roof. We were selling used trucks for more than we had purchased them six years earlier. Nothing we'd ever seen before. Rental was really hot. So we delivered $16.37 a share in 2022, and we knew that there was oversized earnings from rental and used vehicles. So if you remember, we even talked about a core earnings number of $10 a share back then. And we talked about, look, that's $16.37. That's a little bit of an anomaly. We're not expecting to be there any time soon.

You saw what happened since then. Sure enough, the outsized gains and rental have gone away, and the $16.37 come down to $12.50. But in the meantime, the core earnings, the earnings from our contractual businesses, the earnings from the initiatives has gone up. It's gone from $10 up to $12.50, which is core earnings is equal to our comparable, number this year. So as you look forward, we all believe we're in a trough. We don't know when this trough ends hopefully tomorrow, but it might end in in three months. Might end in six months. There will be an upturn. And when that upturn happens we continue to have the earnings growth from the $12.50. The core earnings will continue to move up as we sign new business and supply chain, Dedicated and leasing as we execute on our initiatives. But we're also then going to get the tailwind from used vehicle sales and from rental.

We believe that we are positioned to well exceed the $16.37 during the next peak. Now that next peak, when's that going to happen? Could be 2026, maybe 2027. But we've got good visibility to having an earnings number well above that $16.37 as we get into the next peak. So excited about that.

Again, higher highs and higher lows. That's one of the key goals from our return story. So these are our long-term financial targets. Not a lot. There's two things that really change. We talked about the ROE target moving up. And we're also moving up the fleet management solutions earnings leverage. So that's earnings before tax as a percent of operating revenue. We were in the low double digits. So call that 10, 11. We're now saying low teens, 13,14.

That's because of all these initiatives that we've talked about. We've got the more profitable lease portfolio in that business, and we've got this maintenance initiative that's we see that kicking in here over the next couple of years that it's going to help improve the earnings. And then we get growth. We have growth in those businesses. We feel good about the opportunity to hit that new target.

Just a few points I want you to walk away with from a sustainability standpoint. Number one, everything we do at Ryder is focused on optimization of supply chain, reducing costs, and reducing waste. And that typically translates to reducing environmental impact. So the nature of what we do tends to drive a better impact on the environment. We also have a history of setting and achieving publicly-setting emissions targets, reductions and then achieving them. We plan on continuing to do that, and we do follow the CDP and other metrics that are verifiable and that folks follow.

Second one is around safety. So safety is at the core of Ryders culture. Way before I got to Ryder, it's always been about safety at Ryder. As an example, we were one of the early adopters

of In-cab camera technology. When that came out, very controversial. What are drivers going to do? Ryder has we now have 13,000 drivers who work for Ryder professional drivers. At the time we had 10. We said the benefits of doing this far outweigh the risk and the pushback we're going to get, we implemented it. We were able to get drivers to adopt it and realize that it's more of a friend of them. It exonerates them 99% of the time. That program since we launched it in 2017. So from 2019 to today has reduced our collisions by 60%. So very impactful, very important for safety, not just for our employees, but also the driving public.

And then the last one I would talk about is around diversity. We do have a program where we regularly check the pay parity across different groups and make sure that we have solid pay parity, especially at the management levels. On the front-line levels, there is pay parity because you are just paid based on your position and the years you've been with the company. Whereas on the management side, we make sure that we get that.

We have a great board. I'm sure everybody tells you they have a great board. But we have a strong independent lead director. This board is accountable and engaged. It's made up mostly of former and current senior leaders across diverse businesses. They play not only an important role in the governance of the company, but also are very engaged in helping us develop the strategy. And they work to hold us accountable to execute on that strategy. So we're very blessed to have a very good board.

In this team, I really couldn't be prouder of the senior leadership team that we have at Ryder. It says their cycle tested and execution-focused. I would also say that they are global pandemic tested because this is the team that helped get us through that the last several years. And really, this is the team that has delivered on those initiatives that we just talked about. So we're excited, not only to have this team and the progress that we've made with this team but also the opportunity that we see ahead. So you're going to hear from a lot of the folks that are on that

slide. The rest of them, I think most of them are here. During the break, you also can get a chance to speak to some of them.

Now I'm going to hand it over to the person who has the funnest job at Ryder. She gets to deal with all the exciting innovations and technology. She's brought a whole new level of thinking to Ryder. She's been with us now for, I think, 11 years, and she told me when she got here, she was going to make Ryder cool, and she's done a pretty good job. I know how cool we are. My kids don't think we're very cool, but I certainly do. And, she's doing a great job of leading that transformation. So. Karen.

Karen Jones: Thank you, Robert. Appreciate that. it's great to be with you today. Delighted. I see some new faces in the room and some familiar faces in the room. So thank you for making the time to come hear a little bit more about Ryder. Appreciate it.

As Robert said, I've been with Ryder for 11 years. I'm the Chief Marketing Officer for the company, but I also have the privilege of heading up our new product innovation and development efforts, and also our Ryder venture capital fund looking at companies that we invest in through that lens. If I'm effective today in my communication, I hope that you will be able to walk away with an understanding on these key messages.

The first one that I want you to take away is that we are investing in and developing emerging technologies that really holistically address customer needs and quite frankly, lead the industry. The second key message is around customer-centric technology. A lot of companies create technology for technology's sake. And I hope that after our conversation today, you have a better vision of the focus around customer needs that really generate the innovation and the technology that we embrace.

And then thirdly, I want you to understand that we have a disciplined strategic approach to investing. Again, we don't invest for investments sake. We invest because there is a reason and a purpose. It's tied back to strategic initiatives that we have as a company.

I'm going to start with a lot of times I'm asked; how do you know what products and services you need to be offering to the market? And how do you go about thinking about those things that you do invest in to bring to customers? In 2014, when I joined the company, I brought a practice that I'd used at other companies called Customer Advisory Board. And Robert thought it was a boondoggle to get a bunch of customers together and play golf or do that stuff, but it really is quite a rigorous process. We have about 60 plus customers. You can see some of the names represented across the bottom that we do pre-interviews with, to really understand their mindset about what's happening in their environment today.

We ask them what keeps them awake at night? What kind of challenges do they have that have not been able to be solved? And then we take that input over a two-day session. We go back and we look for solutions. We either build, buy, or partner to then create products and services that will meet those needs.

We believe that those 60 customers are really representative of the microcosm of the 40,000 customers that we have. So if they're confronting and facing these issues, the likelihood that all other 40,000 have the same issues is pretty high. So we use that as our guidance for; are we on track? Are we off track with the services that we provide?

The one that comes to the forefront and many ideas have come from that forum over the years that we've done it. but the spotlight really is around RyderShare. That's the one that you've probably heard the most about. Actually, the genesis for that came from our customer advisory boards.

As we think about, again, what we wanted to invest in about seven years ago, we got together as a leadership team. There was a lot of disruption happening in the industry at that point in time, and we looked at everything from blockchain technology to 3D printing and all the trendy things that were happening then. We said, "Look we can't do everything, we can't address everything, and not everything has equal importance to our customers. So what do we really want to focus on? What's going to have the biggest impact to our business? "

If you look across that top bar, we segmented four areas where we wanted to put our focus. The first is in digital technologies. As you know, we've been a very manual-based industry for many years. We knew that technology needed to be implemented to revolutionize the way that we actually transact and do business. So we put a very strong focus there. In the area of e-commerce, we did not have an offering to provide to our customers, and we knew the growth of that was going to be very strong, and we needed to start thinking about what we were going to offer in that case.

In the area of asset sharing, both capacity and assets, we decided we need to put a focus that has an opportunity to disrupt us. And if we don't have answers to that, we could be challenged as a business. And then in the final area of advanced vehicle technology, which today comprehends EV and AV autonomous vehicles, we knew that we needed to place a pretty good focus on having some answers to that and solutions that we could bring to the market.

In the build area, which is really highlighted on this slide, you'll see that we have been quite busy building our own capabilities over the last seven years in earnest. And the benefit of taking this approach, and really the approach that we did is that by building, partnering, and buying the right things for our customers, we're able to create that customer stickiness that we're all looking for. It's so much easier to keep a customer and sell them up than to go get brand-new customers. But we want to keep the customers that we have. We've improved the experience that our

customers have from Ryder, and we know that we've expanded the share of wallet by focusing in these particular areas.

I will say that I don't know another logistics company, at least maybe it's only my opinion that has done really the effort that we have in really leading with technology and innovation. What I wanted to do next is I could stand up here and tell you about each one of those products and that little segment there, but I thought what I would do is share with you a video. It's always more powerful to hear from real customers who actually use our stuff than me talk about it. So let me have them roll the video for this.

Video: Ryder-built Technology

Taylor Ferjac**:** My name is Taylor Ferjac. I am the fleet operations manager here at Krispy Kreme. I have been here about five and a half years and have been working with Ryder since day one. Krispy Kreme has a fleet of approximately 500 vehicles spread across the country. We're mostly focused in the southeast, but we also spread all the way out to California, and we use the RyderGyde system to pull information about our vehicles, to check on reports, to see what PMS are needed, and lots of other things.

The most important functions of RyderGyde are the reporting. It's easy to get information on my entire fleet. I like to go in there and gather information on my vehicles, make sure I understand what's in service, what's being out serviced, check on what's in the shop. It makes it easier because it's accessible at the touch of a button. RyderGyde helps us to improve our cost savings by making the data very accessible. So I have information on all our maintenance history in RyderGyde.

It's really important to be able to access that information as quickly as possible. A lot of times we need that information for outside vendors or just to understand what's going on with the truck. So it's great to have it just at the click of a button. I worked a lot with the RyderGyde development

team to help them understand what a customer might need, and I really appreciated that Ryder was open towards hearing customer feedback.

Bobby Berg: My name is Bobby Berg and I am the chief supply chain officer for Southern Glacier Wine and Spirits. Southern Glacier Wine and Spirits is a beverage wholesaler, and we service markets from Maui to Maine and 5000 brands. Any given year we move around 400 million boxes and RyderShare's brought instant visibility to all of our movements, whether they're on rail, whether they're by truck, whether they're on the ocean. Which dramatically improves our ability to keep our commercial team in the know about when products will be available and be in the warehouse and available for sale. And then at the retail level, has dramatically improved our fill rate in the last mile.

Prior to going with RyderShare, we used to tender our loads weeks in advance of products being ready. Now we tender those loads three days before we need to pick them up. And it's given our team a lot of confidence in being able to predict when loads are going to be. There is all now transparent to not only us internally, but to our salespeople and to our suppliers who can go on and watch their loads moving around the country and around the globe and route to a final southern glacier destination. Partners just means a company that will put every effort into making it right for the customer, and Ryder has made exceptional moves to make it right for us.

Brad Voepel: I am Brad Voepel. I'm the SVP of the supply chain here at Serena and Lily. Serena and Lily is a high-end furniture and decorative accessory retailer. We're headquartered in Sausalito, California. We have two distribution centers. When I think about customer service, it's delighting the customer from the time we meet the customer to the time when that order is delivered into their home, our customer's time is valuable. The technology that Ryder has developed is industry-leading in the final mile space.

What makes our job easier within Ryder View is the ability for the customer to schedule a delivery and the flexibility around that scheduling. They make that very effective and efficient. As well as Serena Lily is able to do some brand messaging within that scheduling application. Ryder View also has a unique capability to allow our customer service team to even schedule that delivery. So if we get a call from the customer, we can schedule that delivery for the customer right there on the phone.

A really nice feature within Ryder View is being able to consolidate our orders and our deliveries into the home, which streamlines that delivery into the customer. We have quite a few items within Serena Lily that are extremely heavy going into the home and being able to ensure that we have enough people on that delivery to make that delivery a success.

You talk about communication, visibility. Ryder nails that. The moment the delivery team arrives, we have pictures of the product going into the home, the final placement of the product in the home. And those pictures tell a big story about that delivery. At the end of the day, with Ryder View and the platform, the technology that Ryder has we don't have to manage Ryder. We have the utmost trust and confidence that Ryder is going to execute and make that delivery and delight that customer.

Mike McGee: My name is Mike McGee and I'm the head of customer experience at Mugsy. So at Mugsy, we make damn comfortable and insanely good-looking clothes for guys who want to make the most out of life with style and comfort. It's incredibly easy to fulfill our orders with the RyderShip environment.

Before starting with RyderShip, we were constantly worried about where our product was, how it was being inbounded and outbound, and what shipping rates were being selected. Now we never have to worry about that. It's super transparent. RyderShip helps us to optimize, to make sure that we're getting things to the customers when they want them, but at the most cost-

effective route. It's become very predictable for us to know how much it's going to cost to ship our product, to store our product, to fulfill that product, and then get returns.

RyderShip, integrations with e-commerce platforms for us has been a huge unlock for our growth. So as we integrate with Shopify, we're able to seamlessly get customers updated with their shipping, make sure that they are understanding where it is in the process. All of our returns that come through go through loop and happy, and when we're able to do that seamlessly with our warehouse to be able to get product back in stock, it just allows for easy integration and allows us to sell really well.

Our operational costs way back before we joined Ryder were anywhere from 12% to 15%, and we've been able to take those costs down almost close to 10% and below. And that's allowed us as a business to reallocate some budget that we thought would hit operations into other areas of the business. RyderShip has been a game changer for us and what our operations will look like, not just now, but in the next five years as we scale.

Karen Jones: Always great to hear customers what you do and, I think much more powerful than me telling you how great our technology is. We don't always have to build on our own, though. I think we come from a position of strength at Ryder in that many companies want to partner with us. And so we leverage that as well in bringing solutions to our customers.

In the area of partnering, I think the biggest focus that we've had there is around our autonomous vehicle partnerships with Kodiak, Aurora, and Torque. We still are working with those companies to maintain their fleets that are running these operations, leverage our facilities as hubs, learning how the operations are actually going to work for the autonomous world. And we've made some great headway with all of those companies. Very proud of it.

I think the area that probably gets the most interest today really is around electric vehicles. Clearly, we have partnered with a number of leading OEMs that have all created their own brands around electric vehicles and continue to leverage the work that we do with our partners around that.

I want to switch gears for just one minute and tell you about what's going on in EV and kind of what we're seeing. It's always a hot topic wherever we go. I think we are very well positioned as a company on the EV front. But let me tell you a little bit about the journey we've been on in the last couple of years. Actually, last May we introduced Ryder Electric Plus. That is our turnkey vehicle solution for EVs into a customer's fleet.

What we provide with that solution is we actually give electrification advisors who will sit with the customer, understand the application, understand their environment and what vehicle would actually be the best for them, and what applications could actually leverage electric vehicle technology. We then clearly lease or help finance those assets. We also have partnerships with charging infrastructure companies. And so we bundle those services with that. Our RyderGyde product is tied to the telematics of those electric vehicles. We can tell a customer what the state of charge is on that vehicle, the maintenance that's required. And clearly, we provide the maintenance.

I'd like to say that it's been a roaring success. But I would be less than candid with you. We have sold since last May 60 electric vehicles. Not where we want to be, but the reality is the environment continues to change there. And so what I wanted to just kind of paint for you. We launched a white paper last month around the total cost of transport. And we did an analysis of looking at light-duty, medium-duty, and heavy-duty vehicles. The reality is that the cost to transport if you're doing like-for-like truck fuel versus energy drivers and labor required to do it is exponentially higher on the heavy-duty side.

The truck and all of those applications cost about two times more. So you can imagine a customer that's needing to change out an entire fleet of heavy-duty has some pretty insurmountable costs that they have to overcome, which we know what happens with that. If we're forced to do it, those costs then transcend and roll down to you and me, consumers who pay for the goods, moving on those vehicles.

What we have seen, though, however, is that on the light-duty side, we have more cost parity. And so that's where we have been pretty successful. It's trying to begin to move the needle on EV adoption. Of course, the infrastructure is a challenge. Sometimes it takes up to two years to get all the permitting and electrification done at facilities for those class eight vehicles on the light-duty side, much easier implementation from that perspective. But I think one of the biggest challenges that we still face with that is the changing regulatory environment. So we know from the EPA to Carb, there's been a lot of fluctuations over the last year and even in recent months.

Difficult to say where it's going to be headed. I think the thing I want you to know is that when it takes off, Ryder is ready. We have the solutions, we have the products. We have the team in place to help our customers navigate through that.

Sometimes we go out and buy capabilities, so we have more to offer to our customers. And I'm not going to repeat every one of the acquisitions that we've made. Those who follow us know them very well. Robert mentioned them earlier. The one that I want to highlight and spend just a few more minutes of time on is Baton. We made an acquisition of a California startup that was looking at how do we eliminate waste from the supply chain. The bottom line is that they have a Silicon Valley pedigree is what I like to call it, really smart guys, MIT, Stanford, and the team that's out there, we have recruited from some of the best technology companies in the world.

So we have people on the team who are from Meta, Google, Apple, NASA. Just to give you an idea of the intelligence that we have that's tackling the problems of how do we eliminate waste in

the supply chain? As I said earlier, I'm not sure that I know another logistics company that's actually taken this kind of an action and put serious teeth into having a group that's solely focused with the pedigree that they have on solving transportation challenges and eliminating waste.

I just wanted to share with you a little bit about kind of in and give you a little warning. It is a vision, right? But you've got to have one. And this is how we hope and plan to use the group that we have with Baton. We believe that long term, we need to create a freight ecosystem. And that freight ecosystem will give us visibility to all freight across all businesses at Ryder including our fleet management business. So imagine the power behind that. If we're able to do that, and we can increase the visibility of what's moving across the entire Ryder network if you will. We know that we will eliminate waste, because we will find examples of where customers might have more than what they need, or there could be a cross-sell opportunity or upsell opportunity to make their supply chains more efficient, move people from FMS into DTS, and even into supply chain solutions.

So this is the work that we've undertaken. I want to just explain a little bit about what's on this page. In the first segment where you see customer data, load data, truck data, driver data, that is what we have done to date is we've standardized the data around that from multiple systems across Ryder. You have to start with a great data layer in order to be able to do these things. And so that was the first part of the journey.

The second part is then exposing that data to our operators. So that's called the internal facing technology. And that's what you're going to have an opportunity to take a look at today through what Baton is going to be demonstrating. But taking that information, giving it to our operators so they can make the smartest moves for moving transportation freight across our transportation networks. Ultimately, all of that information that's internal is made visible to our customers through our customer-facing technology layer, which is RyderShare and RyderGyde.

So if you think about it in those buckets, it's getting the data right, giving that data to our operations and the operations leaders who are making those decisions every day, and then ultimately giving the customer the visibility to the outcome and the outputs of those operations is extremely important.

Now, no conversation would be complete without talking about AI. So let me tell you a little bit about how we envision the optimization of artificial intelligence on that. So think about each one of those areas from the data to the internal operations to the external customer-facing components. And our goal is to overlay AI onto each one of those areas. So let me give you some examples of what we mean by that, and what we anticipate people could be able to do by overlaying that technology application.

So I'm going to start in the middle with our operator execution systems. Imagine an AI layer that will enable you to go in and ask questions on a daily basis in the moment, whatever it may be. So for example, some of our operators could actually go in and say based on the trucks, the drivers, and the commitments that I have this week, plan me the best route possible. And I could have that information in seconds versus day-long planning, week-long planning, etc.

Again, eliminating waste and creating the optimized solution for that day. On the customer-facing perspective, we have a vision that customers will be able to go in and query the system through artificial intelligence and ask, "Help me compare my maintenance performance to Ryders other customers with like fleets. Where do I fall short? How am I performing overall? " So think about it from a benchmarking standpoint. Being able to look at how you compare to other like companies.

Finally, if we're looking at that core data segment, we believe that AI can help us improve our internal operational efficiencies. So we could at some point be able through, AI say, "In the data layer, show me all the customers that have the largest cost to serve in our portfolio so that we can start chipping away at looking at that. And then again, driving and eliminating waste and creating

greater efficiencies. " So as you can see, that's sort of the building blocks that in the journey that we're on, we're pretty excited about it. We've already started making headway on it. It is going to take us a little bit. So the timeline is now through 2027, but each day we continue to add capabilities to that. It's pretty exciting actually, and the power of what we may be able to do is excellent.

So I was just going to highlight, and I'm not going to go through the details of each because I just spent a lot of time on Baton. But as we think about artificial intelligence at Ryder, we have kind of two approaches to this. We think about it in two separate buckets. The first bucket is really around operational efficiencies and improving operational efficiencies. And for that, our IT organization as well as our operators in the company are looking at and evaluating off-the-shelf technologies that can help improve business process, customer service, orientation, whatever those may be.

In some cases, we are going to build our own capability internally with artificial intelligence to be able to look at that information and improve business processes. But the area that we believe has the most long-term value to our customers is to do exactly what I mentioned earlier. Which is to take our own data, the millines of freight moves that we make every year, and the data-rich environment that comes off of that and integrate that and embed that in our own products. That is what is truly powerful and differentiating for us as we move forward. So stay tuned. We're going to start sharing a lot more with you, I'm sure, over the next couple of years of how we're achieving those goals.

I'm going to round it out with my last slide here on Ryder Ventures. Many of you know about this, but if you don't know, we started a venture capital fund, if you will, inside Ryder three years ago, we were three years into this process. And our goal was to spend and invest $50 million over five years. We've done a pretty good job of that. We've made 15 investments to date. Even though we have this fund of money, we don't go out and frivolously spend it because again, we want to

tie it to those four areas that we talked about. When we see something, we invest, but we're not going to invest for investment stake or getting to that $50 million as fast as we possibly can.

So incredibly important for us. We are a strategic, focused investor, not a financially only investor. We do seed through C series rounds. The great thing about partnering with us on this front is that we are an early test bed and a pilot opportunity for many of these startups to perfect their product and to really have a laboratory to see how their business models work. We take the key learnings from that, and that influences our strategic roadmap for products and product development. So I can't say enough good things about having the opportunity to do this and the importance that it plays to Ryder.

I wanted to spotlight just a couple of these companies for you real quickly. Gatik is somebody that you really should pay attention to. They are an autonomous vehicle company that does short-haul, and they are probably having the best success out of the majority of the AV companies out there because they are doing these short, predictable routes. From distribution center to final retail location. I think they have an awesome business model. They are doing work for customers like Tyson and Kroger, who are finding incredible value with being able to have those repeatable routes done autonomously. We're excited about the partnership with them. We're going to be in California in another week or two talking about how we take it to the next level. But clearly, they're leading the way on autonomous vehicle capability.

G2 is a reverse logistics company that we invested in. Everybody is trying to figure out, how do I get my inventory back and back out into the market as quickly as possible so I don't lose revenue. We have three different pilots going with their technology right now across our Ryder Last Mile business and also our e-commerce business.

And then Cargado Is a really interesting capacity-sharing company that just launched actually a couple of months ago. They are in Mexico, so believe it or not, no one had ever done a capacity-

sharing platform for Mexico. And think about Mexico being the number one trade partner now to the US. For us, it's just a wonderful way for us to learn more about what's happening in that operation. We put our first eight customers on it last month, and we're looking forward to seeing how they continue to evolve and how they continue to take advantage of all those market dynamics that are happening in Mexico.

So that's really it. I'd like to just sum up with, again, just hopefully I did a good job of communicating and that you take away from us today that we're investing in developing in technologies that actually make a difference to our customers. They're customer-focused, led solutions, not just things we dream up, and that we have a very disciplined and strategic approach to where we're putting our money and where we're placing our bets. So with that, I'm going to turn it over now to our president of our supply chain division, Steve Sensing, who probably has the second most fun job at Ryder - port to door.

Steven Sensing: Good morning. Great to be here. As Karen said, I'm Steve Sensing, president of supply chain and Dedicated transportation solutions. I started my career straight out of college almost 35 years ago as a dispatcher for a private fleet, and actually, we used Ryder FMS for our maintenance solution back then. Great day in my career was when we converted over to a Dedicated solution. I became an employee of Ryder, continued to dispatch and work in Dedicated for about eight years, and then cut my teeth in supply chain in the late 90s.

In 2007, I was VP of the technology and retail vertical, and then in 2015 was fortunate enough to become president of supply chain, and in 2020 took over Dedicated transportation working with Steve Martin. So again, great to be here.

The key themes and what you're going to hear today. We're going to continue to be a market leader in third-party logistics, providing port-to-door services across North America. Think of that as a one-stop-shop solution for our customers. We're going to continue to capture a large and

growing market. Our teams are focused by vertical industry groups, so we're focused on automotive, industrial, consumer packaged goods, and then omnichannel retail. So it's great when we go to a customer meeting and see the interaction between our team and our customers, it's often very difficult to tell who works for who as our teams have great knowledge of those industry groups and their supply chain.

We're driven by data. Think about our lean continuous improvement mindset. We've got several hundred engineers. We've got a great operations team. But we're focused on continuous improvement and lean principles. And then finally we're going to continue to capture market share by investing in technology. You saw some great case studies there in and customer testimonial.

A quick snapshot of who we are. When we were together two years ago, our gross revenue was just a little over 3 billion. So we've almost broke the 5 billion revenue target. The warehousing square footprint has increased from 80 million to a little over 100 million across North America. So that's a great accomplishment there. Robert talked about what we do in our transportation management organization. We procured almost a little over $10 billion worth of freight across really every mode, but primarily truckload and LTL.

And as you see across the bottom, we've got a great diversity in our services portfolio. I'll just call out one item in the middle, our e-commerce in last mile was 10% just two years ago. So we're up to 19% of our total revenue. Our contributions to the transformation are really around four areas. And if you recall, we really wanted to diversify away from the automotive sector that we had. We're continuing to sell in automotive. We serve all the major OEMs, but we wanted to build up consumer packaged goods and omnichannel retail to become more of the mix. So that gives us great flexibility as we're going out and sell to our customers.

Secondly, we needed to change our contract structures to really allow us and our customers to respond to inflationary pressures quicker. So whether they go up or down, we have that relationship now that we can handle those quicker with our customers. You're going to continue to see what we're doing in continuous improvement. I've got a couple of slides on that. So I'll hit that a little bit later. Then we've completed the acquisitions of whiplash Midwest and Dotcom. So those were great bolt-on services that our customers were asking for, and we can deliver now for them.

So from a market perspective, very large market 1. 4 trillion, only about 18% is outsourced. So we feel like we're very well positioned for the secular trends. These are really gone unchanged over the last couple of years. You're going to be able to hear more in the breakout session around Near-shoring and what we're seeing there, but I think we're positioned very well to capture profitable growth as we go forward.

How do we win? Again, just think about that deep vertical expertise and being able to go in front of a customer and talk in detail about what they do. And automotive, again, we serve most of the major OEMs across North America and that's where we're managing hundreds of suppliers, thousands of parts that have to be picked up across North America, sequenced into these large manufacturing locations. So very complex. And as Robert said earlier, we're leveraging off our expertise in Canada and Mexico, but we're also using the shop network to be more competitive against our competition.

Consumer packaged goods, primarily 10 years ago, it was food and beverage. The team's done a great job of diversifying there. We've gone now into pet care, health, and beauty, cleaning supplies. So I think we've got a good diverse base there. Then omnichannel retail is really focused around apparel technology, footwear, and then e-com big and bulky. Again, great deep vertical expertise there focused on our customer.

Where our focused on North America, while our customers used to search for global providers they always make decisions regionally. So we're really focused on US, Canada, and Mexico. We can provide them a seamless customer service experience as well as visibility across the geography. Then if you think about continuous improvement, as Robert said, it's core to who we are. You're going to be able to go out in the breakout session two and get a good understanding of how we're implementing value-based automation across North America.

Let me dig a little bit deeper into our port-to-door strategy. On the left-hand side, you see our core services that we've offered for well over 40 years. Transportation management is where we're procuring and optimizing transportation networks for our customers. So again that could be truckload, LTL, multi-stop. I've got a great operation and control towers across North America.

Dedicated transportation for supply chain is primarily in automotive and industrial. So again think about inbound to manufacturing. And then we also provide retail cross-stock store delivery in a Dedicated solution. So we're running the crossdocks and then sorting that product and delivering it to the actual store.

On the right side, you can see our acquisitions. I'll start from the far right MXD, was 2018. It's been a great addition to our portfolio. E-commerce whiplash back in 2022 really kind of expanded our drayage capability out of the ports, but also allowed us to deliver packages to the end consumers home.

Then IFS, I won't go into this, I've got a slide here in a minute, but Darin Cooprider, our senior vice president of CPG, he's got a great display out there. You may even want to steal some of the products that you see out there. I don't know what we're going to do with it when we get through, but it's a great display there. So as you think about IFS, I'll just really kind of hit on a couple of things here. Think about co-manufacturing. So that's where we're actually taking our

customer's recipe if you will, and then blending that and putting it into the final consumer package. So think about toothpaste is an example there.

And then co-pack is where we're taking that end product. And we're configuring it specifically for the retail. So you'll see some great examples out there. But it's been a great acquisition. Again, I think a great message from our customers, they've asked for this capability. We used to do it kind of one-off in certain warehouses. And now we've got a platform that we can expand for our CPG customers. Again a great story there.

Next three slides I want to go through some case studies. And this is a great example here of a 56-year relationship with General Motors. I'd like to tell you how we won it, but I was born 56 years ago, so I don't know all the details, but this network is very comprehensive. You can look down the middle, and we're not only designing routes, but we're managing carriers. We fulfilled parts in one location. So we're taking parts off a truck, we're optimizing those parts, and we're actually feeding those to the General Motors assembly workers. So great story there. Very integrated solution. We're proud to say that we've been a supplier of the year 11 times, but again, a great operation procuring almost a little over $1 billion worth in freight. We also do Dedicated transportation in that network as well.

Next example is a recent win with Pabst Blue Ribbon. So as I talked about diversity in CPG, we expanded into the adult beverage side. We run some warehouses. But for Pabst, we're managing their transportation network. Again, they were in a relationship. It was a competitive bid. I think the real differentiator here for us was RyderShare. Gave them the visibility that they needed in real-time and provided great value to their customer service organization as well. A deep relationship here. We've been there for two years and already resulting in significant savings in their network.

Then the final example is Stance. They are an omnichannel retail customer. Think about they're in the socks and apparel business and a new and growing company. We've had that relationship here for about five years. Great relationship great example of port-to-door capability. So we're receiving their product in the port of LA and Long Beach. And we're fulfilling that into one of our warehouses Multi-client facilities out in LA. We're then doing pick, pack, and ship and managing the parcel carrier and optimization to the end consumer's home. So a great relationship.

We've actually got lean and continuous improvement embedded into their operation. And we've brought automation to them that makes sense for their business. Some great examples there for you to think through.

What about our strategic initiatives is you think about we're very excited about the future. We're focused on operational excellence, certainly continuing to invest in our customer-facing technology, as you've seen the testimonials. And then we're focused on profitable growth. Robert talked about leveraging the multi-client network. We've seen some volume declines over the last couple of years, but as the economy comes back, I think we're positioned very well, to continue to grow, ride our last-mile multi-client, and in our e-commerce portfolio.

One technology solution that we haven't talked a lot about is Ryder OpsBox. You see that in the middle section. And think of that as a labor-management tool for our warehouses. Our customers can have visibility of that as well, but we're able to manage that labor and optimize that labor inside a warehouse. It gives our operators visibility to not be as reactive as we were 3 or 4 years ago. We're seeing that information in real-time. We can deploy extra resources as we have bottlenecks and opportunities. So great example there.

Then profitable growth continues to expand across subsegments. I talked about CPG. If you think about our automotive solution it could apply to motorcycles recreational vehicles. So our team there is focused on expanding that. And then we're going to continue to focus on and invest

in our ever-better campaign. And we relaunched some new commercials this past year with Sam Ryder. Hopefully, you've got gotten to see them as well.

One core piece of who we are as continuous improvement. I wanted to take some time to walk you through the wheel. It really always starts with the opportunity with the customer. We will receive a request for quote. And it's typically in a competitive bid situation. Once we're awarded that piece of business, we sit down with our customer in a collaborative design solution forum. So we'll spend several days with them making sure that we understood exactly what they were asking for and that they understand what we're going to deliver.

Then once we complete that, our teams will then implement the solution. And you've heard me talk over the last several years that we invested about five years ago in our Startup effectiveness team, and that organization really goes in and does all the infrastructure for a warehouse. And that allows our customer-facing team to work with the customer to start up that business. So it's been a great investment, and our customers enjoy the approach and it is a differentiator in the market.

So once we get up and operating, we're always looking for continuous improvement. So how do we do that? We get thousands of little ideas from the front-line workers. So the people that are picking, packing, and shipping products will give our teams feedback. We'll then look at the data. We'll go through a process, a Kaizen event, to really specifically figure out the value of the change that we're going to make to the process. Then we implement it and then it's rinse and repeat. We're continuously doing this. It's really a one of those journeys that's never complete. I think it's a key piece of why we win. It's a key piece of how we drive value to our customer and give them proactive solutions.

So before start the video here. I want to kind of give you some details. This is BJC, it's a healthcare hospital network in the Saint Louis area. And the interesting thing here is the

relationship actually started 15 years ago in our consumer packaged goods industry. So the customer that we manage then left, went into the health care space, knew about us, trusted Ryder. They knew we could drive value for them. And then they were part of the selection team and they selected Ryder back in 2020. These operations you'll see is very complex, highly automated location. I was out there a couple of weeks ago with our customer and a new prospect, and it's a showcase in our industry. So we'll roll the video.

Video: BJC Supply Chain Transformation

Speaker2: Our health organization is located in the Midwest. The traditional model of health care and distribution wasn't working, and we knew we had to look outside of health care. And that's why we chose Ryder as our partner.

Speaker3: Ryder stands out in our healthcare solution because we bring expertise from many different verticals.

Speaker2: We decided to work with Ryder because they brought the right technology, the right solutions, and they helped us solve this in a way that industry had never solved before in health care.

Speaker4: When we knew we wanted to build the building. Partner with Ryder worked terrific and led to some of the best collaboration I've ever seen in my career between a distributor and a customer. Part of transforming our supply chain was building for the future, and part of building for the future is adding automation in their building. Traditional models have required throwing a lot of bodies and a lot of labor, and usually bring the person to the work. The automation we put in this building, including the bike mode and the auto store, flipped that on its head and bring the work to the person.

Speaker5**:** The most immediate impact we've achieved for our customer has been in fill rate to the hospitals. Prior to Ryder, our customer had a 90% fill rate. Six months after go live, Ryder and prove that fill rate to 98%.

Speaker4**:** Prior to Ryder's share, we often didn't know what we were going to receive until we actually opened the package. But now, through Ryder and through RyderShare, we have visibility all the way back 60 days or more into our supply chain.

Speaker3: So that means that the product is available for the clinicians to care for their patients when they need it. They don't have to wait for it. They have a sense that we're going to be able to deliver that product to them on time and on budget.

Speaker4: We've seen levels of service improve by as much as 40%, and we've seen our cost per PO be a third cheaper than it was before.

Speaker2: Ryder provided us a turnkey solution. They were able to bring together a building, the labor, the automation, the integration, and the transportation to really deliver optimal services to our organization.

Speaker4: We are trying to upend how business has been done in our industry for 20 years, and we couldn't do that with somebody who's not forward-thinking and who isn't willing to collaborate with us and learn with us. It's been that partnership with Ryder that's been the greatest success.

Steven Sensing: Again, a great story there. Just to give you an idea of we started the RFQ or request for quote back in late 2019, were awarded the business in 2020. And it took us really two years to design that network and get it implemented. I think they're really looking out to transform the healthcare industry, this is a self-service model and certainly equally as important as our other

customers. But we're impacting patients lives every day in the operating room and in the hospital room.

I'll close up here with our takeaways again, continuing to focus on port-to-door services and capabilities across North America. We're going to continue to diversify in our portfolio of verticals with our deep expertise there. Data analytics and lean continuous improvement is core to us. And then we're going to continue to invest in technology. I thought you saw some really good examples today. Targets remain unchanged. Low double-digit top-line growth high single digit on the bottom. John will go into a little bit more in his section. So with that, I'll turn it over to Calene. I think we have some Q&A. So thank you.

Calene Candela: Thank you, Steve. So we're going to take some Q&A, both from the audience in the room as well as virtually. I just want to remind you, this is the first of two Q&A sessions we're going to have. So we're asking that you limit your questions to the first three presentations that you've seen so far this morning.

I'll have Robert, Karen, and Steve come up and join me. And for those of you in the room, Amy and Ray will be walking around with microphones. So if you could just wait until they get to you so people on the webcast, as well as the presenters can hear your question. All right, so we'll get started. Jordan.

Jordan Alliger: Hi. Jordan Alliger, Goldman Sachs. You had mentioned on the supply chain side that one of the transformative areas was elevating the contracts that you had. Can you maybe talk a little about what you've done to make them more robust, and where you feel more confident and sustaining the margin target?

Steven Sensing: Yeah. So if you think about our contracts, Jordan, it's a majority of our contract business on the warehousing side is cost plus. So that's kind of a little bit easier to manage through. But

what we found through COVID as we were seeing wage rates go up 20%, 25%, 30% in some situations. We only had like a normal CPI of like 3% to 4%. So what we put in is the language where we're using some databases to attack the wage rates in key markets, and then we're aligned with our customers so they can see that transparently.

Robert Sanchez: I would just add to that. That also you're going to see in Dedicated, we did the same thing. We had the same issue with driver wages going way up and not having the ability to move them up as much. We've gone through and restructured most of those agreements.

Calene Candela: Go ahead. Scott.

Scott Group: Thanks. It's Scott Group from Wolfe. So, Robert, you talked about $125 million uplift from the repricing strategy. How much of that is incremental in 2025? And then once you get through that five-year, is there an opportunity for another sort of pricing uplift beyond that?

Robert Sanchez: Sure. So there's another call it 20-25 million left in this last year if you think about multi-year initiative. That's why you're seeing the earnings power of the company have gone up. Is certainly that along with having reduced the residuals. Going forward I think it's going to be more driven by cost takeouts and continue to manage the cost side while maintaining the pricing discipline.

Now as complexity with the 2027 model years come in, we're always going to be looking for ways that we can focus on the segments of the business where we had the most value and try to get a little bit more. But right now, maintaining that, I think, provides us a really good foundation and then continuing to find ways to be more efficient.

Actually, one thing I didn't mention is; it wasn't just about raising prices across the board. It was really around looking at the market segments where we had the most value and focusing on

those. There were certainly some segments which are much more difficult and competitive. Moving a little bit more towards the truck side versus the power side also is an important piece as we saw better opportunities there. So we're going to continue to look for those market segments where we add the most value.

Calene Candela: Jeff.

Jeff Kauffman: Thank you very much, Jeff Kauffman, Vertical Research Partners. Two bigger-picture questions. So if you look back at the last cycle, I think we could say we got out a little bit over our skis in terms of capacity additions when the market headed down, and it led to a couple of years where earnings were absent. And you've made some changes to adjust for that. I guess my question is twofold. Number one, how do we make sure with it being more expensive to invest in trucks now and probably in a couple of years as well? So the capital requirements are rising?

Two, how do we make sure we don't get over our skis again? We've raised the ROE targets, but should we be generating more free cash flow over a cycle? Or have the investment requirements of the business gone up so we're not generating more free cash over a cycle?

Robert Sanchez: Right. So first of all, how do we make sure we don't get out over our skis? I think that's a good question is really maintaining that pricing discipline. So you remember one of the most important things we did was really reduce the back-end risk of our investments, of our leases. And we're going to maintain that discipline because I think that's going to keep us in good stead, and years when you strike, prices are good and the freight cycle is strong, we're going to over earn to a certain extent, we're going to make more than we had rated. Even on the more difficult years and more challenging trough years, we're still going to get the return that we expected. So we don't have any plans to certainly, changing our philosophy and our strategy there.

As the market evolves, I think what was the second part of your question? Free cash flow. So sure with investments going up, that's going to put some pressure on our free cash flow pressure band. You know we're going to be in that this year, we're looking at being slightly below maybe break even as we go into next year and the next couple of years with the Pre-buy, you're probably going to see us again with some pressure on free cash flow.

I think the broader story you're going to hear this from John later, because of our balance sheet and the returns that we're getting, it's really about the, the, the debt capacity that we have in on the balance sheet. So we're looking at over the next several years, continuing to have a lot of leverage capability on the balance sheet where we can either invest in good returning leases, or we can invest in some of these other technologies, or ultimately we can give money back to shareholders through buybacks and dividends. So we feel really good about where we're at, we're investment grade balance sheet, that's strengthened over time. And we see opportunities even when we're going to have more investments because of the higher investment vehicle cost of still having the balance sheet capacity to do these things.

Calene Candela: Brian.

Brian Ossenbeck: Thanks. Good morning, Brian Ossenbeck from J. P. Morgan. So question for Steve. And we're talking about the themes of operational excellence and improving that over time and through the portfolio, but didn't see that move up the way it did for FMS with some of the initiatives you're looking at here. So maybe is that being invested into growing more across the different verticals and maybe give some examples of what that leverage in the Multi-client network is and also automation, where it makes sense because I think that's something you can probably get more value for as well.

Steven Sensing: Yeah. I think as you, as you think about our business, each one of our opportunities outside of the omnichannel retail or the Multi-client networks is specific to a unique customer.

There's very little leverage in that type of business, but we're going to continue to invest in technology. Those are decisions we make that is really kind of fueled our top-line growth, too. And it's been a differentiator. I think the marketing campaign that we're going to continue to invest in is helping us, certainly from a pipeline perspective.

On the automation front, again, I think it is value-based. If you think about warehouses in the US, only about 10% of those warehouses actually need automation. So I think we're investing more into robots in our omnichannel piece of the business. It's helping us to win new sales as well. These highly automated facilities. We have probably 4 or 5 of those across the US across multiple verticals. But they are heavy investments. Got to have really a 10 year contract and the customer has to be on board as well.

Calene Candela: Ken.

Ken Hoexter: Ken Hoexter from BofA, I know you mentioned you were just thrown out there. Next peak could be 26, 27, who knows. But what are customers saying now are given your exposure to wide base of customers, is it just still more malaise? Are you seeing any signs of green shoots? And then given the exposure in the market, why are we not seeing a more normalization in the market that's out there? So you mentioned what goes on with your use fleet. Why are we not seeing more of the bankruptcies on the smaller carriers or just more stabilization in the market today?

Robert Sanchez: That's a $25,000 question, right? This downturn seems to be taking a lot longer to get out of. So what are we hearing from our customers, you can certainly ask Tom on the leasing side, but we're at a period where there's a wait-and-see attitude. Customers are taking longer to make decisions. Why should I sign up to a lease right now when I can wait? And let's see, there's the uncertainty in the market. Not unusual. Whenever we see uncertainty, that's what happens. Customers just take longer to make decisions.

Clearly, where we see the impacts of the freight cycle rental and used vehicles. We're still seeing kind of bumping along the bottom, still some softness there. I think it's just a matter of getting enough capacity out of the market and then the economy coming back. So we still believe this is probably see this thing turn around maybe second half of this year, late in the year, third, fourth quarter. But wait and see. We haven't seen yet that turn. We'll talk about it later.

Our rental utilization is kind of where we expected but it's not great. And our used truck pricing is bumping along the bottom on the tractor side. Still coming down on the truck side, maybe at a slower clip. But yeah, we're still in that trophy-type environment.

Calene Candela: Are there any other questions in the room? Okay, great. So we have time for a break. So why don't we try to get back here maybe 10:25, and we'll start for the next three presentations. Thank you.

Okay. We're going to get started with our next three presentations. So if I could ask everybody to take their seats. And then I'll have Steve Martin, who runs our DTS business, come up for our next presentation. Welcome, Steve.

Steve Martin: Thank you. Calene. Good morning. I'm Steve Martin, Executive Vice President of our Dedicated transportation division. This is my 37th year with Ryder. I actually started similar to Steve on our front lines dispatching. I've had the opportunity to run operations, lead customer accounts and our automotive, high tech, and international groups. As well as lead functional supports in engineering, quality, lean, and our start-up teams that support all of our verticals.

One of the things that I have enjoyed about 37 years here at Ryder, and I think it's not just unique to Dedicated. It's part of what we do, is getting very close to a lot of different customers, operations, and businesses and the insights that brings and the value that provides our teams

and our leaders to be able to talk with customers about how their business is running within the broader industry. And giving us better benchmarks and better opportunity to learn new things from our customers because we are so integrated in their business.

If I do a good job today, as Karen said, I hope to leave you with these four key messages. Number one, that we have strengthened our position as a leading provider in the Dedicated transportation solutions space. And that really that customized, Dedicated space. With Cardinal, we are now the number two largest Dedicated provider in our industry. The second thing I'd like to leave with you is that the acquisition and the integration of Cardinal and the synergies that we expect is on track and on time. And I'll go into more details of that in a little bit.

Third, from an operational efficiency standpoint, the leverage that we are now able to gain from our scale and density with Cardinal, we've initiated a flexible operating structure-activity. And I'm going to talk more about that in detail. You'll see the value that we're going to bring to customers and bring to our business to really drive operational efficiencies. And then fourth, that we are well positioned to continue to drive profitable growth and prepared for the up-cycle in the industry.

Dedicated, as Robert talked about, what Dedicated service is in terms of bringing the full-service lease and drivers together for customers that want to outsource their private fleets. I would add to that, this technology that you've heard us all talk about, and that really has become a more critical part in the Dedicated operations that we provide customers. Our ability to interface and integrate with our customers' businesses based on the data that we now have available through our technology platforms, that's helping customers see near real-time proof of delivery exception management within their customer service teams. That's allowing our customers to add value to their customers by making better decisions, quicker decisions, or resolve issues that may be occurring at that point of delivery. As well as providing improvements in the cash-to-cash cycle time.

They now have visibility to that final delivery customer signing of the material. They're able to push that right back in and begin the invoicing process, rather than waiting for paper to return back to a terminal processing through customer service. So you put all that together. That enables us to really provide a Dedicated service that's different than just normal transportation, normal tendering to common carriers.

Last year, the numbers at the top here are pre-Cardinal. So we ended the year with $1.8 billion in total revenue about 1.3 in operating revenue, and I'm really proud of the earnings that we achieved in 2023. We're on the high end of our target with 9.3%, earnings before taxes.

So since 2019, we've achieved these milestones as part of our balanced growth strategy. We have increased the scale of our operations with the acquisition of Cardinal, adding about $1 billion of total revenue. Most of that being in Dedicated. And we've added density with Cardinal, where we've seen an increase of about 60% density in areas where we have a large concentration of drivers.

As part of the de-risking activity, over the last couple of years, we've achieved about 95% of our contracts are now upgraded with language that allows us to move through that conversation quicker with customers when we have to adjust costs based on driver wages or other inflationary costs. We've implemented a value-based pricing model that allows us to ensure that we're getting the returns for the type of service that we're providing each one of our customers. We've also enhanced the process with FMS, not only from a sales standpoint, which is a very strong part of our business model in terms of building new leads and pipeline and converting customers from full-service lease to Dedicated. But we've been working with FMS on the operations side and really improving the interaction with our drivers in the shops, which has added value from an operational execution standpoint.

The investments we've made in technology, I'll highlight one here with Ryder Drive, which is our driver application, which has allowed us to fully digitize that trip management. So when drivers go out, they're able to now perform various functions for customers based on their needs relative to proof of delivery exception management, as I mentioned. But we can do a lot of activities with this application in terms of training drivers and providing them the type of execution that they need to make at that point of delivery so that we raise the consistency driver over driver, what we're doing for our customers.

As Robert pointed out, the market for Dedicated is a very large market and one of the smallest from an outsourcing standpoint. It's only 4% of this market is outsourced. So a tremendous amount of do-it-yourselfers that are running their own private fleets, and that is our primary target. If you look at the secular trends, they're not going to get any easier. Certainly, when the freight market turns and we start to see a tighter freight market, driver shortages will become a more critical issue for customers and Ryder is well-positioned to address that for them. I think we've got a great opportunity to keep chipping away at the $660 billion addressable market.

When you think about why we win, why do we win and Dedicated? You can break it into these four big buckets here. FMS synergies, certainly the enhanced reach that we get from the FMS sales team and being able to talk with customers early in the cycle, bring them on as full-service lease customer, get to know them. They get to know Ryder and build that relationship, build that trust that when they're ready to move from private fleet to outsourced Dedicated, Ryders are in the best position to do that with them.

We also have with FMS the opportunity from a scale and access to vehicles to really meet customers needs when they go through seasonal or pop-up situations where they want to shift their networks. We're best positioned to do that with our relationship.

Then the work that Tom's going to talk about here in a minute, and you've heard a little bit about in terms of the efficiencies he's driven in the business, it's really enabling us to have higher vehicle up times. So when you think about the second pillar of operational excellence, being on time is critical. If we're not on time if we're not delivering product damage-free because we're operating in an unsafe manner that destroys our value prop. Running a safe operation, being on time is a critical advantage.

Then really being able to provide customized transportation solutions versus a commodity transportation. Our drivers do and represent customers brands. And you're going to see that in a little bit, when I go through the video. Take note of what we're doing and the vehicles that we're driving, and you're going to see that our drivers as part of this customized solutions really are an extension of our customers' brand. Having good driver retention is critical and it's something that I'm very proud of in terms of what the teams have been able to do with training drivers, providing them with favorable work-life balance in terms of the schedules, and then also engaging the drivers in our referral programs with recruiting and really having drivers in their own voice. Talk about why it's important to come work for Ryder. What they get and what they've been able to achieve in their careers has been part of our driver retention strategies.

The last part of driver retention, what I think is an area that we're going to continue to evolve in, is this flexible driver pools. As we look at where we operate and we look at where we have our density, how can we position drivers in a flexible capacity to be available to support PTO coverage, be able to support seasonal activities, and to help our start-up operations? Really have a Ryder driver in every seat when a customer needs it.

Then on the technology front, the other competitive advantage here that I'll talk about is the proprietary TMS. But I'm going to hold that when I talk about flex. But let me just give you the connection here on our engineers and technology. In the past, our engineering team would have to go out and gather data, spend time pulling that data together, getting it in a format to then

analyze, and give a customer information back to drive improvements. With the technology we've invested and the ability that we've enabled with digitizing the work, we are now able to move faster through that analysis and provide customers with continuous improvement ideas in a consistent basis, whether that's through optimizations, routing, or full network changes across our customers business.

I'm going to go through two slides here on Cardinal. Talk a little bit about the acquisition here. What excited us about Cardinal, when we first started on the journey of looking at them, was the cultural fit. Very high customer service, strong operations, and similar type of customized solutions. So they look very much like Ryder Dedicated.

Then when you look at the geography and if you look at the map here, the red dots being right, or black dots, Cardinal, you can see immediately this density that I'm talking about in terms of the overlap of operations that really helped us step up our ability to provide more in those regions for customers. We operate today at a little over 700 locations, about 12,000 power units, and close to 14,000 professional drivers.

Our goal and expected results here with Cardinal is to achieve, as Roberts mentioned, 40 to 60 million in synergies. That's going to allow us to move back into our high single-digit earnings in 2025. And the scale that I mentioned a minute ago, that we've added $1 billion of total revenue to Ryder about 85% of that in Dedicated and the balance in supply chain, and the big value add there is that we were able to double our brokerage services. So 15% that sits in supply chain is primarily brokerage. We've now been able to scale up our brokerage and offer more to our customers, not only from that scale and buying power but the ability to offer additional modes beyond just truckload.

Within the integration of Cardinal, we talk about the strategic benefits of scale and density. The other big strategic benefit was their customer base. Out of about 70 customers, there was only

about half a dozen that were common between Ryder and Cardinal. So we've already seen the opportunity here with their long-term blue chip customers to begin the cross-selling activity.

My team is working right now on signing a transportation management contract with one of their top customers. So right out of the gate, we're seeing the opportunity to bring forward what Ryder has is a broader suite of supply chain and transportation services to really upsell within that customer base.

From a synergy standpoint, the 40 to 60 million, how are we going to accomplish that? We set up an integration management office that is staffed with a Dedicated group of folks that meet on a regular basis, with about 18 workstreams across Ryder and driving toward the milestones and the project plans that are going to enable that 40 to 60 million. Right out of the gate, maintenance was one of the first things that we tackled, and we were able to bring the Cardinal fleet into the FMS shops.

From a maintenance standpoint, we've already seen the third-party maintenance cost for Cardinal come down significantly. And we're going to continue to move that forward as we ensure that we've got all of the fleets identified to a shop. As leases term on third-party leases, that was the second area that we've already started. Our asset management team has a unit-by-unit. visibility on when that unit is terming what's going to be the disposition of that unit, whether we dispose of it through the use truck rental or used truck sales, or we move it into another operation, are we switching it into a Ryder-owned vehicle?

And then the third area is around our operational efficiencies. We're currently working on moving Cardinal into the workday platform for HR and finance. As we complete that this month and early July, we will begin the process of moving our operating teams together for the second half of 2024. Then we'll work on integrating the technology platforms through 2025.

From a customer industry-based standpoint, not much has changed since 2022. These numbers are with Cardinal. So you see that continued diversification across the industrial retail CPG space primarily. Those inched up a few points but in general stayed very diversified. We have a very strong retention and private fleet pipeline, as we've talked about, with most of our sales coming through that FMS upselling. But what I'd like to do now is play a video for you that shows, in customer's words, why they outsource their private fleet to Ryder and what's important. So let me roll that video.

Video: Compelling Value from Outsourcing Private Fleets

Speaker6: In order to service our retailers, Benjamin Moore has partnered with Ryder on the Dedicated and on the FMS side. The Ryder Fleet helps us support 17 distribution centers across North America, where we service over 7000 retailers. Ryder provides the reliability our independent channel of retailers require.

They recruit and train drivers that meet our high level of service requirements, while being able to flex to ensure we have the appropriate number of drivers on the road every day. The relationship between the Ryder drivers and customer service is a critical one. The drivers are an extension of the Benjamin Moore brand and our engagement with our retailers. We have moved from being a transaction-centric relationship to a true value-added partnership.

Speaker7: Three Brothers is a family business. I like to say that we're not an Asian company, but rather we're an American company that sells Asian food. As we were growing, we wanted to focus on our core strength, which is import and distribution. So we looked for a strong partner and found, right, we are a long-time Ryder lease partner. So when Ryder approached us about Dedicated solutions, it was something that we wanted to hear. We primarily service independent Asian grocers across the United States, and these drivers are sometimes a lifeline into their business.

Speaker8: Our fleet is about 100 pieces of equipment that we contract with Ryder on. We have what's the unicorn of trailers? It's multi-temp liftgate side door trucks. So for them to be able to get that equipment for us to deliver to our customers was very important to us.

Speaker7: They value added in places where I wasn't expecting. They're not simply just taking over routes, but they're diving into our routing data with us. So it's not necessarily just the stated value that comes on the invoice, but this extra work and attention that makes Ryder a very valuable partner to us.

Speaker9: Alro Steel is a full-line metal service center. We now have 75 locations, 3500 employees. We are the grocery store of metals. Our relationship with Ryder started with truck leasing. It moved into Dedicated operations. Our trucks are different than a lot of transportation carriers out there. The Ryder drivers, their tarping, their chaining 25 times a day sometimes. It's very specialized. They have to understand our needs, our customer's needs, and they do a great job at training their people. When you go on one of our facilities, you're not sure if that's Alro's employee or a Ryder employee. We teach our people about our service expectations, and the Ryder people go right along with that. It's not just a sign on the wall. It's what we do every day.

Steve Martin: Yeah. So I hope you get a good view there that you don't see Ryder on a lot of the equipment that we operate in Dedicated. So those 12,000 power units that were running, it's really customer branded for the most part, and we become part of their business. I think Randy there at the end with Alro said it really well when you step in a room sometimes based on the discussion going on, on solving a problem or looking at continuous improvement, you can't tell who's who in the room if you don't know them previously. You can't really see if it's a customer or Ryder. They're all working toward one goal.

Let me wrap up here with a couple of slides here. Strategic initiatives, I have already kind of talked through the Cardinal and the cross-selling. What I'd like to focus on is our flex operating

structure and a little bit discussion around Baton in terms of how we're driving operational excellence and how we're building these customer-centric innovations within Dedicated.

We had a discussion a few years back in terms of really thinking about what can we start doing with the data and the technology that we've invested in. And what we realized is that a lot of the work that we do at the field, at a customer location, we were now able to do in a different location and we could centralize some of that work. So a few years back, we started doing that with our back office activity and taking billing and payroll and moving that away from the field so that our frontline employees, the folks facing our customers and facing our drivers would have more time with them to do that work and less administrative time. We then started thinking about what does this look like if we were to move from a 1 to 1 solution to a shared regional operation based on density, that would allow us to give customers more flexibility. But the critical thing here is that we wanted to make sure that we retain that dedicated service and support that is critical to customized transportation and the commitments we have to our customers.

We built a solution around that, we've tested it and piloted it, and we're in the beginning phases of implementing a solution based on the density and scale we now have with Cardinal and with our technology. So the Baton technology that you're going to see here in the showcase, one of the things that they've been able to build for our operating teams is where the operators used to spend time in six different screens performing one task. They can now do it in one screen. They can do it much faster and move to the next task, or move to a problem that needs their attention, or a customer that needs their attention.

That technology is going to be critical as we move forward here, because it also lifts our visibility and our ability to start optimizing and planning across accounts where we have locations that are in those density areas. We've got drivers and assets that don't always have full-time work every day. And we used to plan in individual silos 1 to 1. Now we can do it across the operations and we can do that faster and more efficiently. So the value our customers are going to see here is

obviously more flexibility with their resources. Fewer empty miles because we're able to combine operations and needs together where freights are moving, and leverage that density so that we can work more efficiently.

Let me wrap up here on the key takeaways. Strengthen our leading position as a provider and Dedicated customer. I hope that you took that away from the session. That the acquisition with Cardinal, the integration is going well and on time. That we are leveraging this scale now through the flexible operating structure and technology, and we're going to continue to do that. And that we're well-positioned to drive profitable growth through the next cycle.

We are committed to our long-term targets of high single-digit growth and high single-digit earnings. And John is going to talk more about that here in a minute. So I would like to pass this over to Tom and welcome him up here to the stage.

Tom Havens: Good morning everyone. I'm excited to be here today and really share with you the progress that we've made in FMS on our transformation. And for those of you that don't know me, my name is Tom Havens. I've been with the company 31 years, and I hate saying that because it makes me feel really old. But 31 years with the company I started as a rental rep, renting trucks at our location in California, and have done many different jobs both in the field and at headquarters. So I really know this business from the ground up.

What I hope to get across with you today is that we've really executed well on the initiatives that we put out to improve performance through the cycle and that we're well positioned for growth when things do turn around in the upcycle begins, whenever that is, hopefully soon. We've done really well enhancing returns on two key initiatives that we've already talked about today, one on our maintenance initiatives and two on our pricing discipline. And there's still more to come.

Then thirdly, we're investing in our customers, listening to our customers, but investing in both process and technology to enhance their experience with us and build a competitive advantage that we can build on in the future. So just that quick brief snapshot of what we do in FMS, but last year we did about 5. 1 billion in revenue. We've got about 11,000 employees in the business, with the biggest workgroup being our technicians. There are about 4800. They manage and maintain about 250,000 vehicles across our 760 or so shops across North America.

We have really three key products that we deliver in FMS. Select care, choice lease, and rental, with about 77% getting close to 80% of that business being tied up in long-term contracts. But with our ChoiceLease product, which is our biggest product, this is where Ryder owns the asset and then we wrap a maintenance package around that vehicle with a fixed monthly payment. So that gives the customer kind of a nice cost stream and predictability in their cost.

With ChoiceLease, there's although most customers choose a guaranteed maintenance package, there is some flexibility with the maintenance where you can choose to do just a preventive maintenance program or you can do on demand which is pay-as-you-go. We have the select care product which is where the customer owns the vehicle, and then we wrap a maintenance solution around that. Once again, the customer has the choice of a guaranteed maintenance program, a preventive maintenance program, or on demand, which is the pay-as-you-go.

And then what we're most known for obviously is rental, but smaller part of the business as Robert mentioned, it's around 10% of the total company's business, 23% for us. It's important to note here that this is a B2B product. We got out of the consumer business quite some time ago but we're a B2B-only business, and we rent trucks that span from small delivery parcel vans up to tractor-trailers. And we provide those vehicles for many different customer needs, but mostly surge and demand capacity and they come to us to fulfill those needs.

And then finally we sell used trucks, not part of our operating revenue, but a big part of our business. So at the end of a lease or at the end of the rental vehicles life, we send our trucks to the used truck centers to be sold across North America. So I'm excited here to share with you really what we've been able to accomplish on the transformed business model and the balanced growth strategy that we set out to achieve. And really four things I want to highlight here.

First, is on the transformed maintenance model that we implemented in our shops. We started this a number of years ago to really change how we deliver service and execute in our shops. And as promised here, we achieved the $100 million of benefit that we were looking to achieve, and we also improved the customer experience in doing so. And those were our two main goals. And as Robert mentioned earlier, there's still more to come here. And I'll talk to that here in a few slides.

And then we've executed on our price segmentation initiative to deliver higher returns in the business. At this point, we're about 80% through the portfolio, and we're confident that we're on track to deliver that $125 million target here by the end of 2025. The third thing we did, we invested in our used vehicle sales retail channel. So we added used truck centers in North America, and we also built out an inside sales capability and digital sales channel. And the goal here was to be able to sell more vehicles, sell more of them retail, and improve the overall proceeds per unit, and our used truck centers.

And what we did, this has been a big part of the strategy and we've been able to really execute on this. So in 2023, and that was obviously a declining used vehicle market we actually sold 30% more vehicles than we did in a really strong environment in 2022. And because we sold more of those vehicles through the retail channel, we were able to achieve a higher proceeds per unit. And maybe most importantly, we continue to sell today above our residual value estimates obviously important for the business model. And then finally we implemented and enhanced

asset management playbook to really improve the earnings regardless of where we are in the cycle.

So higher highs, higher lows, but really execute on this asset management playbook. And what we've seen last year as things started to turn, we were able to really tighten our idle assets when you compare it to previous down cycles, thousands more units were earning revenue than what we saw in previous cycles. And I know you're familiar with this, but last year we delivered 13% EBT and pre-transformation we were delivering around eight. So a good performance on that initiative as well.

Although we're really happy with what we've been able to deliver through this transformation, we're not satisfied with it, we're not done with it. We've got more to come and we're going to continue to drive the performance of the business. So just a couple of quick comments about our portfolio. We have a very diversified customer base, very diversified fleets of our 13,000 customers, we do business with all different industries, all different sizes of companies, from the biggest companies in the Fortune 500 down to one two-truck small account that does local deliveries in your local community.

And like I said before, just like in rental, we have lease vans up to tractor-trailers. Very diversified customer base, very diversified fleet. I know we had some of this, but we do have still a strong addressable market, $80 billion addressable market, and only 25% of that is currently outsourced. So 75% of the market are still the do-it-yourselfers that we target to transition to outsourcing with us. And just as Robert mentioned and Steve and Steve, the secular trends do support outsourcing and FMS as well. Some of the highlights here, the technician shortages, the increased cost and complexity of new engine technology, the government regulations.

Although these things can be disruptive to business, we are very well prepared to deal with them. And we've planned for them but these are the things that can drive owners and to do-it-

yourselfers to come to us to take those problems away from them. Let me talk a little bit about our competitive advantages and why we win business. And it's really the different value that we provide to customers. First I'll talk about the network scale and our 760 locations, and what that means is buying power. So we're one of the largest purchasers of new OEM vehicles in the US. So that brings with it some buying power not only for the vehicle but for parts procurement and what we need to support our shops.

We're also one of the largest resellers of used vehicle sales in North America, and what that means is that we're able to provide a higher residual value on vehicles versus what an owner or a do it yourselfer might see. So another value that we bring to them. We also have deep maintenance expertise with our 4800 highly skilled trained and skilled trained technicians. We have training programs that we constantly are upskilling our teams, and we have industry leading uptime as Steve mentioned as one of my biggest customers, and because of our relationships with the OEM, we're also able to provide warranty services in our shops as well.

So when you bundle that all together, that means a lower cost to maintain vehicles, that's another value that we bring to customers and why they come to us. And because of our knowledge and experience and expertise in maintenance, I told you that we provide a guaranteed maintenance solution, which for the customer, that means kind of a flat steady payment stream to us and they don't have to worry about cost bumps in maintaining vehicles with that fixed payment schedule. And then finally, we provide other value-added solutions like RyderGyde, fueling, safety services, etc.

So when you bundle all those value props together, we really offer an outstanding compelling value prop that delivers about a 10 to 20% cost savings versus ownership. That's why customers come to us, and why we're so confident in our ability to achieve those mid-single digit growth targets that we set for ourselves. So this brings me to where we are today. So I'm not going to

talk much on this slide, I've got a deep dive on each one of these bullets. But we're going to continue with our maintenance initiatives and we're targeting that incremental 50 million.

I'll talk about the proactive asset management and how we're preparing for the next cycle upturn. What we plan to do with RyderGyde and investing in that technology, and then I'll give you an update on where we are with our lease pricing strategy as well. With our $100 million multi-year initiative that we achieved, I think the key point I want to get across here that it wasn't a one and done for us. The process that we went through really helped build success and team confidence and our ability to deliver on new initiatives, build them out in a very structured program. It's become our standard operating model and how we evaluate test and implement new ideas into our shops and then roll them out to get the benefits.

We've got a proven track record here. Our team is tested, and we're confident that we're going to be able to deliver on a new set of initiatives that will deliver the 50 million. And with that, I'd like to take a moment and just show you a video that highlights what we're doing in our shops to be able to execute on this.

Video: Driving Operational Excellence in Maintenance

Speaker10: We charted a course to transform our maintenance business. The transformation that we've gone through is called the operating model. What we set out to do was to reduce waste, drive efficiency, and ultimately streamline our business. The operating model is really allowed us to more effectively run our business by bringing in technology into our maintenance operations. It really helps us deliver more effectively on the commitments we make to our customers.

So the operating model gives me the visibility needed to manage my team in a real-time way. All of the metrics, the visual boards, the active task board allows everyone in the building to accomplish those goals. With this current operating model, I can focus on my job. All I have to do is look at a visual board See where I'm at. I spend a lot more time doing what I'm trained to do. I can fix that truck with the repairs done correctly and the customer is happy.

Speaker11: Executing this operating model has increased our customer's vehicle uptime. We're tracking the way we repair your vehicles. You have more access to that information. When your driver gets to the shop, there's quicker processes where they can check in on a kiosk. It's all streamlined, which make it easier for both our customers and our employees.

Speaker10: Innovation has been so important for us in our ongoing efforts to truly evolve the way we run our maintenance organization. The beauty of the operating model is that it's never finished, although it's scaled and we're seeing great results from it today, there's always more. So we're positioned now to be looking for trends and opportunities and to capitalize on them in the future.

Tom Havens: So we've delivered on the 100 million, we've got a proven track record there. The team has built out this operating model that we're excited to really build out new opportunities and we plan to execute on the 50 million. So here on the next slide here at our last Investor Day, we unveiled what we were calling at the time. Our enhanced asset management playbook really outlined how we were looking at the cycle and how we would manage the cycle differently to really deliver better returns both at the peak and at the trough of the cycle. And how we were really able to do this, we've been proactive in the way we manage the business and really disciplined in our approach.

And as we saw things change from the peak, we started to pull the different levers in the business, and we were able to, like I said before, deliver on non-earning revenue units and really bring our used vehicle inventory down as well. So we're able to do this in a number of ways. So now that we're sitting here at the trough we believe, not only do we continue to watch what's happening every day and manage those levers, but really looking towards the future and how we're going to manage this business to take advantage of the upswing when it happens.

So it's been a successful implementation. It's led to higher returns and certainly in this down cycle and we think we're well positioned to take benefit when the up cycle does occur. And in additionally here this year as we go through the up cycle we have a pre-buy scenario. We started to talk a little bit about this earlier, but what I wanted to cover with you next is, what is the pre-buy and is it important to Ryder?

So recently here you may have seen that the EPA finalized its standards for 2027 and the 2027 date is important because it's a very significant engine technology change. We've seen this happen a couple of times before, but this one is quite significant. And it's expected that these trucks will also come with a much higher price tag. And with that higher price tag, there's also other uncertainties that owners may find or the do-it-yourselfers may find that they're going to need to retrain their technicians. They may need to retool their shops. It just becomes a difficult to potentially manage through that.

We're obviously well prepared for it and have been planning for it. And so we think that this could be another impetus for the do-it-yourselfers to come to us to kind of avoid those increase higher pricing and some of that uncertainty with maintenance. So that's one reason why it's important to us is with lease. But we also think it will benefit a couple of our other product lines as well, and rental. We also believe that some of these upfront costs might have people make the decision to rent trucks versus go out and purchase a new vehicle and deal with that, so there may be a cost advantage to renting.

And then with our used vehicle sales teams or the trucks that we have coming out of service may be worth more in the marketplace where customers will buy used vehicle as opposed to buying the new vehicles. We really saw this back in 2006, where used vehicle values held for a long period of time because people didn't want to invest in that new technology. And we do think that this scenario is real and the pre-buy is real. We're already having customers come to us to strategize on how they're going to work through this.

So we think there's some upside and some opportunity for us, not only with new customers coming to us, the do-it-yourselfers, but also with renewals with our existing customer base as well. More value adds that we have RyderGyde. I know Karen showed you a video of our customer Krispy Kreme, and they explained to you the value that they see from RyderGyde. But RyderGyde is really a comprehensive fleet management tool that connects managers, drivers, the trucks, and the Ryder shop. And it provides value-added tools like reporting and self-service capabilities, etc.

But two years ago, when I delivered this to you for the first time, it was a very new tool. Just gone to market with it. Very few users and you can see the adoption rates here on the slide. But 65,000 users just two years later and I'm almost 9000 customers are using this, so you're talking about almost 70% of our customers are seeing value in this tool. They're using it, and it's about 70% of our contractual customer base. We believe this is bringing value to the marketplace. We like our customer, Krispy Kreme said in the video we're going to continue to listen to our customers.

What other tools and reporting and capabilities can we build in RyderGyde to help them manage their business? So we think that this will be not only beneficial to our customers here but also potentially build out a solution that is a competitive advantage for us in the marketplace. And I know someone brought up a question on this slide, but with our portfolio pricing initiative here, it just takes time with this because our leases are five to seven years.

So when we kick this off, we're getting near the end. And like I mentioned earlier, we're 80% done here. We got another about 10% of the fleet is priced but hasn't yet been delivered. So you can kind of look at this as almost 90% done. Then you can see on the slide here, there's about 35 million left when you compare it to the 2023 end-of-year. So it's about 35 million left to come from this initiative in 20 and it'll be complete in 2025. And then we've also been able to change

the mix of the fleets. We said we were going to focus on the higher value, higher return fleets, which are generally our truck fleets.

The higher-risk fleets are more in the sleeper classes that they tend to move up and down with the freight cycles more than the truck fleets. And we've been able to shift over the last few years, about 4000 vehicles from the sleeper fleets to those higher return truck fleets as well. So we're very happy with what this portfolio looks like today. So when you step back and look at this, 90% done with this portfolio, there are five to seven-year leases.

We've got a lease base that we know is going to perform very well over the next cycle. And then potentially with the tailwind with this pre-buy activity in the next greenhouse gas emissions update, we feel really good about the lease business that we have and the in the future opportunity that we have to continue to grow this fleet as well. So hopefully I was successful getting across these key themes to you today, but when we execute these strategies here on managing through the cycle, driving profitable growth, and we expect to be able to benefit from the up-cycle through our maintenance initiatives and pricing initiatives, we expect to enhance returns we've delivered in the past.

We expect to deliver more in the future, and we'll continue to listen to our customers and build out new technology and processes in our shops to give them an excellent experience and to build a competitive advantage for us. And when we do this, we expect to deliver on our mid-single-digit operating revenue growth targets. And as we said earlier, we're raising our long-term over-the-cycle EBT guidance to the low teens from the low double digits. So we're excited about the future of the business and what opportunities will come. And with that, I'd like to turn it over to our CFO, Mr. John Diez.

John Diez: Thank you, Tom. Good morning. All right, so I don't have a video, and I'm really grateful that I made it in this morning from South Florida to be with you. It's good to see a lot of familiar

faces. I trust that you enjoyed listening to the business leaders talk about the business, learning from our customers, how we deliver value for them, and really more importantly, how we see the future and really the potential for this business model, which I'll cover here in a second.

My name is John Diez, for those that I haven't met, I've been with the company now for 22 years. I joined Ryder initially into the finance organization, and then over the last decade, I spent the better part really in the business working in both Dedicated and FMS. Got the opportunity to work with Tom and the team when we kick-started this transformation. And then three years ago, I came back to finance to lead the finance organization of great finance professionals at Ryder that contribute and participate in the business as well with the operators.

So a few key messages for you all to take away this morning. One is, we've really delivered tremendous returns for the shareholders over the last three years through focused execution. The business is really positioned well to take advantage of the opportunities moving forward and obviously enhancing returns. As you heard from Robert, we're committed to higher return business moving forward. And then lastly, you're going to hear a little bit about how the earnings power of the business has really freed up capacity in the balance sheet for us to invest in the future of the company as well as return capital to our shareholders over time.

So this is a trend of what we've seen through the transformation. Wanted to give some context around all the good work the team has done really through execution. As Tom covered here, you see there the EBT numbers for fleet management, raising those that earnings profile from 8% to 13% through the transformation. We've accelerated the growth in supply chain and Dedicated, and you've seen the numbers there moving supply chain and Dedicated to account for nearly 60% of the business. What's most important there is now we have three market-leading businesses in the industries and segments that we participate across the entire enterprise.

And then you see the earnings power of supply chain and Dedicated as they've grown, they've also become a more meaningful part of the earnings performance for Ryder, and we become less dependent on those transactional businesses to deliver returns. The returns profile on the right clearly outperformed the targets we set out for ourselves. If you include 2024, which is the trough, really delivering on the high teens target that we set out. This slide gives you the building blocks which are depicted there on the left, really the foundational elements that we've executed on to transform the business that really positions us for the next phase.

But clearly we're going to continue to execute, deliver for our customers, create value. As you heard from the business leaders today, supply chain now has port-to-door solutions through the acquisitions that are going to help them leverage those complementary services to deliver value moving forward. Cardinal and the Dedicated business now have a platform through the scale and density of that business to really leverage and expand those returns over time. And then from a fleet management perspective, Tom covered it, and I'll get into it a little deeper.

But that business, that lease portfolio is poised to really capitalize on the opportunities not only of the Pre-buy but also creating long-term value for our shareholders and for our customers through the maintenance execution. This is a view of our lease portfolio. We've provided plenty of information today during the course of the day of our journey to de-risk the business. And obviously, one of the key elements we did years back was to de-risk the lease portfolio, become less dependent on residual values to drive returns.

We elevated the returns expectations for the business moving from 60 to 100 basis point spread over cost of capital to 100 to 150 basis points improved the asset mix. One of the key elements of the strategy was to align the risk that we were pricing to the business. So clearly that has also spurred a different asset mix, a different segment and customer mix for us. And all that has translated to tremendous performance, which you see here of 28% improvement in our choice lease margin that is, obviously enhanced by the pricing initiatives. And you see that contributed

to healthy, lease revenue growth as well as with the fleet growth. But you add to it the maintenance savings that Tom talked about that also contributed to the overall performance.

Big takeaway here is we've been able to do this, we've been able to really drive the pricing discipline, and at the same time, we've been able to grow the lease portfolio, which really bodes well and gives us the confidence that we can continue to do that and participate in a bigger way with the cycle upturn. So before I move to the long-term prospects of the business, I did want to take a minute here to talk about 2024 and our outlook. You may have seen we did release an 8-K this morning.

Our outlook for the full year 2024 comparable EPS of $11.75 to $12.50 really is unchanged, as we think about the business and what we've seen here in the second quarter, the transactional parts of the business. No big deviations from our expectations, if you think about commercial rental. Commercial rental, we've seen a seasonal uptick, which is what we expected, but we haven't seen any sort of acceleration in that business as of yet. From a used vehicle perspective, we saw stability in first quarter, we continue to see evidence of stability and used vehicle pricing through the second quarter.

In particular, tractor proceeds continue to hold, which is a good indicator of the freight environment. As more capacity is taken out, we expect then that will slowly turn through the balance of the year and start ticking upward. Truck pricing and trailer pricing have been coming down, but clearly, not one that we expected a different behavior there because they were from very elevated levels prior to this cycle.

And then if you think about our range, $11.75 to $12.50, we did say that our range contemplates a gradual recovery in the second half. So if that recovery does occur, we're going to be close to the top end of our range of $12.50. If we don't see a recovery in those transactional parts of the

business, we're probably going to be closer to the $11.75, the bottom end of the range. So the takeaway here, second quarter is on track and we feel very confident about our 2024 outlook.

I think it's important to give an update on how we see used vehicle pricing today, but more importantly, how we see used vehicle pricing behaving through the cycle and really what's ahead for us. So this is a slide we share on a quarterly basis but I think it depicts some of the opportunities we see in front of us. So a few years ago, as you heard from Robert, five years ago, we reduced residual values. So residual values are depicted here on these slides in the red bars. The left slide gives you historical trends of use truck pricing for Ryder. The right side gives you tractor trends of proceeds for Ryder.

And what you'll see there is truck proceeds on the left have been coming down. We expect them to continue to come down through the middle part of the year, and then we expect them to gradually move up later this year. From a residual perspective, we have residuals at historical trough levels, not much of an exposure there as we see the market transitioning in 2025. And then on the right side tractors as you see the black line there is getting closer to our residual value. We do have a range.

The low end of the range does account for a market trough conditions, which is what we've forecasted 2024 to be. What we're seeing right now, as I mentioned, is stability in the tractor pricing. We've seen that now for two consecutive quarters talking to our friends, our ACT. They also have an expectation that tractor pricing as we exit 2025 are going to start beginning to improve gradually in the second half. 2025, we do expect an acceleration of pricing upward. And then as you heard from Tom in 2026 and 2027, similar to what we saw back in 2006 2007, we do expect use pricing conditions to improve significantly.

Customers are not going to want to take the risk and spend the extra dollars on new technologies, so they're going to defer and look to the used vehicle market for support of their

fleets moving forward. So they have reliability and predictability in their cost as well as in their service levels. So that's what we expect. 2024, we're giving you here. We do expect to realize gains of $75 to $100 million, which is in alignment with our normalized gains targets for the business. So even in trough conditions, the business is well-positioned to realize a good amount of gains this year.

As you heard from Robert, we are committed to raising our ROE target and committed to really achieving those targets over time. It's always good to show our historical perspective of our performance and how impactful the transformation has been for Ryder. If you see there, we've given you a ten-year trend of our ROE performance.

You'll see prior to the transformation we were executing in that mid-teens target level. Then we elevated through our balanced growth strategy, we elevated the target to high teens. And now through executing on the initiatives that you heard from each of the members earlier today, we're targeting low 20s over the freight cycle. So the key message for us, we continue to execute, we continue to drive higher highs and higher lows and we're well positioned to do that.

We keep getting questions recently from many out there as to what's next for Ryder. And Robert did a great job of highlighting all the momentum we have in the business, the positive momentum driven by many of these initiatives. So this gives you an idea of what we see ahead for us in the business. We're raising our ROE target, our return on equity target by 300 basis points effectively. And what that means is that translates to about $150 million of pre-tax earnings. So we talked about some of the catalysts for that here.

$50 million of new maintenance initiatives, you got $20 to $25 million left from the lease renewals and that lease portfolio, you've got $50 million or so from the cardinal synergies that Dedicated is working through. And then you've got the optimization of the e-commerce business. You add those numbers together and that translates into this bridge here of how we think we're going to

get there. Couple that with good solid growth from our contractual businesses and we feel very comfortable with this new target and our ability to achieve that over time. So in addition to the solid foundation that we talked about from our contractual businesses and the contractual initiatives that we have in place, there's even more opportunity as we look forward.

We're coming out of the trough and we're going to be coming out of the trough environment as we move into 25 and into 26, and we think with that, we're going to get significant tailwinds in the business, primarily in our transactional businesses. If you think about rental and use vehicle sales, that will participate and be the lion's share of the $200 million which is what we see out there.

In addition to the 150 that I just mentioned, you add to that a better market environment for Dedicated to grow and participate as the driver market. As freight conditions improved, the driver market will tighten, more sales opportunities will show up for Dedicated and then supply chain will start participating by leveraging that omnichannel network to realize incremental benefits. So not only are the structural changes we've made contributing to the health and the potential of the business moving forward, we obviously have some great tailwinds in front of us with market conditions changing and the pre-buy ahead of us.

So I wanted to maybe talk a little bit about how this translates into our ability to deploy capital. Clearly, one of the essential elements of our balanced growth strategy was to not only enhance returns but improve the overall cash flow profile of the business. Robert talked about operating cash flow has improved 40%. I think it's as important for you to take note of the fact that with the added returns and if you apply our leverage targets of two and a half turns to three turns, we're able to create significantly more debt capacity in the business and that has accelerated.

So through the improved returns, what's happened is you've seen our balance sheet deliver at a more rapid pace. We need to leverage our balance sheet and really deploy that capital towards

new and replacement of lease and rental vehicles. As you see there on the left side, we give you the sources and uses of cash. But as we look forward through 2026, we expect to be able to free up more than $4 billion of capital that we could use to invest in the future of the business. We're going to be prudent in our discipline of growing the lease fleet, but we see plenty of opportunity with that portfolio performing at a much better performance level.

We do think there's opportunities for us to continue to add capabilities through M&A and grow those businesses further through inorganic transactions, but more importantly for us is our ability to also leverage the balance sheet and return capital to our shareholders. You can't expect we're going to continue to grow our dividend in line with the earnings growth that we just shared, as well as remain opportunistic of returning capital to our shareholders. We'll continue to participate in the Anti-dilutive share repurchase program but also do discretionary share repurchases consistently over time.

So strong earnings resulting in more debt capacity for the business. As the earnings and the returns accelerate, you're going to see even more capacity free up over time and be able to invest in the future of the business. Want to share this with you, really proud of the performance. Our shareholder returns for the last five years. More importantly for us is if you look at the fundamentals in the business, both from a top line and bottom line, we've outperformed our peers here in the value and transport sectors, really delivering great returns.

What we're excited about is really the potential, the potential of the business to continue to deliver great returns, participate in the cycle upturn, and take advantage of the opportunities as you heard from the business leaders in the marketplace over time. We think if we continue to execute, focus on the things we can't control, certainly our shareholders will prosper from that as well.

So a few key takeaways for you all. One is, we expect to continue to deliver best-in-class returns here in the future with some of the fundamental changes we've made in the business, we are committed to the long-term targets and our increased return on equity measure. And then more importantly, we think with these changes we've made in the business, the enhanced returns, the better performance, we're going to have plenty of capacity to not only invest in the future of the business but also return some of that capital back to our shareholders over time. So I want to thank you. I'm going to turn it back to Robert for some closing remarks.

Robert E. Sanchez: All right. Thank you. John. well, listen, hopefully, you got the message. Higher highs, higher lows. We now have a history or a track record if you will of delivering on that. We're now redefining what we mean by higher highs and higher lows with the new ROE targets, we're excited about the opportunities that we're seeing, the line of sight that we have to the initiatives that are going to get us there.

So before we do the next Q&A, I do want to thank the Ryder team that's here. I know you guys end up talking to John and I quite a bit, but that next group down, the folks that are leading the business segments don't get as much time with you. And then, during the showcase, you get a chance to see the other folks in the segments that really are focused on these initiatives that we've talked about and some of the innovation, and we get a chance to talk to them. I want to thank them all for being here.

I also do want to recognize Calene and Nicole, it's really hard to follow up after you have a legendary person in the role like we had with Mr. Bob Brunn, who's now enjoying his retirement. But Calene has really picked up the baton and taken us to the next level. So thank you for all the good work of getting this done. So I think Calene, we've got a Q&A now?

Calene Candela: We do.

Robert Sanchez: All right, wrap it up.

Calene Candela: So we'll have all the presenters up. So, looking forward to some engaging Q&A. Just as a reminder, we've got the two microphones, and if you could just state your name and firm, that would be great.

Robert Sanchez: All right, here we go. Thank you guys.

Calene Candela: Great, we're all set. David.

David Mack: Hi. David Mack from J. Goldman. Thank you for the today. It was a great, level of depth and very helpful and understanding the opportunities. I just want to ask on the Dedicated side, can we rewind on Cardinal? If I recall, it wasn't profitable when you purchased it or if it was, it was marginally profitable. I'm just wondering on the average 50 million target, should we expect that to be a signpost along the way and there are more opportunities beyond that? Or is the goal really to just try to get 50 million out of that acquisition?

Robert E. Sanchez: Well, first of all, let me just clarify, it was profitable before we purchased it. Not as profitable as the Ryder portfolio, but based on the synergies that we identified, we believe there's a path to get us to that profitability and have it equate. So remember we said on the call, we said that in 2025, we felt the entire portfolio would be in the high single-digit margin level that the Ryder portfolio was in before. So it wasn't as profitable, we have a line of sight to get us there by 2025.

David Mack: The growth within the network though increased density and whatnot. Should the targets though be higher than what the target was before and the high single digits?

Robert E. Sanchez: So now you're taking us beyond 2025, 2026. As we integrate this business, the 40 to 60 million is really what gets us closer to that high single-digit target. Beyond that, you heard Steve talking about the flex operating model. The flex operating model is the one that may be over time can get us there. We're still in the earlier innings of finding that the synergies across the new density that we have, but that's probably a post-2026, initiative.

David Mack: Okay. Thanks.

Scott Group: Yes, thanks. It's Scott Group from Wolfe again. So I wanted to think just medium term. Robert, can you talk about the puts and takes that you see for 25? We've seen earnings normalize from the unprecedented levels a couple of years ago. Do you think we get back to earnings growth starting in 25 as we return to the multi-year targets?

Robert E. Sanchez: As we sit here today, we do expect 2024 to be a trough year in terms of earnings. As we get into 2025 we are expecting some type of a pickup, whether it happens in the fourth quarter or third or fourth quarter of this year or into 2025, we do expect the freight market to turn, which would give us some tailwind from rental and possibly use vehicle sales.

In addition to that, the continued execution around these initiatives whether it's the synergies from the Cardinal acquisition, the delivering on the maintenance initiatives that Tom is working on, the additional $50 million over the next couple of years, and in supply chain, the leveraging of that multi-client network that we've acquired and getting that ramped up, that's going to give us continued earnings increases for next year. So, yes, I would expect this to be the trough year in terms of earnings, and as we get into next year, start to see the pickup.

Scott Group: And then just John, when you were talking you had two slides. One said there was a $150 million pre-tax opportunity, and then separately there was an incremental 200 million. What's the difference between the 150 and the 200? And then just so I understand, is that fully

capturing the pre-buy benefit that that you expect because you add it all up, it feels like you're saying we're going to get next cycle to $20 of earnings, but I just want to make sure we're getting the [inaudible]

John Diez: So the reference point on the 150 is the return to over the cycle. So what you would expect there that 150 is really the fundamental structural changes in the business from the contractual business. That's what we expect that business or those components to contribute. You add to it as you get into the upturn of the cycle. In addition to that, you are going to participate on the upswing by that 200 million. You ask the question within that, we did have some of that pre-buy activity. We have an estimate in there, but is it fully baked in? That's really what we're thinking right now. There could be more opportunity clearly for us if we see that come through at a higher level.

Robert Sanchez: But those are incremental. The 150 is the improvements in the more of the core earnings, if you will, whereas the 200 is the tailwind from the upswing. So if you think about at the next peak, it should be the 150 plus the 200.

Scott Group: Plus buyback acquisition.

John Diez: Yes.

Scott Group: All right, thank you.

Calene Candela: Jeff.

Jeff Kauffman: Thank you very much. And I'll echo Scott's comments. Thank you for this today. Very helpful view of the business. So I want to ask a question differently. If I look beyond the micro nuances of what's going on now, and I say, how much should Ryders' fleet grow between now

and the next cycle peak? Are we thinking kind of a 2% average? Would you think a 3% average? What has that been in previous cycles? And then I want to come back to John's presentation because the 8. 8 billion in CapEx was assuming replacement only. If I think about a 2% or a 3% average fleet growth, what does that CapEx number start to look like?

Robert Sanchez: So let you give them some color on the numbers. Our stated goal of least growth is 2 to 4000 units. So we've been pretty consistent with that as we get into the pre-buy, maybe you get a little bit towards the high end of that. But that's really what we're expecting on a lease fleet of call it 130, 140,000 vehicles. So I would expect that as you model out long term, that's probably what we should look at. So in terms of the CapEx associated with that John.

John Diez: So the 8.8 is replacement. And then you've got the 4 billion that is left for us to either deploy in growth. So if you think about the numbers Robert just shared of 2 to 4000 of growth, that would translate anywhere from 1 billion to 1 billion and a half of incremental growth capital. Clearly, if the pre-buy activity comes in a little bit stronger, we may be on the higher end or even above that number. So you're talking about 1 billion to 2 billion that we would think we would deploy towards growth, which gives you capacity to do other things in investing in the future of the business through acquisitions or doing some other things with the capital structure.

Calene Candela: Brian.

Brian Ossenbeck: Thanks. Brian Ossenbeck from J. P. Morgan. So Steve, just wanted to ask about some of the potential revenue synergies from Cardinal Logistics. I think you said that there is a cross-selling opportunity you're working on right now, so that doesn't seem like it's embedded in the current guidance. And then just separately, when you think about the flex longer term, is that difficult to really utilize those assets as you guys mentioned, there are branded for specific companies. Is there a way you can use some of those maybe where it's not as visible? Or do

they not care if it's a different truck showing up? That seems to be like it might be a bit of a challenge.

Steve Martin: Well, listen, it's a great question on the flex operating structure, and that's why we're taking our time to really work within that customer needs from a special. It's either special equipment or branded equipment, but not everything is branded. So when a region you are going to have some vanilla-type equipment, and as we look at customers operations, ones that run through different seasonal spikes, we're able to provide them a little bit better continuous improvement opportunity to look at how they want to handle that fleet.

And so that's what we're working on as we deploy it. Obviously, drivers can be flexed in between accounts as we train them to provide the same service for multiple customers. So there's a leverage point there. And then we get a leverage point within our management teams, within those regions with the technology that we're building. And then on the revenue front, I think we're constantly looking at ways that we can cross-sell across the portfolio. So it's definitely going to be a priority.

Brian Ossenbeck**:** And then a separate one for Robert. You talk about the freight ecosystem that you're building within Ryder. So what does that really mean? Do you need to add more capabilities? Obviously, there's a lot of different pieces to that slide and the operations, the technology. But is that something we should consider more operationally focused or is this cross-selling? Like how should we think about that going forward the next couple of years?

Robert Sanchez: Yeah, I can give you a little bit more color, but the vision there is that with this technology become part of the Ryder ecosystem, which means you're either leasing a fleet of trucks from us, or you're in our Dedicated or our supply chain operation. By doing that and having this technology incorporated in your business, we now have visibility to your freight.

Even if you're leasing a fleet of trucks, we potentially have visibility of your freight. And we can then look for opportunities to give you backhauls with maybe some of our brokerage business, maybe match you up with another customer in the area who may have empty capacity. And the beauty of that is that we bring value to the customer, but also create a certainly a level of stickiness of now we're incorporating all of our customers into each other's business and helping them out. So that's a longer-term vision.

I think we're in the early innings of rolling out this technology now in our Dedicated operations and our supply chain. The vision over the next couple of years is get to something where we start rolling it out to some of our leased customers, giving them tools to also be part of this system.

Karen Jones: I think well said. If we do have visibility to all of the freight and we know how things are moving, we'll be able to spot the inefficiencies in the moves. Or the challenge with the move. Maybe it becomes as simple as we see a consistency of not having enough ability to move the freight, we can bring up our rental product. Rent these trucks today. So you have to think about it in that perspective. When we can see what is happening in the dynamics of moving the freight, then we will have a much better ability to recommend.

It could be transactional in a moment. It could be a longer-term solution that says "You know, you're leasing all of these trucks, you're only using a certain portion of it. " You might be better for a Dedicated application than to continue on this path. But until you can see that, which is what our whole focus is, we make those recommendations. But it's going to be a lot easier for us to have confidence in those recommendations and to create that cross-sell, upsell opportunity.

Calene Candela: Ken.

Ken Hoexter: I can extra from behave again. Just thinking about the pre-buy that you've been talking about a lot. If I go back to 04,07, they were pretty disastrous in terms of the amount of capacity

that was added from a red 2010 wasn't as bad. But here we are at the and I guess mid-24, you're looking at 26 being a prebuilt year. So you get one good year in there of 25. Do we get into the same situation if we're over capacities now? We're going to be over capacity in 26 and back to a depressed market pretty fast.

Robert Sanchez: Yeah, It depends on a lot of factors of what the economy is doing and those types of things. But remember, not being a truckload carrier, our full-service lease business will sign up a lot of new leases in 2026, I would expect. And then as we go forward, we're not going to have a lot of new leases, maybe as many new leases to sign in 27 with the new technology and the more expensive technology. But you remember the revenue stream from those leases continues to carry us through that.

The more important benefit for us which would happen after 2007 was used truck values continued to hold for a long period of time because that technology right before the technology change becomes much more valuable. It's a more efficient solution. So we expect as we go forward, we're going to get some tailwinds from that that'll go through multiple years. But what happens in the freight cycle I think depends on a lot of things.

It depends on what the economy is doing. It depends how much capacity is in or out of the market at that time. But typically you would expect more units come in in 2026, you'll have a bit of a soft patch in 2007. In the freight market, we've got a lot of contractual business that we expect will carry us well through that.

Ken Hoexter: And I presume there's already a race to get slots in that.

Robert Sanchez: Tom, you want to?

Tom Havens: There is a race. Our customers are already talking to us about this because we have been on allocation for a number of years until this year from OEMs and our customers remember that allocation and how tight equipment got. And there's an expectation that there'll be tightness and those order books will fill up quickly, which is why we're already having the conversations here in 2024 for something that's going to happen two years from now.

So we're working with our OE partners to secure as many slots as we can possibly get for that time period now, and we're looking at potentially new OE partners as well to maybe get incrementally more than what we would typically get. So we're looking at all those things to try to maximize the slots that we can get and to take advantage of that 2026 opportunity.

Calene Candela: Jordan.

Jordan Alliger: Hi, Jordan Alliger Goldman. We've been hearing about the large addressable market for supply chain for a long time and it's relatively untapped. So what sort of accelerates the customer adoption? How critical is reshoring or nearshoring to that? And are there any verticals that are more ripe than others that you're targeting perhaps health care? And what are customers most asking for today when they think about a supply chain solution?

Robert Sanchez: Good question, Steve.

Steven Sensing: Let me start. I'll start with the nearshoring piece. We've got a breakout session here, and the solution showcase that we can go into some deeper detail. But I'd say we've got our finger on the pulse of who's coming into Mexico, who's investing there. I'd say about 60% of it right now are companies that are already in Mexico that are probably just expanding their footprint, and they have relationships with companies like Ryder.

So we're going to look at that. I think we're positioned very well for anybody that comes into the market. If you look at the other verticals, I think this subsegment approach that our teams are taking will yield benefits, just like we saw in CPG. So we've got initiatives across each one of the verticals for that. And then we're always looking at new services and capabilities to complete out that port-to-door concept that we deliver.

Tom Wadewitz: Hi. It's Tom Wadewitz from UBS. I had two more macro questions if you don't mind. How do you think about customer behavior related to interest rates? Interest rates are high, it seems like hard to figure out where they're going. But I don't know if your customer behavior on the lease side or other parts of the book is, do you benefit when rates are high, the customers behave a certain way, or if rates come down, does that help you?

And then just a second question on Dedicated, and it seems like we hear more competitive pressures from some of the big non-truck leasing Dedicated players like JB Hunt, Schneider, Werner. Do you see that dynamic as well that you see more players entering in the lower part of the cycle? Or are you less kind of maybe exposed to that because of the links to the other business? Thank you.

Robert E. Sanchez: Listen, good questions. First around, what we're seeing from customers like I mentioned, we're seeing customers hesitant to make decisions. That's more a factor. Not so much a factor of the interest rates, but of the uncertainty in the economic environment. Interest rates, I think, have less of an issue for us only because our customers are if they need a vehicle, they're going to do a full-service lease with Ryder where higher interest rates will be baked in, or they have to go borrow the money at a higher interest rate to buy the vehicle. So what we're competing against is a level playing field as it relates to interest rates. In terms of Dedicated, I'll let Steve give you a little bit more color on how our Dedicated is a little different and maybe why we don't see the same level of pressure.

Steve Martin: From a competitor standpoint, as we talked about that market, the biggest competitor is the do-it-yourselfers and helping them move to an outsource. And that's where I think we get a big advantage with our group here, with the work that Tom does early cycle with customers that decide to outsource from ownership and then helping them build that trust to move into Dedicated solutions. We've got examples where we've talked with customers for years and they will have a catalyst moment. And because they're already talking with them or operating on a full-service lease, they move into that Dedicated solution. So that's really the focus when we target that market.

Robert Sanchez: And the majority of our portfolio is customized Dedicated. Steve talked about that. So it's not as easily transferable to a spot rate truckload type environment, which I think some of the competitors that are in more of that vanilla freight see more pressure there. We do see some because our growth rate in Dedicated has slowed over the last year.

So there is a little bit of that that doesn't come to us. But when you're having to move steel on a flatbed or you're delivering to a strip mall, that is not a vanilla delivery from dock door to dock door, that is a little bit more insulated from that type of competition that comes in this market.

Jordan Alliger: Thank you.

Calene Candela: Any more questions in the room? I have a couple online. Go ahead.

Jeff Kauffman: Karen looks bored at the end here, come back. Jeff Kauffman from Vertical Research Partners. Thank you for addressing nearshoring. Can we go a little deeper and talk about what we're seeing? And then one of the other really big trends is warehouse automation, and there's a lot of exciting things going on there. You talked a little bit about AI, but can you talk about how the warehouse is changing? That video you put up there look nothing like a warehouse. I would

have thought about a lot of automation, but we hear new robots, humanoid robots, things like that. Can you talk about how the warehouses are changing?

Karen Jones: Yeah, I'll let Steve address the warehouse, and then I'll tackle the humanoids.

Steven Sensing: First of all, on the nearshoring Jeff, as I said before, we've got our finger on the pulse. We're not seeing huge movers right now in the space. And I think one reminder, if you have a warehouse operation in Mexico versus the US, it's probably 10% the size in Mexico just because of the labor cost. So we're really focused on the transportation network and leveraging that. So we are seeing some new industries come in, some new names. And Ricardo could share some more detail with you in the breakout.

From a warehousing standpoint, it all comes down to labor cost, and we talk about value-based automation. We're not just putting automation in warehouses unless there's a cost-benefit and a return on investment for our customers, only about 10% of the warehouses that we have require automation in the US. That's anybody, any warehouse in the US. The example that you saw there, it's really based on the data set and the delivery requirements to the end customer that drive that investment in automation. I'll say on the omnichannel side, we are leveraging the robots, it's more kind of like of a SaaS model. So we have the flexibility to add robots during peak periods and then we can turn them back in the next week when we don't have the demand. So hopefully that answers your question.

Karen Jones: So on the humanoid side, we are through Ryder ventures looking at two companies right now, who I won't name publicly but who have developed actual human robots. And robotics has been around for 20 or more years in this capacity. But I think what's the most encouraging thing about now is that AI has caught up with robotics. So it used to take me a long time to train a robot, a simple movement, and with the computing power of AI now, what took me months to train a robot to do now is exponentially speed up.

So I think you're going to start to see a lot more in that regard happen, just because the technology is now there. So looking at two companies that actually have human-like forms that actually go into a warehouse and can do very rote tasks today, it's not picking things off a shelf and some of the more complex moves. But if you think again, back to the application of the customer, there are going to be some customers where it makes absolute sense to do that. And when you think about humanoids they don't call in sick and they can work 24/7 and all those kinds of things.

So it opens up a whole new world of opportunity for us to look at. But I'll just drive it back to that's why it's important for us to have Ryder Ventures, because we get a first glance at all of these wonderful new technologies that are happening, and we're able to then evaluate, does this have great application for us, and how involved should we be in helping to pilot some of this technology, invest in it, and then bring those solutions to our customers?

Calene Candela: So are there any other questions in the room?

Robert Sanchez: I want to thank Jeff for asking the first humanoid question.

Calene Candela: I've got one question online. So this question came in. Does the priority for share buybacks rise in the capital allocation framework given the significant deployable cash expected through 2026 relative to the current market cap and the discounted valuation?

John Diez: Yeah, I think for us right now, we have a discretionary buyback program that we're participating in. Clearly, we'll do more if the valuation of the stock is depressed, we'll look to participate at a higher level. But what we're encouraged by is just the capital deployment opportunity and our ability to continue to participate in buybacks over time on a consistent basis. We have plenty of capacity to do that. And as well as investing in the future of the business,

whether it's through fleet growth. Making acquisitions that are going to contribute long-term for the business and then thinking about our shareholder.

Calene Candela: And then I have one last question in FMS. Can you provide more color regarding the new multi-year initiatives to drive incremental $50 million in maintenance savings?

Tom Havens: Yeah, sure. There's a number of different initiatives that are smaller, but I guess the biggest initiative that we're embarking on this time is the productivity of the work-group that's outside of the shop. So our first $100 million initiative, the biggest piece of that initiative was the productivity of the technician workgroup, our 4800 techs.

Our second biggest work group, which is about 1400 employees, fuel trucks and wash trucks. And so this next initiative, biggest piece of the 50 million is treating that workgroup similar to how you treat a technician, where you know exactly what they're doing each minute of the day. And by tracking that work, we're able to optimize the activities that that team is doing. So it's impacting not only the clear and obvious work that they've done historically, but we're also able to take tasks away from technicians in the shop. So it's another productivity play on a different work group. That's the biggest piece of this initiative.

Calene Candela: All right. There's no more questions in the room. I don't have any more online. It's a wrap. Hope all of you can join us in the solution showcase just outside and grab some lunch as well. Thank you very much.

Robert Sanchez: Thank you.