Conference Title: Ryder System Fourth Quarter 2024 Earnings Release Conference Call

Date: Wednesday, 12th February 2025

Operator: Please stand by. Good morning and welcome to the Ryder System Fourth Quarter 2024 Earnings Release conference call. All lines are in a listen-only mode until after the presentation. Today's call is being recorded. If you have any objections, please disconnect at this time.

I would now like to introduce Ms. Calene Candela, Vice President, Investor Relations for Ryder. Ms. Candela, you may begin.

Calene Candela: Thank you. Good morning, and welcome to Ryder's fourth quarter 2024 earnings conference call. I'd like to remind you that during this presentation, you'll hear some forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.

These statements are based on management's current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from these expectations due to changes in economic, business, competitive market, political, and regulatory factors.

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

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

At this time, I'll turn the call over to Robert.

Robert Sanchez: Good morning, everyone, and thanks for joining us. Before we begin, I'd like to recognize John Diez, who is joining this morning's call in his new role as President and Chief Operating Officer. Most of you already know John, as he was Ryder's EVP and CFO from 2021 to 2024.

Replacing John as Chief Financial Officer is Cristy Gallo-Aquino. Cristy is a 20-year Ryder veteran, most recently serving as SVP and Controller, and prior to that, as Chief Financial Officer for FMS. At Ryder, we're committed to developing talent at all levels of the organization, and I'm extremely pleased that we have such qualified internal candidates to fill these critical leadership roles.

So with that said, I'll begin today's call by sharing some key highlights from 2024 and providing you with a strategic update. Cristy will then take you through our fourth quarter results, which were in line with our forecast and up versus prior year. We are pleased to report that this quarter is the first quarter in the last eight, with year-over-year comparable earnings growth driven by double-digit earnings growth in each of our business segments.

John will then review capital expenditures and our increasing capital deployment capacity. I'll then review our 2025 outlook and discuss how we expect to build on the momentum of our transformed and cycle-tested business model.

Let's begin with some key highlights on 2024 on slide four. I'm extremely proud of our team for delivering solid results throughout 2024 despite challenging freight market conditions. The business continues to outperform prior cycles, driven by our high-quality contractual portfolio and reflecting the actions we've taken under our balanced growth strategy to de-risk the business, increase the return profile, and accelerate growth in our asset-light SCS and DTS businesses.

During 2024, the business generated comparable earnings per share of $12, which is in line with our initial forecast and significantly above the $5.95 of comparable earnings per share generated in 2018, prior to our business transformation. The business also delivered adjusted return on equity of 16%, which is in line with our expectations for an extended freight cycle downturn and continues to demonstrate the resilience of our transformed business model.

Operating revenue grew 8%, reflecting the Cardinal and IFS acquisitions. We're encouraged by the strong performance of our transformed business model and believe that executing on our balanced growth strategy will continue to deliver higher highs and higher lows over the cycle.

Slide five provides key updates on the ongoing progress of our balanced growth strategy. Our transformed business model continues to drive outperformance relative to prior cycles. The integration of our recent acquisitions is on track. As you may recall, we completed the acquisition of Cardinal Logistics on February 1st, 2024, enabling growth and further strengthening our position as a leading provider of customized Dedicated Transportation Solutions.

On November 1st, 2023, we completed the acquisition of IFS, which added co-packaging and co-manufacturing capabilities in SCS, primarily supporting our CPG business. We continue to see long-term growth opportunities in all three of our business segments, supported by secular trends that favor outsourcing decisions, large addressable markets, and the value of our solutions.

Generating ROE of 16% during an extended freight cycle downturn reflects the benefits of our initiatives focused on enhancing returns. The strength of our contractual businesses continues to demonstrate the enhanced quality of the portfolio and increased resilience of our business model.

The current phase of our balanced growth strategy is focused on creating compelling value through operational excellence, investing in customer-centric innovation, further improving full-cycle returns, and generating profitable growth. We remain confident that continuing to execute our

strategy while positioning ourselves for the cycle upturn will result in further enhanced full-cycle returns.

The earnings power of our contractual portfolio continues to provide us with increased capital deployment capacity, which we expect to use to support profitable growth and return capital to shareholders. During 2024, we returned $456 million in cash to shareholders through share repurchases and dividends. We repurchased 2.5 million shares and increased our dividend by 14%. Since 2021, we have repurchased approximately 19% of our shares outstanding and increased the average dividend growth rate to 12%.

Slide six illustrates how key financial and operating metrics have improved since 2018, reflecting the execution of our strategy. In 2018, prior to the implementation of our balanced growth strategy, the majority of our $8.4 billion of revenue was from FMS. Ryder generated comparable earnings per share of $5.95 and return on equity of 13%. FMS generated pre-tax earnings of $340 million, and SCS and DTS combined generated $191 million in pre-tax earnings. Operating cash flow was $1.7 billion. This was during peak freight cycle conditions.

In 2024, a year we believe will represent trough freight cycle conditions, our transformed business model generated meaningfully higher earnings and returns than it did during the 2018 peak. Through organic growth, strategic acquisitions, and innovative technology, we have shifted our revenue mix towards supply chain and dedicated, with 61% of 2024 revenue coming from these asset-light businesses, compared to 44% in 2018.

2024 comparable earnings per share were $12, more than double 2018 comparable earnings per share of $5.95. ROE was 16% above the 13% generated during the prior cycle peak. FMS pre-tax earnings in 2024 were 1.5 times higher than in 2018 and SCS and DTS earnings were 2.4 times higher, reflecting growth and our returns focus. As a result of profitable growth in our contractual

lease, dedicated and supply chain businesses, operating cash flow has increased 32% from $1.7 billion in 2018 to $2.3 billion in 2024.

As shown here, the business is outperforming prior cycles even when comparing prior peak to an expected trough. We are proud of the results of our transformation thus far, and we are confident that continued execution and momentum from multi-year initiatives positions us well for 2025 and beyond.

I'll now turn the call over to Cristy to review our fourth quarter performance.

Cristy Gallo-Aquino: Thanks, Robert. Total company results for the fourth quarter are on page seven. Operating revenue of $2.6 billion in the fourth quarter, up 7% from the prior year, primarily reflects acquisitions. Comparable earnings per share from continuing operations were $3.45 in the fourth quarter, up from $2.95 in the prior year. The increase reflects double-digit earnings growth in all business segments.

Return on equity, our primary financial metric was 16%, as previously discussed. Free cash flow increased to positive $133 million from negative $54 million in the prior year, reflecting lower capital expenditures, partially offset by lower proceeds from the sale of used vehicles and lower cash from operating activities.

Turning to Fleet Management results on page eight. Fleet Management Solutions' operating revenue increased 3% due to higher ChoiceLease revenue, partially offset by lower rental demand. ChoiceLease revenue grew 8%, with about 40% coming from organic lease revenue growth and the remainder from inter-segment lease revenue from Cardinal vehicles operating in our dedicated segment.

Pre-tax earnings in FMS were $152 million, up year-over-year, primarily reflecting higher ChoiceLease performance partially offset by lower rental demand. Rental utilization on the power fleet was 73%, down from 75% in the prior year. Rental results for the quarter continued to reflect market conditions that remain weak. Although we did see a typical seasonal improvement in rental demand from Q3 to Q4, our fleet pricing was down 3%.

Fleet Management EBT as a percent of operating revenue was a solid 11.6% in the fourth quarter, as ChoiceLease earnings growth more than offset the impact from weak conditions in rental and used vehicle sales. For full year 2024, EBT as a percent of operating revenue was 10.1%, in line with our expectations given where we are in the freight cycle but below our recently increased long-term target of low teens.

Page nine highlights used vehicle sales results for the quarter. Year-over-year pricing declines continued to narrow in the fourth quarter. Used tractor proceeds declined 13% and used truck proceeds declined 12%. On a sequential basis, proceeds for tractors decreased 2% and proceeds for trucks decreased 3%. During the quarter, we sold 4,700 used vehicles unchanged sequentially and down versus prior year. Used vehicle inventory decreased to 9,000 vehicles at year-end and was in line with our targeted inventory range. Although used vehicle pricing declined, proceeds remain above residual value estimates used for depreciation purposes.

Slide 24 in the appendix provides historical sales proceeds and current residual value estimates for used tractors and trucks for your information.

Turning to supply chain on page ten. Operating revenue increased 4%, driven by the IFS and Cardinal acquisitions, partially offset by lower sales activity reflecting freight cycle conditions and economic uncertainty. Supply chain earnings increased 58% from prior year, primarily reflecting stronger omnichannel retail performance driven by higher customer volumes and improved productivity gains. Supply chain EBT as a percent of operating revenue was a strong 8.9% in the

quarter and was 8.4% for full year 2024, in line with the segment's long-term target of high single digits.

Moving to Dedicated on page 11. Operating revenue increased 46%, reflecting the acquisition of Cardinal Logistics. Dedicated EBT increased 10% from prior year, reflecting the acquisition. DTS results also continued to benefit from strong performance of our legacy Dedicated business, reflecting pricing discipline as well as favorable market conditions for recruiting and retaining professional drivers.

Dedicated EBT as a percent of operating revenue was 7.1% in the quarter. For the full year, it was 6.7%, below the segment's long-term high single-digit target, reflecting acquisition integration costs.

I'll now turn the call over to John to review capital spending and capital deployment capacity.

John Diez: Turning to slide 12. 2024 lease capital spending of $2 billion was below prior year, reflecting lower sales activity. In 2025, we're forecasting lease spending to increase to $2.2 billion, reflecting higher replacement activity. We expect the ending lease fleet to remain level year-over-year, reflective of the freight cycle.

2024 rental capital spending of $525 million was above prior year as planned, reflecting higher replacement activity. In 2025, we're forecasting lower rental capital spending of $375 million, reflecting lower planned replacement activity. Our ending rental fleet is expected to decrease 6% during 2025 and our average rental fleet is expected to be down 4%. The rental fleet remains well below peak levels as we manage through an extended market slowdown.

In rental, we continue to shift capital spending to trucks versus tractors as trucks have benefited from relatively stable demand and pricing trends. At year-end 2024, trucks represented approximately 60% of our rental fleet.

Our full year 2025 capital expenditures forecast of approximately $2.7 billion is in line with prior year. We expect approximately $500 million in proceeds from the sale of used vehicles in 2025, as we did not anticipate a meaningful recovery in market conditions. Full year 2025 net capital expenditures are expected to be approximately $2.2 billion.

Turning to page 13. In addition to increasing the earnings and return profile of the business, our transformed contractual portfolio is also generating significant operating cash flow. Improving the overall cash generation profile of the business is one of the essential elements of our balanced growth strategy. Better earnings performance is driving higher cash flow generation and in turn is delevering our balance sheet at a more rapid pace. This momentum is creating incremental debt capacity, given our target leverage range of between 2.5 and 3 times.

As shown on the slide, over a three-year period, we expect to generate approximately $10 billion from operating cash flow and used vehicle sales proceeds. This creates approximately $3.5 billion of incremental debt capacity, resulting in $13.5 billion available for capital deployment. Over the same three-year period, we estimate approximately $9.2 billion will be deployed for the replacement of lease and rental vehicles and for dividends, leaving around $4.3 billion of capital available for flexible deployment to support growth and return capital to shareholders.

We estimate about half of this capacity will be used for growth CAPEX and the remaining to be available for discretionary share repurchases and strategic acquisitions and investments. Our capital allocation priorities remain unchanged and are focused on supporting our strategy to drive long-term profitable growth and return capital to shareholders.

Our top priority is to invest in organic growth. We have taken a balanced approach to investing, and since 2021 have invested approximately $1.1 billion in strategic M&A and have deployed approximately $950 million for discretionary share repurchases, reducing our share count by 19%.

Our balance sheet remains strong, with leverage of 250% at year-end at the bottom end of our target range, and continues to provide ample capacity to fund our capital allocation priorities.

With that, I'll turn the call back over to Robert to discuss our 2025 outlook.

Robert Sanchez: Slide 14 highlights key aspects of our 2025 outlook. In terms of market assumptions, we're expecting a muted growth environment in 2025, reflecting freight market conditions. The top end of our 2025 forecast range assumes continued contractual earnings growth and a very modest improvement in rental demand later in the year.

We expect to see typical seasonal patterns in rental most of the year and slightly better than seasonal trends later in the year, reflecting an anticipated slow freight recovery. We also expect rental utilization to improve modestly from the prior year on a 4% smaller average fleet.

We remain confident that secular trends continue to favor transportation and logistics outsourcing, and that our operational expertise and strategic investments will continue to enable us to deliver increased value to our customers and our shareholders. We are assuming a slight increase of 1% in US Class 8 tractor production in 2025.

2025 gains from the sale of used vehicles are expected to be below 2024 levels. Our full year forecast assumes used vehicle prices remain generally in line with 2024 and above the residual value estimates used for depreciation purposes. In terms of our financial forecast for 2025, operating revenue is expected to grow approximately 2% due to near-term revenue growth headwinds reflective of the freight cycle.

2025 comparable earnings per share is expected to increase by 17% at the high end of our $13 to $14 forecast range, as the ongoing structural changes to the business deliver solid contractual

earnings growth in a muted market environment. ROE is expected to increase to a range of $17 to 18%, reflecting contractual earnings growth.

Free cash flow is expected to be between positive $300 and $400 million, up from the prior year, primarily reflecting lower vehicle CAPEX and higher operating cash flow. Overall, we expect to deliver earnings growth and increased returns in 2025, reflecting the strength and durability of our transformed and cycle-tested business model.

Slide 15 provides outlook highlights for each of our segments. In FMS, operating revenue growth is expected to be in line with the segment's mid-single-digit target, reflecting pricing benefits from our initiatives as well as inflationary increases. FMS EBT as a percent of operating revenue is expected to be up year-over-year, but below the segment's low teens target, reflective of freight cycle timing.

We are confident in our ability to reach our long-term EBT target in FMS over time, based on the demonstrated earnings power of our contractual ChoiceLease business and strategic initiatives, coupled with the benefits we expect when the market conditions in rental and used vehicle sales recover.

SCS operating revenue growth is expected to be below the segment's low double-digit target range due to near-term sales headwinds, reflective of the freight cycle and economic uncertainty. SCS EBT percent is expected to be at the segment's high single-digit target range, primarily due to incremental operating efficiencies in our omnichannel retail network.

In DTS, operating revenue growth is expected to be below its high single-digit target due to near-term sales headwinds, reflective of the freight cycle. DTS EBT as a percent of operating revenue is expected to return to the segment's high-single-digit target range in 2025, reflecting incremental acquisition synergies and continued strong performance in our legacy business. We expect to

continue share repurchase activity and we'll continue to manage discretionary spending by leveraging our zero-based budgeting process.

Overall, we expect the momentum in our contractual businesses to continue into 2025 and drive earnings growth. We also expect the near-term revenue growth headwinds we are experiencing to begin to dissipate as freight conditions gradually improve.

Slide 16 outlines the key changes from 2024 to reach the high end of our 2025 comparable earnings per share forecast. As previously noted, contractual earnings growth is the key driver of increased comparable earnings per share.

FMS contractual businesses are expected to contribute $1 in incremental earnings per share, reflecting benefits from our lease pricing and maintenance cost savings initiative. SCS and DTS are expected to contribute $0.85 in incremental earnings per share, reflecting synergies from the Cardinal acquisition and improved performance in omnichannel retail.

In FMS, our transactional used vehicle sales and rental businesses are expected to be $0.25 net earnings per share benefit as the impact from a very modest rental recovery later in the year is partially offset by lower year-over-year used vehicle gains. A $0.10 EPS headwind is expected as a higher tax rate and increased employee compensation costs are partially offset by the benefit of a reduced share count from share repurchase activity. That brings the high end of our 2025 comparable earnings per share forecast to $14, with a range of $13 to $14.

Transformative changes that we've made in the business model continue to deliver strong results. The earnings power of our contractual businesses is more than offsetting near-term headwinds in the transactional parts of our business.

Turning to page 17. A key driver of expected earnings growth in 2025 is incremental benefits from multi-year strategic initiatives already underway and related to our contractual lease, dedicated, and supply chain businesses. We have good visibility to these initiatives. They represent structural changes we're making in our business and are not dependent on cycle upturns. Upon completion, we expect these initiatives to generate annual pre-tax earnings benefits of approximately $150 million, which will be a key component to achieving our long-term ROE target of low 20s over the cycle.

In FMS, we expect to realize approximately $20 million in incremental annual benefits from our lease pricing initiative in 2025. This results in a total of $125 million benefit relative to our 2018 run rate, reflecting portfolio pricing under the new model. We expect $50 million in benefits from the multi-year maintenance cost savings initiative announced in mid-2024.

In DTS, we expect to realize $40 to $60 million in annual synergies from the Cardinal acquisition at full implementation. Integration is on track with good line of sight to the majority of expected synergies, which are related to maintenance efficiencies and replacing third party operating leases with the benefits of Ryder ownership and asset management.

In SCS, we are focused on optimizing our omnichannel retail warehouse network through continuous improvement efforts, driving operational efficiencies, and better aligning our footprint with the demand environment. During the second half of 2024, we began begin to see improved productivity in this vertical as a result of these actions and expect incremental benefits going forward.

By 2025, we expect to realize benefits of approximately $100 million from these collective initiatives. Approximately $70 million of these benefits are incremental to 2024. We are confident that the strength of our contractual portfolio and ongoing execution of these initiatives will provide incremental benefits in 2025 and beyond.

Turning to slide 18. In addition to continuing to increase the return profile of our contractual businesses, we are also focused on ensuring the business is well-positioned to benefit from the cycle upturn. As we outlined on the prior earnings call and at our Investor Day in June, we expect annual pre-tax earnings benefits of approximately $200 million by the next cycle peak.

Although the majority of our revenue is supported by long-term contracts that generate relatively stable and predictable operating cash flows over the cycle, each business segment has meaningful opportunities to benefit from the cycle upturn.

We expect the majority of the $200 million benefit to come from the cyclical recovery of rental and used vehicle sales in FMS. In Dedicated, improved driver availability and lower recruiting and turnover costs are benefiting earnings, but have been headwinds for new sales and revenue growth.

As freight capacity tightens and driver availability becomes more challenging, we expect to see incremental sales opportunities and improved revenue growth in DTS as private fleets seek solutions to address this pain point. In supply chain, weaker volumes in our omnichannel retail vertical have been a headwind to revenue and earnings. We expect supply chain results to benefit as volumes for these services recover, and our optimized warehouse footprint is leveraged.

The high end of our 2025 comparable forecast range includes minimal expected freight cycle upturn benefits of approximately $15 million. We've been pleased by the businesses performance during the down cycle, and are confident that each of our three business segments is appropriately positioned to benefit from the cycle upturn.

Turning to page 19. We're forecasting comparable earnings per share of $13 to $14 versus $12 in 2024. We're also providing a first quarter comparable earnings per share forecast of $2.30 to $2.55

versus the prior year of $2.14. As a reminder, the first quarter has historically been our lowest earnings quarter and our forecast reflects normal seasonality.

We remain focused on our initiatives to increase the return profile of our contractual portfolio and are confident that our transformed business model is capable of performing across a range of business environments.

Turning to page 20. Ryder is delivering value to our shareholders, with more to come. Since implementing our balanced growth strategy, we have generated strong returns during each phase of the cycle. We achieved higher highs during the 2022 up cycle and generated significantly higher returns during the extended downturn in 2023 and 2024, relative to prior down cycles.

We continue to see significant opportunity for profitable growth supported by secular trends, our operational expertise, and ongoing momentum from multi-year initiatives. We remain committed to investing in products, capabilities, and technologies that will deliver value to our customers and our shareholders.

That concludes our prepared remarks. Please note that we expect to file our 10-K later today. We had a lot of material to cover today, so please limit yourself to one question each. If you have additional questions, you're welcome to get back in the queue and we'll take as many as we can.

At this time, I'll turn it over to the operator.

Operator: Thank you. If you'd like to ask a question, please signal by pressing Star One on your telephone keypad. If you are using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Once again, press Star One to ask a question. We'll pause for just a moment to allow everyone an opportunity to signal for questions. We'll go first to Christyne McGarvey with Morgan Stanley.

Christyne McGarvey: Okay. Thanks for taking my question. Good morning. Maybe just starting on the revenue growth guidance. I know you guys called out a sort of muted kind of growth environment here, but we'd love to just parse out some of the moving parts there. Are you expecting a decent amount of churn or downsizing versus maybe just slower kind of pipeline conversion? Just would love a little bit more on the moving parts that get you to 2%?

Robert Sanchez: Yeah. Thanks, Christyne. Look, well, as we said, on the FMS side, we expect to be within our target range of mid-single digits. Not a lot of lease fleet growth yet. Probably flat. And that's primarily because we're not expecting a whole lot of help from the freight market. So we're expecting continued softness or muted freight market through the year. That could change. But as we put together our plan, that was kind of our best guess. And that would also create ongoing growth headwinds in the supply chain, dedicated businesses.

So we're not expecting a lot from those businesses. As you can see, though, we do have pretty meaningful earnings growth. And I would just point to the fact that it's primarily an initiatives-based earnings growth story. It's really those things that we know we can control and continue to execute on those initiatives is really what gives us confidence around the year-over-year earnings growth that we're outlining.

Christyne McGarvey: Great. Appreciate the color.

Robert Sanchez: Thank you.

Operator: If you find that your question has been answered, you may remove yourself from the queue by pressing the star key followed by the digit two. We'll go next to Jeff Kauffman with Vertical Research Partners.

Jeff Kauffman: Thank you very much and congratulations John and Cristy. Look forward to working with you both in your new roles. I want to focus a little bit on the dynamics going on in FMS. On one hand, people are talking about a freight market turn and the market tightening up. On the other hand, your redeployments are up, your extensions are down, your early terminations are up. It doesn't look as if rent will move forward in the fourth quarter. It looked like it moved backward a little bit. So from your perspective, I know the lease side of the business looks great. Even the outsourced maintenance product looked like a pretty sharp slowdown. Is it getting better? Is it getting worse? Is it the same? Kind of what's going on the way you see truck demand out there?

Robert Sanchez: Yeah. I'll let Tom give you a little more color, but the simple answer is we're not seeing an upturn yet. We're still seeing kind of, if anything, moving sideways, rental moving seasonally, but not a significant upturn. Lease miles that we've been watching closely are sort of flattish now and not making a big turn. And then on the used vehicle side again, we still talked about single-digit declines in pricing.

So Tom, why don't you give them a little more color on what you're seeing?

Tom Havens: I think it's the same across the three main product lines. It's pretty flattish, and any adjustments that we've seen are just normal seasonality. When you look at full-service lease, customer sentiment has been the same generally speaking. Pipelines remain about the same as we've moved from quarter to quarter. There's still some concern out there from a customer base on one what you're seeing from tariffs and uncertainty around then and then still uncertainty in the general economic environment, which I think is still continuing to cause delays in decisions.

In rental, we saw just a normal seasonal uptick in the fourth quarter. As we rolled in here to January, we expected demand to fall sequentially like it always does seasonally and we saw a normal seasonal adjustment into Q1. And then similarly, in used vehicle sales, pricing down a little bit, but generally speaking just kind of bouncing along the bottom. And as we rolled in here to January,

we saw the same thing. And to a large extent, we're forecasting that kind of flattish environment through most of the year with a little bit of an uptick in the back half.

Jeff Kauffman: How do you interpret the SelectCare part of the portfolio slowing down to, I think, 1% growth in the quarter? That one had me scratching my head a little bit because I would think if people are delaying decisions, they still need to maintain their vehicles. So is this part of the paralysis?

Robert Sanchez: I think Tom spoke about it on the last call, but go ahead, Tom, you can talk about what you're seeing there.

Tom Havens: Yeah. We were 1% up full year. But in the fourth quarter, the revenue was up 3% year-over-year. And that's despite what you're seeing in the fleet. I've mentioned this before, but we had really two large fleets, one a very large trailer fleet that downsized from Q3 into Q4 and very low to no impact to the financials, as you can see. And then similarly, the rest of the unit count loss was very low impact both to revenue and margin. And as we look to 2025, we're expecting that SelectCare fleet to grow in that mid-single-digit target range that we put out there.

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

Robert Sanchez: Thanks, Jeff.

Operator: We'll go next to Jordan Alliger with Goldman Sachs.

Jordan Alliger: Yeah. I just wanted to come back to the revenue for a second. When you think ahead in 2025 is sort of the expectations because if you just look at supply chain and dedicated, it would not imply much growth from those two segments. Is that based on your pipeline visibility now and can that prove out to be conservative? I know you alluded to not much help from the freight markets,

but what could get more growth there? And then just along those lines, which has the bigger drag, you think going into the year? Is it dedicated or supply chain? Thanks.

Robert Sanchez: Yeah. I'll just say, look, I think the most important thing is the secular trends that we see around outsourcing in each of our businesses are still solid. What we're seeing is the impact of the freight market slowdown that's hurting lease. It's hurting dedicated and to a certain extent hurting some of supply chain. And then also the uncertainty in the economic environment gives customers pause before they sign a long-term contract, which is what all these businesses are.

But John, why don't you give a little bit more color as to how we see that?

John Diez: Yeah, Jordan. Just picking up on dedicated first, you heard from Tom earlier about what he's seeing in lease that spills over with fleet into our dedicated business as well. We are seeing kind of a sideways market and we haven't seen much sales activity here as we navigate the bottom of the cycle. So I think that will continue for us both on dedicated and supply chain. The lead times are generally about six to nine months, so once the market starts picking up, then you would see kind of our contractual growth in both dedicated and supply chain to start picking up.

As far as the health of the pipeline, the pipelines are actually up and one that we're pretty excited about. I think people are just waiting for decisions to be made as they look at the policy uncertainty with the administration and tariffs in particular. But we do expect as we get to the latter part of the year, we're going to see some movement in sales activities and sales wins as we close out the year.

Jordan Alliger: Thanks. And just sort of along those lines, just make sure I understand. On the supply chain side, in terms of the pipeline, are you seeing any shift in demand from a vertical demand perspective, like maybe is industrial picking up auto? I'm just curious within supply chain where the most interest has been. Thanks.

Robert Sanchez: Sure. Steve is on the line. Sensing, you want to take that?

Steve Sensing: Yep. Sure will, Jordan. Yeah. I think as you look at the pipeline, as John said, we're slightly up here year-over-year in the quarter. We've seen a nice uptick in industrial, around 25% there. Tech and health, similar. Retail is up and also in our transactional business. So I'd say it's a spread across the majority of those. Not seeing a huge uptick in automotive at this point. But all in all, I think we're in pretty good shape.

Jordan Alliger: Thanks so much.

Robert Sanchez: Thanks, Jordan.

Operator: We'll take our next question from Daniel Imbro with Stephens.

Daniel Imbro: Hey, good morning, guys. Thanks for taking our questions. Maybe to follow up on the dedicated revenue outlook. I think you mentioned we're flattish here in the quarter as navigate the down cycle, but dedicated revenue per truck decelerated a bit sequentially. It actually decelerated a little more than some other dedicated carriers did. So can you talk about why that revenue per truck is slowing if the macro feels like it's at least stable? And then understanding that the pipeline is growing, just curious how we think about revenue per truck per week as we think about 2025 guide and what that margin recovery looks like within DTS? Thanks.

Robert Sanchez: Yeah, I don't have the exact numbers around that versus the market, but it really has to do with sequentially seasonal slowdowns in the fourth quarter. And also it's the mix of customer base that we have. We have customized dedicated transportation. So these are not your typical dry vans. So depending on what's going on in those industries, you're going to have some adjustments to revenue in the quarter. So that's the only explanation that I can think of for that.

John, I don't know if there's anything else?

John Diez: Yeah. I think what you're looking at there is looking at gross revenue as a factor to our unit count. But if you look at our operating revenue that normalizes for what's happening with fuel prices, that indicator is actually performing quite well. And sequentially was in line with what we would expect.

Daniel Imbro: Got it. And on the margin recovery, is it simply just pricing is the biggest lever to get us back towards that historical target range?

Robert Sanchez: Yeah. It's really finishing the integration of our Cardinal acquisition. So we feel really good about the progress we've made so far and have a good line of sight in 2025. So that is one of the, I would say, one of the meaningful drivers to our earnings growth story in 2025 and we expect that would get Dedicated EBT as a percent of revenue back to our target level of high single digits.

Daniel Imbro: Great. Thanks for all the color. Thank you.

Robert Sanchez: Thank you.

Operator: We'll go next to Harrison Bauer with Susquehanna.

Harrison Bauer: Great. Thanks for taking my question. Just bigger picture with regards to tariffs and US trade policy. How is that impacting your business so far? And maybe you can discuss the more explicit cross-border effect that you might have with some of your business in Canada and Mexico. And then broadly, how might your SCS or other businesses be indirectly affected by some of this tariff and trade policy? Thank you.

Robert Sanchez: Okay. Thanks, Harrison. Well, first of all, the only impact that I see right now is primarily around just creating uncertainty, which creates some headwinds for customers who we want to sign long-term contracts, whether they be three-year, six, seven-year contracts for our contractual businesses. So that's clearly created some additional uncertainty.

So further on, as it relates to additional tariffs that may or may not be put in place here, I guess the first thing I would tell you is that 93% of our revenues are in the United States, in the US. So we're primarily US. We also have operations in Mexico and Canada. There's been a lot of uncertainty around the timing and the final policy with any tariffs that would be implemented as part of the North America USMCA agreement adjustments.

But I guess one thing that we do feel pretty confident is our ability to certainly as it relates to trucks, to pass those through to our customers. Both contractually and historically, we've been able to do that. And then I think as a leader in transportation and supply chain services, we're really well positioned to help our customers navigate through some additional, I would say, uncertainty and need for resilience and flexibility. So we feel good about that.

So I guess near-term, creating some uncertainty, which could really just slow things down on the sales side. And it's just really hard to tell in terms of what the tariffs, if any, will be between US, Mexico, and Canada and what the impact of that could be.

Harrison Bauer: Thanks. And maybe a quick follow-up actually on dedicated. Are you still seeing some pressure from smaller fleets, maybe undercutting on pricing? And what kind of contractual rate pricing from truckload rates do you need to see to maybe get shippers to convert to your platform as the year progresses?

Robert Sanchez: Yeah. I'll let Steve give you a little more color there. But generally what's happening is when spot rates are so low, where companies maybe have added some dedicated fleet in order to move their product during times where there wasn't a whole lot of capacity during COVID on the truckload side, we're seeing on the margin some of those moving back.

But Steve, you want to give them a little bit of color on where you think that could turn?

Steve Sensing: Yeah, I think it's similar to where as Tom was saying, we continue to bounce on the bottom as far as the spot rate and we're starting to see some tightening on the contract rates, which is a positive sign. So as those customers now in the past have really traded service for cost with those secular trends of a driver tightening, market coming back, freight market coming back. We expect that to yield as Robert said in his prepared remarks opportunities for growth in dedicated.

Robert Sanchez: I guess what I would add to that Harrison, too, is that what helps us there also is that a majority of our customers are customized-type dedicated, so not as easy to transfer all of that freight to truckload. There is some and that's the stuff we're seeing on the margin roll-off.

Harrison Bauer: Great. Thanks for the color.

Operator: We'll go next to Christyne McGarvey with Morgan Stanley.

Christyne McGarvey: Hey, thanks for my second question here. Maybe just a quick one. Just on bonus depreciation. Can you frame up if there is any policy change there or what that could mean for Ryder?

Robert Sanchez: Hey, Cristy.

Cristy Gallo-Aquino: Yes. Hi, Christyne. Yeah. So, basically, if there is a change there, what we're expecting it depends on what it looks like and what comes out of it. But a combination of the bonus depreciation and interest deductibility could present us with an opportunity to lower cash taxes by about $200 million. So it all is going to depend on when it goes into effect and if it's retro or prospective. But we're closely monitoring that and think that it will benefit us from a cash tax perspective.

Christyne McGarvey: Appreciate it. Thank you.

Robert Sanchez: Thank you, Christyne.

Operator: At this time, there are no further questions. I'd like to turn the call back to Robert for any additional or closing remarks.

Robert Sanchez: Okay. Thank you, all. Thanks for your interest in Ryder. We're really proud of the team's performance. Another strong quarter during this extended downturn. And it's our first quarter with year-over-year earnings that we expect to now become a trend as long as things continue the way that we are seeing them. And I think it's another proof point of the resiliency and durability of our transformed business model. So excited about that and looking forward to seeing all of you as we get out on the road.

Operator: This does conclude today's conference. We thank you for your participation.