Conference Title: Ryder System First Quarter 2025 Earnings Release

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Operator: Please stand by. Good morning and welcome to the Ryder System First Quarter 2025 Earnings Release Conference Call. All lines are in 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 not 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 First Quarter 2025 Earnings Conference Call. I'd like to remind you that during this presentation, you'll hear some forward-looking statements within the meeting 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. I'm proud of our team for delivering double digit earnings growth during the first quarter. In line with our forecast, 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. I'll begin today's call by providing you with a strategic update. Cristy will then take you through our first quarter results and John will review capital expenditures and our increasing capital deployment capacity. I'll then review our updated outlook for 2025 and discuss how we expect to leverage the momentum of our transformed business model. Let's begin on slide four. Turning to slide four, our transformed business model and execution of our balanced growth strategy continue to drive earnings growth. We remain on track to realize the benefits from our strategic initiatives outlined during our February earnings call. These benefits are the key driver of the year-over-year earnings growth we are expecting. Long-term secular trends that favor transportation and logistics outsourcing remain strong. The value that our solutions bring to our customers remains compelling even more so during times of increasing complexity. By leveraging our operational expertise and innovative technology, we are well positioned to support our customers and prospects as they navigate changes to their supply chains and transportation networks. We generated ROE of 17% for the trailing 12-month period, which is in line with our expectations for an extended freight cycle downturn and continues to demonstrate the resilience of our transformed business model. Earnings growth and our contractual businesses reflects the value proposition and pricing discipline embedded in our high quality contractual portfolio. We expect our transformed and cycle-tested business model to continue to outperform prior cycles.

In addition to increasing the return profile of our business, the earnings power of our contractual portfolio continues to provide us with increased capital deployment capacity, which we expect to use to support profitable growth and return capital to shareholders. During the quarter, we returned $202 million to shareholders by repurchasing 1.1 million shares and paying our quarterly dividend. Since 2021, we have repurchased approximately 20% of our shares outstanding and increased our dividend approximately 40%. We increased our 2025 forecast for free cash flow to a range of 375 to 475 million, primarily due to lower expected capital spending. Slide five, illustrates how key financial and operating metrics have improved since 2018, reflecting the execution of our strategy. In 2018, prior to the implementation of our balanced growth strategy, the majority of our $8.4 billion

of revenue was from FMS. Ryder generated comparable earnings per share of 5.95 and an ROE of 13%. Operating cash flow was 1.7 billion. This was during peak freight cycle conditions. Now, let's look at what we're expecting from Ryder today. In 2025, a year in which freight market conditions are expected to remain near trough levels, our transformed business model is expected to generate meaningfully higher earnings and returns than it did during the 2018 peak. Through organic growth, strategic acquisitions and innovative technology, we have shifted our revenue mix towards supply chain and dedicated with 60% of 2025 revenue expected to come from these asset light businesses compared to 44% in 2018. As a reminder, 93% of our revenue is generated in the U.S. 2025 comparable EPS is expected to be between 12.85 and 13.60 more than double 2018 comparable EPS of 5.95. ROE is expected to be 16.5 to 17.5% up from the 13% generated during the prior cycle peak. As a result of profitable growth in our contractual lease dedicated and supply chain businesses, operating cash flow is expected to increase to 2.5 billion up approximately 50% from 2018. As shown here in 2025, the business is expected to continue to outperform prior cycles, even when comparing prior peak to the current market conditions. We're proud of the strong performance of our transformed business model and believe that executing on our balance growth strategy we'll continue to deliver higher highs and higher lows over the cycle. I'll now turn the call over to Cristy to review our first quarter performance.

Cristina Gallo-Aquino: Thanks, Robert. Total company results for the first quarter are on page six. Operating revenue of 2.6 billion in the first quarter, up 2% from the prior year primarily reflects the prior year acquisition and contractual revenue growth in supply chain and FMS, partially offset by lower rental. Comparable earnings per share from continuing operations were $2.46 in the first quarter, up from $2.14 in the prior year. The increase reflects higher contractual earnings in all segments, partially offset by weaker market conditions in rental and used vehicle sales. Return on equity, our primary financial metric was 17% as Robert previously mentioned. Free cash flow increased to positive 259 million from 13 million in the prior year, reflecting lower capital expenditures. Turning to fleet management results on page seven, fleet management solutions operating revenue increased 1% due to higher Choice lease revenue, partially offset by lower rental

demand. Choice lease revenue grew 3%. Pre-tax earnings in fleet management were 94 million down year-over-year as higher choice lease performance driven by pricing and maintenance cost savings initiatives was offset by lower rental demand and used vehicle gains. Rental utilization on the power fleet was 66% in line with prior year. The rental fleet /declined 3% year-over-year. Rental results for the quarter continue to reflect market conditions that remain weak and the sequential decline in rental demand was below historical trends. Power fleet pricing was up 2%. Fleet management, EBT as a percent of operating revenue was 7.5% in the first quarter below our long-term target of low teams over the cycle.

Page eight highlights used vehicle sales results for the quarter. Year-over-year, used tractor proceeds decline 16% and used truck proceeds declined 17%. On a sequential basis, proceeds for tractors decreased 7% and proceeds for trucks decreased 8%. These single digit sequential declines were in line with our expectations. The sequential decline in tractor pricing reflects the sale of aged inventory in the quarter. Excluding this activity, tractor pricing was up 3% sequentially, primarily driven by sleeper tractors. We expect sales of aged inventory to continue in the second quarter as we manage through our inventory levels. We were encouraged to see pricing on sleeper tractors increase sequentially. During the quarter, we sold 5,100 used vehicles up sequentially and down from the prior year. Used vehicle inventory increased to 9,500 vehicles and was slightly above our targeted inventory range. Although used vehicle pricing declined, proceeds remain above residual value estimates used for depreciation purposes. Slide 19 in the appendix provides historical sales proceeds and current residual value estimates for used tractors and trucks for your information. Turning to supply chain on page nine, operating revenue increased 3% driven by new business and higher customer volumes. Supply chain earnings increased 35% from prior year, primarily reflecting improved operating performance from strategic initiatives and new business. Supply chain EBT as a percent of operating revenue was 8.7% in the quarter, in line with the segment's long-term target of high single digits. Moving to dedicated on page 10, operating revenue increased 8% reflecting the prior year acquisition completed in February of 2024. Dedicated EBT increased 50% year-over-year reflecting acquisition synergies as well as prior year integration

costs. 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 5.9% in the quarter below the segments long term high single digit target. I'll now turn the call over to John to review capital spending and capital deployment capacity.

John Diez: Turning to slide 11, first quarter lease capital spending of 413 million was below prior year reflecting lower lease sales activity. Rental capital spending of 78 million was in line with prior year. For full year 2025, lease spending is expected to be 2.1 billion, reflecting replacement activity. We expect the size of the lease fleet to remain fairly constant throughout the year. Rental capital spending is now expected to be 300 million down from approximately 400 million in our prior forecast, reflecting our revised outlook. Our ending rental fleet is expected to decrease 9% 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 downturn. In rental, we've continued to shift capital spending to trucks versus tractors. At year-end 2024 trucks represented approximately 60% of our rental fleet. Our full-year 2025 capital expenditures forecast of approximately 2.6 billion is in line with prior year. We expect approximately 500 million in proceeds from the sale of used vehicles in 2025. Full-year 2025 net capital expenditures are expected to be approximately 2.1 billion. Turning to page 12, in addition to increasing the earnings and return profile of the business, our transform 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 balance growth strategy. Better earnings performance is driving higher cash flow generation and in turn is de-levering our balance sheet at a more rapid pace.

This momentum is creating incremental debt capacity, given our target leverage range of between 2.5 to three times. As shown on the slide, over a three-year period, we expect to generate approximately ten 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 nine billion will be deployed for the replacement of lease and rental vehicles and for dividends, leaving around four billion of capital available for flexible deployment to support growth and return capital to shareholders. We estimate about half of this capacity will be used for growth CapEx and the remaining to be available for discretionary share repurchases and strategic acquisitions and investments. Our capital allocation priorities remain unchanged and are focused on supporting our strategy to drive long-term profitable growth and return capital to shareholders. Our top priority is to invest in organic growth. We've taken a balanced approach to investing and since 2021 have invested approximately 1.1 billion in strategic acquisitions and have deployed approximately 1.1 billion for discretionary share repurchases, reducing our share count by 20%. Our balance sheet remains strong with leverage of 259% a quarter end at the lower end of our target range and continues to provide ample capacity to fund our capital allocation priorities. With that, I'll turn the call back over to Robert to discuss our outlook.

Robert Sanchez: Turning to our outlook on page 13, our full-year 2025 comparable EPS forecast is updated to a range of 12.85 to 13.60 above prior year of $12 as higher contractual earnings and the benefits from our strategic initiatives offset the impact from market conditions in rental and used vehicle sales. Our updated forecast reflects a more muted macroeconomic environment than our prior forecast, which is expected to primarily impact rental demand. Class 8 production in the U.S. is now expected to be down 20%, whereas our initial forecast expected it to be up 1%. Our second quarter comparable EPS forecast range is 3.00 to 3.25 versus prior year of $3 and assumes weaker rental demand. Our 2025 ROE forecast range is revised to 16.5 to 17.5% from 17 to 18%, reflecting our updated outlook. The revised range remains in line with our expectations, given current market conditions. The extended freight downturn and economic uncertainty continue to cause some customers and prospects, and lease dedicated and supply chain to delay decisions or downsize their fleets. These near term contractual sales headwinds are consistent with current market conditions. We remain confident in the long-term secular growth trends for all our businesses and in the value our solutions bring to our customers. We remain focused on our initiatives and are

confident that our transformed business model is capable of performing across a range of business environments.

Turning to page 14, the key driver of expected earnings growth in 2025 is incremental benefits from multi-year strategic initiatives that are well underway and related to our contractual lease dedicated and supply chain businesses. We have good visibility to these initiatives. They represent structural changes we're making to the business and are not dependent on a cycle upturn. Upon completion, we expect these initiatives to generate annual pretax earnings benefits of approximately 150 million, which will be a key component to achieving our long-term ROE target of low 20s over the cycle. In FMS, we expect to realize an incremental annual benefit of approximately 20 million in 2025 from our lease pricing initiative. This results in a total $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. The majority of these synergies are related to maintenance efficiencies and replacing third party operating leases with the benefits of Ryder ownership and asset management. In SCS, we are focused on optimizing our omnichannel retail warehouse network through continuous improvement efforts, driving operational efficiencies and better aligning our footprint with the demand environment. Since the second half of 2024, we have seen 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.

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 such, we expect an annual pre-tax earnings benefit of approximately 200 million by the next cycle peak and expect to begin realizing these benefits after 2025. 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 opportunity to benefit from the cycle upturn. We expect the majority of the $200 million benefit to come from the cyclical recovery of rental and used vehicle sales in FMS. In dedicated, improved driver availability and lower recruiting and turnover costs are benefiting earnings but have been a headwind for sales and revenue growth. As freight capacity tightens and driver availability becomes more challenging, we expect to see incremental sales opportunities and improve 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. We've been pleased by the business's resilience and performance during the extended freight downturn and are confident each of our three business segments is appropriately positioned to benefit from the cycle of turn. Turning to page 15, our transformed business model continues to deliver value to our customers and shareholders. We continue to outperform prior cycles, and our results are benefiting from consistent execution and the strength of our contractual portfolio. We continue to see significant opportunity for profitable growth supported by secular trends, our operational expertise and ongoing momentum from multi-year strategic initiatives. We remain committed to investing in products, capabilities and technologies that will deliver value to our customers and our shareholders. That concludes our prepared remarks. Please note that we expect to file our 10-Q later today. At this time, I'll turn it over to the operator to open the call for questions.

Operator: Thank you. If you'd like to ask a question, please signal by pressing star one on your telephone keypad. If you are using the speaker speakerphone, please make sure your mute function is turned off to allow the signal to reach our equipment. Again, press star, one to ask a question. We'll pause for just a moment to allow everyone an opportunity to signal for questions. We'll go first to Jordan Alliger with Goldman Sachs.

Jordan Alliger: Yeah, hi, good morning. Just a couple things. One, can you maybe talk a little bit more about the used vehicle market, sort of your thoughts around how that could shake out, maybe more

in the context of what are the puts and takes in terms of how that develops in terms of support, or lack thereof, for the used truck markets through the year? And then secondly, can you talk about when you do one of your leases in FMS, you know, the six, I think they're six year deals, you know, what are you taking into consideration when you set up pricing? You know, so once the new pricing initiatives run off, are you guys targeting a return on that contract over the six years' margin? Just get some clarity on that. Thank you.

Robert Sanchez: Okay, thanks, Jordan. First, around UVS I guess a simple way to put it's what we're seeing in UVS is consist of what originally expected when we gave our forecast at the beginning of the year, you know, we're seeing it down. You saw that we reported it was down a single digit, sequentially, but a lot of that was really due to the fact we were selling some aged inventory. If you exclude that, we were actually up, specifically on tractors, which is really the area that I think we're most closely watching. We expect to still be selling some aged inventory in Q2, but then as we get into the second half of the year, we expect that to move much more to retail. But we are seeing the as we've been talking about the last several quarters, we've been seeing used truck pricing sort of bumping along the bottom, especially around tractors, trucks still coming down some more. I think with the drop in new tractor, production for this year, the drop in the estimate that should be beneficial for used trucks as you got less supply coming into the market and therefore gives us a chance to finish working through as I would say, as a market finish working through the inventories that are out there. But let me hand it over to Tom, so he gives you a little bit more color.

Tom Havens: Alright. I think, Robert had most, and Cristy mentioned it in her opening comments. But here in the first quarter, we did do some wholesaling of some aged inventory, and we're expecting to continue that a little bit here in the second quarter. But when you get to the second half of the year, we don't expect that to continue, which will kind of naturally increase the price per unit going forward. When you strip all of that out and just look at the, underlying trends, the pricing in retail is flattish. As you go through the different, classes, we mentioned that, sleeper pricing was actually up, which was a good sign. Additionally, I'll just mention a couple comments about the inventory

trends. Although, the inventory is up year-over-year. The inventory is flipped from tractors to trucks, so tractor inventory is down quite a bit, almost 1,700 units that's offset by the truck inventory by going up. We like that better. The tractor inventory is historically more difficult to work through, and we feel that the tractor inventory is in line and very manageable. And the elevated truck inventory historically we've been able to work through that. So we feel pretty good about those inventory trends and what that'll mean in the future as well. I'll try to answer your second question on, how we price lease deals, but we target a basis point spread versus our WACC, and we look for a target that's between 100 and 150 bip spread from our WAC. And we've seen that here now for a number of years in that targeted range, and we continue to see that spread here in the first quarter, and we certainly expect that to continue.

Robert Sanchez: Yeah, and I think your question was also about as the initiatives -- I guess the pricing initiative catches the tail. The other thing to remember is that Tom also has a maintenance -- optimization maintenance cost initiative, which he's continuing -- him and his team are continuing to execute on. So that'll still work through the next couple years, and as you know, I would assume as those roll off will look for another set of initiatives to go after. Bu yeah, the goal is to continue to target the 100, 150 basis points spread while continuing to look for initiatives to improve returns over time.

Jordan Alliger: Thank you.

Tom Havens: Thank you. Jordan.

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 Christyne McGarvey with Morgan Stanley.

Christyne McGarvey: Good morning. Thanks for taking my question. I think you guys did a really nice job of sort of outlining the kind of upside potential here, as Ryder really, you know, has transformed to a new company, but maybe as I think about giving some of the macro visibility being quite limited, it's obviously a much different company than we were anytime. You know, we had an outright consumer recession, so maybe you can talk a little bit about kind of that type of scenario. What sort of macro assumptions are in the low end of the guide currently, and, you know, if we do seem to talk ourselves into a recession here, what the earnings profile might look like?

Robert Sanchez: Yeah, it's a great question, Christyne. Listen, I think, first of all, the outlook that we have is reflecting really a more muted economic environment, primarily due to the market uncertainty that we're seeing. On the top end of the range, it's really driven by lower expected rental demand. We're just seeing rental softer in Q2. We're assuming that creates a new baseline going forward. Used vehicle sales, we think is in line with our prior guidance, and we're assuming that continues. So it's really, I would say, the top end of our range is really a reflection of what we're seeing today in the marketplace as we sit here in April. The low end of that range would assume further deterioration in the transactional businesses, really around our rental and used vehicle sales as we get into the second half of the year. But again, as you can see, even on the low end of the range, we're still expecting earnings growth year-over-year. And we feel really good about that. And I think that's really to your earlier point of how different Ryder is today versus where it's been at other times, lot less dependent on the transactional rental and used truck market to hit our earnings numbers. And it shows the stability and resilience of the contractual business. You look at in our supply chain, earnings are up 35%, dedicated earnings are up 50%. Granted, there's some as acquisition in there. Even FMS lease margins are up also. So the contractual businesses, even in this uncertain period continue to provide earnings growth. And again, not to forget all the initiatives that we're working, we're talking about 70 million of initiatives that we have this year that are really the drivers of the earnings growth. So we feel really good about our ability to execute on those. The team executed really well in the first quarter and expect that to continue through the balance of the year.

Christyne McGarvey: I appreciate the call. Thank you.

Robert Sanchez: Thank you.

Operator: Well, the next to, Jeff Kauffman with Vertical Research Partners.

Jeffrey Kauffman: Thank you very much and, good morning and congratulations in the tough environment. I wanted to ask maybe a question and a half here if I could. In terms of some of the things you look at, so for instance, canary in the coal mine type stuff, rental fleet utilization, miles driven, accessorial charges, things like that. What's the canary telling you in terms of some of those early demand, early utilization cycles? And then just a follow up on cash flow if I can.

Robert Sanchez: Okay. I'll let John give you some color on the stuff we're seeing.

John Diez: Yeah, Jeff, for us the number one indicator has always been rental. And if you look at rental, we did see softer conditions as we exited first quarter and into the month of April than what we had anticipated. What I will say that is unique within that though, is if you look at the -- of the tractor class and that asset, that tractor class, especially around sleepers, we have seen some early signs, as we finished the quarter and started second quarter of, you know, capacity coming out of the market and stabilization around over the road tractor activity. That is also supported. If you look at our lease miles on tractors throughout year-over-year on a per unit basis, which supports that. And then when you look at our used vehicle sales activity, we talked about the wholesale activity that Tom mentioned, but if you extract that from the results, you're looking at year-over-year improvements or sequential improvements, I should say, in our tractor pricing on the used vehicle side. So I would say, look, overall, I think it is a pretty muted environment, a wait and see environment by our customers. But if you're looking for some early, activity, I would say

on the sleeper and tractor classes, especially the sleeper class, we're seeing some positive momentum there, which we hadn't seen for some time.

Jeffrey Kauffman: Okay. Thank you. And thank you for the clarity on the used vehicle pricing differences because that didn't seem to match the markets either at first glance. Lastly, thank you for the updated cash flow guidance. And I was just kind of wondering, you talked a little bit about share buyback, you talked a little bit about dividend, not any real discussion on M&A and you're kind of anniversarying the M&A transactions of a year or two ago. I would think an uncertain environment and weaker demand might present an interesting opportunity on some of the M&A front. Can you talk a little bit about what would be on the wish list in terms of potential, opportunities there?

Robert Sanchez: Yeah, you know, you're right, it would be a good time to find -- if we find the right company, we're always busy in the market, we're looking. We're looking for companies where we can maybe bring some new capabilities, new verticals, if you will, into supply chain. Anything that we could do around another type of cardinal dedicated opportunity we would certainly be interested in. And then obviously any tuck-ins in our lease business. That's really the three types of companies we look for. We want well run companies that have a culture that could match well with Ryders. So we are out looking, we're going to pull the trigger when we find the right ones. And that's really what -- right now, that's what we would hope for. At some point, we'll find another good one and we'll bring it in. But, you know, the good news is that our long-term targets are generally not dependent on a whole lot of acquisitions. I mean, on the supply chain side, probably to close the gap on some of that digit growth, we would want something, but generally, the earnings and return profile are not completely dependent on acquisitions.

Jeffrey Kauffman: Okay. Thank you very much.

Robert Sanchez: Thanks, Joe.

Operator: We'll go next to Scott Group with Wolfe Research.

Scott Group: Hey, thanks. Good morning. So I want to start on supply chain. You know, historically there's a lot of auto exposure there. You talk a lot about now omnichannel, I guess those end markets seem to be somewhat in the crosshairs of tariffs. I'm guessing just what you're seeing from end market perspective there and what sort of potential risk you see is with tariff or if we're not thinking about the business, right, and maybe it's more insulated.

Robert Sanchez: Yeah, I'll let Steve give you, some more background on that, but I'll start by telling you remember auto, the vast majority of the auto work we're doing are with U.S. assembly plants. So we've actually seen relatively stable activity there with several customers really looking more closely at bringing more production into the U.S., which would be, I think, a positive on that end. On the omnichannel, you got some cross-currents. I'll let Steve give you a little bit of color on what we're seeing there.

Steve Sensing: Yes, Scott. As Robert said, if you think about our auto business, I think we've got a real diverse set of OEMs that we support, you know, primarily inbound and manufacturing. So, and the majority of those cars are sold in the U.S., so we see kind of like very little impact there. CPG, same thing, manufacturing here in the U.S. for U.S. consumption. So, little to no impact there. I'd say that, you know, the area that we're watching right now is the omnichannel piece, certainly from across our transactional business. Majority of those customers have options in countries that they produce in. So we're working closely with those customers. So I think that kind of gives you a good summary of it.

Robert Sanchez: Yeah, the cross-currents there are really around the ones that are shipping from China, you're seeing a slow down there, but the ones that are shipping from other countries, we're seeing it may be a pull forward or an acceleration there. So, again, that's kind of the color across the

verticals. But in general, I'd say the majority of the work that we're doing in supply chain is really not seeing a big impact at this point.

Scott Group: Okay. That's helpful. And then, just a couple things I just want to clarify. On the residual chart on slide 19, just any way to frame like how much more cushion you have on the bottom end of that chart, and then anything in a weaker class eight market, are you seeing opportunities in terms of savings on new truck pricing or maybe not because of tariff, I don't know, but any color would be helpful. Thank you.

Robert Sanchez: I'll let Cristy answer the question on the residuals.

Cristina Gallo-Aquino: Yeah. Hi Scott. So what we're seeing is we would need another 5% drop in pricing levels from where they are today in the first quarter in order to get down to the bottom end of our residual estimates. So we still have room and our forecast, you know, we talked about how tractor pricing is looking favorable sequentially. So we are expecting that to rise over the next couple of quarters here. So we're not concerned over what's happening there.

Robert Sanchez: And I guess to answer your question on new vehicle costs -- new vehicle pricing. As you know, we buy directly from the [inaudible]. In this environment, maybe a little bit of opportunity, but generally our pricing with them is relatively stable. I would also add that, you know, given the talk of tariffs, we kind of see right now our exposure, the way things start today, our exposures is relatively limited, and I would say minimal. On the new vehicle side, the majority of the vehicles that we're purchasing are USMCA compliant. I say all the vehicles that we've purchasing are USMCA compliant. Therefore, as long as that agreement or some version of that agreement remains in place, I would expect that the pricing impact on the new vehicles would be minimal. And whatever that pricing impact is, we would certainly pass through to customers as part of our leases. So that's generally what we're seeing around parts. We're seeing a small increase, but again, very limited. Again, based on the parts that we buy and the places of origin of those parts.

Scott Group: Very helpful. Thank you guys.

Robert Sanchez: Thank you, Scott.

Operator: We'll go next to Daniel Imbro with Stephens Inc.

Reed Seay: Hey guys, this is Reed Seay on for Daniel. I kind of want to stay on the subject of supply chain solutions. One of your bigger segments is the distribution management where you do a lot of warehousing. I think we've heard a lot more activity in this space recently. Have you all seen the same? And if you could extrapolate kind of what you're seeing there into maybe some demand later in the truckload market, just any takeaways there would be much appreciated.

Robert Sanchez: Alright, let me hand that over to Steve.

Steve Sensing: Yeah, I think as you think about the warehousing side of the business, you know, we've seen -- in the quarter we've seen volumes increase in CPG and in omnichannel, primarily our legacy retail business. So, you know, we haven't seen any decline there, you know, at that point. Demand, if you think about the pipeline right now, our pipeline is -- I'd say relatively flat year-over-year and sequentially, still, you know, still healthy and we're seeing those opportunities come through in the warehousing side.

Reed Seay: Thank you. And if I could just follow-up real quick on the dedicated side. We've heard from a lot of peers that; this remains pretty competitive. If you could just provide some color on how the pricing there is, maybe how the pipeline is shaping up, and maybe any business wins that you've been able to pull off versus losses?

Steve Sensing: Yeah, I'd say kind of the same thing for the pipeline activity and dedicated relatively flat, as you look at it. Decisions are still being delayed, you know, now six to nine months in both portfolios. And as you highlighted there, in the end, we have seen some loss business primarily in our non-specialized, dedicated customer base, where customers continue to go after price and trade price for cost. So they're really looking, you know, at the spot market. And then we're also seeing some of those customers with fleet reductions and network changes. So we're helping in some situations where our customers are also optimizing their networks. As far as price, you know, we're saying, price discipline, on these deals and continue to see opportunities.

Robert Sanchez: Yeah, I just added that. Remember, the dedicated segment that we operate in, is a specialized dedicated. So I'd say, you know, maybe what you hear from other companies is around the more traditional, you know, drive van dedicated, where it could be more easily traded for a truckload. So not that we don't have any of that, because we have some of it, but I think the more specialized dedicated you maybe have got just a different pricing dynamic there.

Reed Seay: Got it. Thank you for the color guys.

Robert Sanchez: Thank you.

Operator: We'll go next to Brian Ossenbeck with J.P. Morgan.

Brian Ossenbeck: Hey, good morning. Thanks for taking a question. Let's start with a quick follow up. You mentioned, I think Cristy mentioned the 5% decline to get to low end of that residual range. I guess, can you walk us through what would happen if that say happened next quarter, would there be immediate adjustments or does that have to stay, you know, below that range for a period of time before you'd make an adjustment? Like what are the I guess, implications and sort of next steps if we do see another leg down there?

Cristina Gallo-Aquino: Yeah. Hey, Brian. So, no, I mean, we are monitoring it closely. Obviously, we mentioned how our forecast right now is where it is, and it includes some of this impact of wholesaling because we're trying to get through the aged inventory, which we're expecting to continue through the second quarter. And from then forward, we are expecting pricing to come back up, just based on market trends that we're seeing based on, you know, what we saw excluding this aged inventory as well as, inputs that we get from other, you know, third parties, that are seeing similar trends. But putting that aside, we do look at it. I mean, if there were to be a decline in the, you know, in the near future down to that 5%, anything that's sitting at our used truck centers would have, you know, incremental charge associated with it. However, in our guidance for the year, we have a low end and a high end, and we did say that the low end would cover any potential downside, and we think we're more than covered by anything that could happen. But again, what we're seeing is more positive. And, you know, we don't think that any of it would be sustained at this level. And that's really the key. We got to make sure -- you know, we make sure that it's just a current phenomenon and that's something that may extend over a long period of time.

Robert Sanchez: Yeah, and I mean, as a reminder, you can see it on the chart that that bottom end is at the low end of where the market has gone only twice in the last 26 years. So, and it went for one quarter. So I think that's kind of another point there. But the fact that, that you got that historical perspective, and we're seeing tractor pricing beginning to move up, especially for sleepers, but even on the day caps gone on a retail base, generally flat, I think that's a pretty good indicator of where things are. But again, we think we're well positioned for that.

Brian Ossenbeck: Okay. Got it. and then just another question on Just the EPA standards, excuse me, on 2027 and some of the other ones, more broadly. I know you said it's not necessarily a material impact for Ryder, but we are hearing signs that, you know, people are cutting their CapEx, rather not really doing much of a pre-buy, at least putting that on hold. Are you hearing or seeing something similar and, you know, I guess just to reconfirm what that would really do to your business or what you have sort of baked in for the rest of this year?

Robert Sanchez: Yeah, so I would tell you, we haven't baked anything in for a pre-buy for this year, and as it relates to our business, we're not a dealer, so we wouldn't have a big spike in sales. What we would do is we would have an opportunity to sign more leases and obviously would then over a period of time come in. So not a big impact in the near term either way. I think in the long-term we had talked about a pre-buy might create some uplift on use truck values, maybe, you know, three years out, four years out, which is what happened during the last big change. But I think it's important that would've been -- that'd be nice if it happens, but it's not anything we're counting on. It's not anything that we've put in our pricing for leases, and it's not anything that we've contemplated as we've laid out our long term targets for our business, you know, our ROE or any of our earnings targets. So I just want to make sure I'm clear on that. It would be gravy, I guess, if it happened longer term for used truck sales.

Brian Ossenbeck: Okay. I appreciate that context. Thank you.

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

Harrison Bauer: Great, thanks for taking my question. Last quarter you provided a pretty clear bridge on EPS to the top end of the range. You mentioned sort of qualitatively that the commercial rental segment was a big driver of the top end of that range declining. Is that the whole of the 35 cent decline on the top end of the range?

Robert Sanchez: Yes, that's, that's a good way to look at it. Basically, if you think about that waterfall, that upside that we had on rentals, we're basically taking that away.

Harrison Bauer: Okay, thanks for that clarification. And then --

Robert Sanchez: But the remaining contractual earnings -- I would just add the remaining contractual earnings expectations in that waterfall remain intact.

Harrison Bauer: Okay. Thank you for that. And then we're also seeing the spread between new and used vehicles sort of trend to an all-time high. How might you think that will flow through to your used vehicle pricing, particularly towards the second half of the year, when you cycle through some of your older inventory and any sort of tailwinds you might see to that sort of entering 2026? Thank you.

Robert Sanchez: Yeah, I think as the new truck pricing has gone up, that creates lift for used truck pricing, and I think the used truck pricing, again, we've been -- as you can see on that chart, we've been, seeing that pricing come back down, getting down to kind of trough levels. Typically, in the marketplace, once you get to those levels, you see companies and sellers, if you will, start to look for ways of getting that pricing back up. So we're beginning to see that I think as the inventory of used equipment really starts to come down, that's where you start to see now more pricing. And again, we started seeing it in the first quarter, again, short of the aged inventory that we got out of, we saw tractor pricing really start to move up for the first time in, I guess it's been a couple years. So that's a really good sign and something that we, again, as we are sitting here in April, we're continuing to see that trend. We actually -- I should probably point out that we actually raised prices on sleeper tractors for the first time in the last couple years, this last month.

Harrison Bauer: Great. Thank you.

Robert Sanchez: Thank you.

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

Robert Sanchez: Okay. Well thank you all for your interest in Ryder and look forward to speaking with you soon as we get out into some of the conferences. Thank you.

Operator: That concludes today's conference. Thank you all for your participation.