Company Name: Ryder System, Inc. (R)
Event: 2025 Stephens Annual Investment Conference
Date: November 19, 2025

<<Reed Seay, Analyst, Stephens Inc.>>

We're about at 10 o'clock. So we'll go ahead and get started. Pleasure to be joined by John Diez, President, COO of Ryder. Thank you for joining us this morning.

<<John Diez, President and Chief Operating Officer>>

Thank you for having me. Good morning, everyone.

<<Reed Seay, Analyst, Stephens Inc.>>

I think a lot of people here are very familiar with Ryder, but if you can give from a high level who Ryder is, what do you do? And where do you fit within the transportation ecosystem?

<<John Diez, President and Chief Operating Officer>>

Sure. So Ryder today is a leader in the outsourced logistics and transportation market. So anything we do, customers could do on their own. We're organized around three segments. Our Fleet Management segment provides equipment rental and leasing for our customers. Our Dedicated segment does engineered solutions, providing not only the truck, but also the driver to execute transportation moves on behalf of our customer.

And our Supply Chain business provides port-to-door solutions. So what that means anything from drayage to fulfillment, distribution, managing warehouses to ultimate delivery to the consumer, so last mile delivery. That business today is North America focused and our businesses are North America focused. So that's the market we play in today. So yes, that's a quick recap.

<<Reed Seay, Analyst, Stephens Inc.>>

Perfect. Looking at the FMS business and its mix in terms of FMS versus SCS. You've gone through quite the transformation in the past few years. Can you unpack the changes that you've made at Ryder?

<<John Diez, President and Chief Operating Officer>>

Yes. So we're really proud of the transformation we've gone through. If you look at the business profile back in 2018, Ryder was predominantly dominated by our Fleet Management business, which accounted for 60-plus percent of both earnings and revenue. Today, our Fleet Management business accounts for just over 40% of the top line and about half of the earnings of the company.

One of the things we set out to do through our transformation – or the three things we set out to do through our transformation was, one, derisk our Fleet Management business and make it less susceptible to the vagaries of the market and used vehicle pricing, in particular.

Secondly, we look to really enhance the overall margin profile of each of our businesses with a clear focus on our Fleet Management business. And then third, we were looking to accelerate the growth in our Supply Chain and Dedicated, which are asset-light businesses, which, as I highlighted, went from being 40% of the portfolio to now 60% of the portfolio while maintaining and really expanding the market, the profitability of each of those businesses.

If you look at Ryder today, just to recap, we're going to deliver close to $13 of earnings per share. The previous freight cycle peak was 2018. We did just under $6 a share. If you look at our return on equity profile during the 2018 high side was 13% return on equity. We're in the trough of the market, we're going to deliver 17% at the trough. And then if you look at our cash flow profile, operating cash flow used to be in that $1.7 billion space. Now we're going to deliver about $2.8 billion.

So the earnings power of the business, a lot stronger, 90% contractual in nature. And then we see that there's tremendous upside as this freight market – once it turns upward, we're going to benefit from that, and there's tremendous upside from that going forward for us.

<<Reed Seay, Analyst, Stephens Inc.>>

And if we can start to dig into some of those segments, starting with FMS, like you said, it's about 50% of your operating income. You also recently did a transformation within the segment in terms of your – and I guess not recently now, it was in 2019 when you changed your residual philosophy. Can you talk about the change you made then and if you've had any customer behavior changes since you've changed the philosophy of that business?

<<John Diez, President and Chief Operating Officer>>

So yes, as part of our transformation, we did two things there, Reed. One was, first, derisk the business. So we reduced the residual value assumption on our leases. We wanted to take a lower piece of that risk and share that by way of higher prices with our customer. We did start that in 2019. Shortly thereafter, we also look to enhance the margins of our lease portfolio, and we actually targeted a higher margin profile.

Initially, I would tell you, I was fortunate enough to be running the business when we were executing against that initiative early on, and we lost some share, and we saw that customers were maybe a little bit more hesitant on paying the up price that we were going to the market with.

But we saw within a 15-month cycle, we started seeing that kind of the market dynamics start catching up to us and the whole market started raising prices, and we were able to deliver great

value for our customers because there's still a great value proposition to use Ryder as opposed to do it themselves.

So since then, we've had great success. We're clearly in year five of this journey. Most of the portfolio has now been repriced. I would say, the only market share loss we saw was early on. But since then, we've seen good activity from our customers and receptivity to the market dynamics. And we've benefited from that, right. And you see that in the results, the returns profile of the business. And we're excited about when this market turns around, how we could capitalize on that.

<<Reed Seay, Analyst, Stephens Inc.>>

And on the rental side of the business, you called out on the earnings call a little bit of softness there. Can you talk about any parts of the industry that could be showing some strength and where you're seeing particular softness just as we look at the different end markets?

<<John Diez, President and Chief Operating Officer>>

Yes. So we have about 30,000 unit fleet to support not only lease customers, but customers at large in the U.S. and Canadian markets for rental activity. And we serve all end-markets through our rental fleet. We kind of think of our rental fleet as the canary in the coal mine. We usually get a pretty good idea with a wide array of industries we serve, what's happening in the North American market, in particular, the U.S. economy.

I would love to tell you that we're seeing a bright spot in the economy, but really three components are the big drivers for us, housing, manufacturing and the consumer. I think manufacturing has shown that the last couple of months, it's been down. And actually for nine straight months, I think we've seen softer manufacturing activity. Clearly, the uncertainty in the economy driven by tariffs is putting pressure on that part of it. We did see in October kind of maybe evidence that manufacturing may start picking up based on order volumes that we – that were posted out there. So we haven't seen it yet on the manufacturing side.

Housing is one that clearly all of us are taking a look at and what's happening in the interest rate environment. Affordability seems to be front and center on the political space right now. So if we could get housing going in the U.S., I think we'll benefit from that.

And then the consumer, it's kind of a two-way street there. There are certain segments of the retail markets that have done well. But in general, with unemployment ticking up, the consumer is hurting. So I'd love to tell you that we've seen good activity out there. It's kind of been a flattish sideways market for us on the rental side, and we expect that to continue through the holiday season.

<<Reed Seay, Analyst, Stephens Inc.>>

And on the ChoiceLease side, you also called out some softness, but I think that is just – that's a function of the macro that's really hard to get around. But right now, you're seeing potentially

signs of a tightening truckload market just based off of the capacity enforcement that we're seeing out there in terms of ELP and CDLs, non-domiciled CDLs. Can you tell us how that impacts Ryder's business in terms of if we have an up cycle, but it's driven by maybe capacity being taken out and demand is not quite coming back?

<<John Diez, President and Chief Operating Officer>>

Yes. So we're obviously impacted by the supply-demand imbalance that occurs in the market. There's right now more supply of trucks than there is demand for them. You see that show up in freight rates, particularly the spot rate market, which has been generally flat here for some time.

As the impact – the direct impact to Ryder, we're not a truckload carrier. We're not in that space, but where we see the impact for us is in our commercial rental and used vehicle side of the house. So if there's too many trucks, used vehicle prices come down, and we've seen evidence of pressure on used vehicle prices. Certainly, the last two years, this year has been kind of flattish to down. So we are somewhat encouraged, I would say, because we – for the first time this year, we saw new vehicle production be below replacement levels. So that's evidence that capacity on the supply side is coming out of the market.

Reed, you alluded to what's happening on the regulatory front, putting tighter regulation around drivers and what's happening in that space on the over-the-road space. So that's also going to have an impact on the supply side. Demand, as I alluded to, we haven't seen evidence there yet that that's going to – that's ticking up. So the supply side moving down is great for us in that we should expect used vehicle pricing and people needing trucks on the commercial rental side here, hopefully going into next year.

I would say, the other element for us is what we've seen from pricing, the tariffs. Those pricing pressures will start kicking in on new vehicle activity going into next year. So we believe that will put also downward pressure on new vehicle production, and people are going to be looking for used vehicles at much more affordable prices. And that should also draw demand for our used vehicles.

<<Reed Seay, Analyst, Stephens Inc.>>

That's great. If we can talk about the used vehicle prices a little more. I think when we talked about the residual derisking, since 2019, you've seen used vehicle prices come down because of the downturn in the freight cycle. What gives you confidence that it won't come – bump up on that lower residual level in 2026?

<<John Diez, President and Chief Operating Officer>>

Well, we – as Reed highlighted, we did reduce residual significantly. We made about a 40% correction in our residual value estimates back in 2019. We're now at historic low levels. We've seen only twice in the last 30 years, two other times. One was early part of the century 2000. And then during COVID, we kind of – in 2020, as you can imagine, there was no demand for some time there, and we saw pricing on used vehicles come down, which quickly turned around.

Pricing today is kind of we're near our assumption on residuals, which we thought we were – we had dropped to historic low levels. We've been in this environment now for quite some time, and it has been bouncing along the bottom. So our expectations here is that it will continue to bounce along the bottom. And then next year, we should start seeing some sort of uplift based on the factors I alluded to earlier, capacity coming out. And then hopefully, we'll see the pricing pressure on new equipment lift pricing on used vehicles as we've seen in prior cycles.

<<Reed Seay, Analyst, Stephens Inc.>>

Can you remind us on the leasing and rental side, are more of your customers private fleets or carriers renting extra capacity?

<<John Diez, President and Chief Operating Officer>>

The majority of our customers, and when I say majority, I'm talking about substantially 80% plus are private fleets on our lease portfolio; so we support about 14,000 businesses in North America today. We do support some carriers, but that's a very small piece of our portfolio.

On the Dedicated side, they're all private fleets. So we're executing transportation for companies that have traditionally done it themselves, whether it's a steel distributor, whether it's a retailer, whether it's a cabinet maker; those are all customers that we serve, and we do the transportation on their behalf.

So many of these CDL-related impacts are going to be disproportionately felt on the truckload side, which we don't participate in, what it does do is it's going to put a capacity crunch on drivers, which is going to make it more attractive for us to be able to offer a compelling value to private fleets who are looking to do it themselves. Now they find it more difficult to find drivers, and then they're going to reach out and call us and say, can you help me find some drivers, execute my transportation? Because I can't continue dealing with the cost pressures the driver market and the regulatory environment that we're dealing with.

<<Reed Seay, Analyst, Stephens Inc.>>

And you – we hear a lot about the increased cost of maintaining your own fleet, maintain your private fleet and are hearing that some could look to get rid of their private fleets here in 2026. Could that be a headwind to the leasing business that maybe you pick up on the Dedicated side? But how should we think about those pressures to private fleets right now?

<<John Diez, President and Chief Operating Officer>>

We always think of the more complex, the more costly it gets, the better and the more compelling value we could deliver. Even with private fleets, many of them are doing short-haul activity and specialized delivery. So that's good for our Dedicated business. Even in our leasing side of the house, we could buy the equipment cheaper than they can, maintain it cheaper and

dispose it on the backside better than they can. So the more costly it becomes, I think the greater value we could highlight for our prospects and customers.

<<Reed Seay, Analyst, Stephens Inc.>>

And then staying on the Dedicated side, Dedicated has become more commoditized offering, at least when you think about it within the truckload space, a lot more people are offering it, but Ryder has a differentiated offering. Can you talk about what makes it the different?

<<John Diez, President and Chief Operating Officer>>

Yes. So we do compete indirectly with truckload carriers that do some Dedicated activity, especially on the retail sector. We publish our end markets that we support. We're uniquely positioned that only about 20% of our revenue on the Dedicated side is supporting that retail sector. And why that's important is almost everything we do on the Dedicated side specialized handling, so we're helping secure the load, we're offloading that load and delivering it at either a job site or to a store or to the customer directly.

So that's a high-touch activity, highly engineered, which many of the truckload carriers, what they do is support large big-box retailers. They're just taking a full truckload and going dock to dock with very little driver engagement on that front. So our business is pretty different from many other dedicated providers in that regard. We like it in that the more challenging it is for our drivers and for the service that we're offering, the better off we are in not only delivering value for our customer, but sustaining that relationship over a longer period of time.

<<Reed Seay, Analyst, Stephens Inc.>>

And given that you are less commoditized, does that give you less benefit on the upside when the cycle turns? Or how should we think about that?

<<John Diez, President and Chief Operating Officer>>

Yes. So you see it, and we saw it during COVID. Once the market turns up and retailers start going strong and capacity gets really tight, lots of shippers will move from spot rate market and move to a dedicated application to take advantage of the freight price arbitrage that exists in the marketplace. We don't participate in that game nearly as much as some of our other competitors. Some of our customers will look to us to leverage our capabilities in that regard, but that's not the primary market that we're targeting.

We really enjoy the fact that most of our Dedicated activity are former leasing customers of ours, so over 60% of our portfolio are lease customers that decide they're not going to execute their transportation any longer and they convert to Dedicated. So long-standing relationships, complex transportation services that we offer to those customers. And clearly, it just extends the relationship beyond just the truck for us.

<<Reed Seay, Analyst, Stephens Inc.>>

Definitely. And do you have a preference on whether or not they stay in that FMS segment or shift to Dedicated?

<<John Diez, President and Chief Operating Officer>>

We would love for every one of our lease customers, those 14,000 customers, to come over and take advantage of our Dedicated offering. So if you think about our portfolio, I think we serve just over 500 customers on the Dedicated side. So there's plenty of opportunity there. When we convert a customer, obviously, we have the same vehicle investment, but our revenue goes up 4x to 5x and the margin dollars go up 2x to 3x on that same capital investment. So for us, clearly advantageous.

The customer in return, though, gets significant value from that, in that we now have taken over the procuring of those drivers, training those drivers. From an insurance and a risk perspective, we provide full coverage for any activities, any risk is transferred over to us. And then ultimately, we do think we could do it at a more compelling value proposition. So the cost of executing those deliveries goes down as well. So really compelling. But nevertheless, you still have a great number of our lease customers that elect to do it themselves.

<<Reed Seay, Analyst, Stephens Inc.>>

And can you talk about what you're seeing on the pricing side within the Dedicated segment? And when we think about potential tightening of the broader truckload market, does that come up in your conversations with customers right now?

<<John Diez, President and Chief Operating Officer>>

It does. Certainly, the supply-demand imbalance we talked about, which is putting pressure on spot rates, that – some of that transfers over to our Dedicated market because there is excess capacity. Many of these truckload carriers are looking to encroach and start doing more Dedicated specialized handling activity. So we have seen some competitive pressures on pricing.

For us, it's a matter of just continuing to deliver and drive the value that we could offer. Having access and working with our lease customers and converting them over time to Dedicated, I think, is something that our competitors can't do just because we have existing relationships. They know the level of service to expect, and we could continue to execute on their behalf.

<<Reed Seay, Analyst, Stephens Inc.>>

And when you get a new contract, can you remind us how long those contracts are and what your ability is to increase rates if there is a turn in the cycle during that contract?

<<John Diez, President and Chief Operating Officer>>

Yes. On the Dedicated side, our contracts are typically three to five years. That is the case for supply chain as well. And our leasing contracts are typically five to seven years. So 90% of all the business we do is contractual in nature, long-term. So on the Dedicated side, there, we do have in our contracts, escalators for wages, and we saw this come into play during COVID. Wages on the driver side really scaled up double digits year-to-year. So we have protection there and then clearly, just general inflationary protection from our customers.

So not a huge exposure if inflation just gets away. We do have to obviously be competitive in that regard, and we have those discussions with our customers. But we've done a great job of insulating ourselves from some of the inflationary cost pressures that we've seen over the last five years.

<<Reed Seay, Analyst, Stephens Inc.>>

And do you have the ability to go beyond the escalators, for instance, if spot rates inflect dramatically? Or is it more so just if the cost...

<<John Diez, President and Chief Operating Officer>>

It's more cost driven, not necessarily spot rate indexed. So to the extent that the spot rate moves up, really what that means for us is we're a lot more competitive, and we should be winning a lot more business. So we like that space. Really, our contracts protect us if, in fact, the driver market gets really frothy. And when the spot rates move up, a lot of drivers decide to drive for themselves and capacity on the driver side gets tight. So they kind of go hand in hand, but they're not aligned, let's say, to the spot rate. They're more aligned to what's happening on the driver front.

<<Reed Seay, Analyst, Stephens Inc.>>

Okay. If we can move to the SCS segment, there's a lot that goes on within SCS. Maybe give us some insights into what are the offerings that you provide.

<<John Diez, President and Chief Operating Officer>>

Yes. So Supply Chain is probably the most exciting part of the Ryder story today in that we continue to see that our port-to-door solutions create significant value for our customers. So if you think about Fortune 100 customers as well as midsized firms that are dealing with the headaches of supply chains, creating resiliency in their supply chain, managing this trade, tariff activity; they're looking for solutions. So we have historically provided warehousing, transportation, brokerage activity. So we act as a traffic cop for many of our customers, providing inbound and outbound transportation solutions, managing warehouses.

And then over the last several years, we've bought and added some capabilities to our full solution set. So we went out and bought a last-mile business so big and bulky. So we deliver straight to customers who are ordering furniture, exercise equipment, big, bulky items. We added a packaging business. So if you think about our consumer packaged goods customers that we do

a lot of the warehousing for them today, we could also help them if they're running promotions, if they're introducing new products, we can now help them on the packaging side and getting those products out to the marketplace quickly.

We also have added an e-commerce. So with COVID, we went out and we felt there was going to be a huge need for more e-commerce activity. So we do the fulfillment. Instead of going through Amazon, they could come to Ryder. We take in orders from our customers' website. Those orders get fulfilled by one of our centers around the country, and then we deliver that product within two days to their customer, who placed the order.

So we have a full suite of solutions. We support the automotive space in a big way for inbound manufacturing. We support consumer packaged goods companies primarily on the fulfillment side, manufacturing and packaging side. Retail with e-commerce and some of the fulfillment activity we do, that's a growing market for us.

And then on the industrial side, if a customer needs anything, whether it's cross-border activity, we have a big presence in Mexico. We also are one of the largest cross-border – we do probably as many cross-border moves. From a truckload perspective, we manage that for all of our customers in a big way and bring their product as they're looking in nearshore, we'll bring the product from Mexico into the U.S. for U.S. consumption.

<<Reed Seay, Analyst, Stephens Inc.>>

And out of all those offerings, what do you see as the most compelling in terms of revenue growth going forward?

<<John Diez, President and Chief Operating Officer>>

Well, clearly, our warehousing offering continues to grow and scale up pretty dramatically. We continue to see supply chains get disrupted, and people are looking for solutions and someone who's an expert in the field to execute that, whether it's driven by labor, which is a huge tailwind. We saw warehouse wages move up dramatically through COVID.

Now we're dealing with automation. So we bring automation to many of our customers as they look to redesign their supply chain, not only execute but implement some of these automation technologies that exist out there. So I think the warehousing side is a significant element that we continue to grow. We think with this tariff disruption, we're seeing a lot more near shoring, believe it or not, still. And our Mexico capabilities provides customers a solution as they move their supply chains and reorient their supply chains closer to home. So those are clearly two that we think work.

Long term, I think e-commerce, we have seen retail activity be kind of softer right now, but we think longer term, e-commerce will also be a big driver of the growth story for us. But our solutions on the fulfillment distribution side, warehousing side is really showing up in a big way for us.

<<Reed Seay, Analyst, Stephens Inc.>>

And you called out e-commerce as maybe a source of softness right now just because of the consumer dynamics we're seeing. Is there anywhere else that you would call out?

<<John Diez, President and Chief Operating Officer>>

Well, clearly, manufacturing to some degree, we've seen that over the last 10 months kind of pull back. Coming into the year, manufacturing was the one element. Housing had been down. The consumer has been kind of sideways, but manufacturing took a step back, but those would be the ones I would call out.

<<Reed Seay, Analyst, Stephens Inc.>>

And in terms of competition with all these segments, can you talk about where you're seeing the most competition? We're seeing a lot of people try to build out a final mile offering. So there's clearly people looking at this space as well. So where are you seeing the most?

<<John Diez, President and Chief Operating Officer>>

Yes. We see especially the smaller players and even some of the big competitors, the e-commerce space is one that we continue to see a lot of new entrants, regional players. Final mile, big and bulky, obviously, there's been some consolidation there, but we continue to see a pretty competitive environment. So those are elements. I think longer term, I think you're going to see more competitors coming to the warehousing distribution side of it. But our scale and some of the technologies that we're deploying in our solutions, we think, really sets us apart.

So from that perspective, our scale there, just to give you an idea, we employ nearly 500 engineers to 600 engineers that are designing solutions for our customers. Over 40% of our warehouses have some form of automation today. So we're seeing that accelerate, and that will continue and certainly, that will give us an advantage in the marketplace.

<<Reed Seay, Analyst, Stephens Inc.>>

That's a great segue into the next question I want to ask you. So on your technology investments, RyderShip, RyderShare, RyderView and RyderGyde. Can you tell us what those are? How they fit into your offering and maybe some customer feedback as well?

<<John Diez, President and Chief Operating Officer>>

Yes. So a few years back, we looked at the market space and we said, where do we want to invest? One of the areas that we set out to invest in by way of a Ryder venture fund that we funded was in the technology space as well as making some direct investments. Through the Ryder venture fund, there was an opportunity for us to invest in a start-up out of San Francisco that was creating some great software in the transportation optimization space. And we made an

initial investment there. Then we ended up buying the company outright. And ever since, we've been utilizing that team to really deliver on some of our customer-facing technology.

So RyderShare is one that we started with a third-party firm building out early on years back. Now this group, which is the Baton Group, that's the company that we bought in San Francisco; they've been adding to those capabilities. What RyderShare does is it provides a collaborative platform for any one of our customers, whether they're a Dedicated customer or one of our transportation management customers. They can engage with our team members as to the status of a load, if we need to redirect the load. It makes it easy for them to feel like they're in control, not only do they have visibility, but they can impact kind of the direction and status of that load delivery with – through our fleet, through their fleet, if they own their own fleet or through a third-party carrier.

That's one. We've added capabilities. We talked about e-commerce. So RyderShip is our e-commerce platform where you could see your order and the order status, similar to what some of the other competitors have. RyderGyde on the fleet management side is a digital solution that we've been investing in to provide our private fleets really visibility and control over their existing fleet, where are they spending maybe, where they have idle equipment, which is a source of cost for them that they could eliminate. If they have a fleet that isn't performing from an uptime perspective, we could work through that with our customers. So RyderGyde has been very instrumental for many of our fleet management customers to not only take control of their fleet, but optimize it as we move along kind of this demand environment.

<<Reed Seay, Analyst, Stephens Inc.>>

And like you said, it's driving some optimization within Ryder. Can you talk about where you are in the implementation of this? And how far along you are in terms of like innings on the optimization on the cost side? How much is there to be taken out with these technologies?

<<John Diez, President and Chief Operating Officer>>

Yes. So with RyderShare, we clearly have seen the impact of that in our Dedicated business. In fact, I would say about a third of the new business that we win is in large part because of this technology is a differentiator. We have seen that we could optimize fleets better, and the customer gets full transparency of that once they engage with us.

On the RyderGyde side with our fleet management business, that is, I would say, middle innings with regards to that. We've been making huge investments there over the last couple of years. Many of our customers are still adopting the platform, getting comfortable with it. So as more adoption we see from not only our large customers, which have taken full advantage, but our midsized customers; I think they could see the great benefits from that platform to optimize their fleet over time. So the big customers are seeing the value, optimizing their fleet, driving cost out. I think adoption by smaller to midsized firms is the next step for us.

<<Reed Seay, Analyst, Stephens Inc.>>

Got it. And you've been acquisitive on the SCS side in the past few years. What would be the next thing on your wishlist if you got to choose?

<<John Diez, President and Chief Operating Officer>>

Yes. So we've had great success improving the overall earnings power of the business. So free cash flow has been very strong over the last five years. We've been able to invest over $1 billion in acquisitions. We've also returned over $1 billion back to our shareholders through share buybacks. We would look to continue to grow each of our businesses. We love all three businesses. So anything that adds scale and density that we could take advantage of and create value for our shareholders, that would be one. So that's fleet management tuck-ins or even a Dedicated deal like the one we just did with Cardinal. Those would be great attractive deals for us.

On the Supply Chain side is how do we continue to broaden our solution set. We've added this e-commerce business, the packaging business, but there's opportunities on the healthcare side that we continue to look at if we could broaden our health care solutions. Those would be capabilities we would look to add on to our Supply Chain Solutions set going forward.

<<Reed Seay, Analyst, Stephens Inc.>>

And you've talked about some initiatives in the past in terms of like maintenance and different things like that on the cost-out side. Can you remind us where you are in the process of those? And what's next in terms of...

<<John Diez, President and Chief Operating Officer>>

Yes. So look, right now, our initiatives is a big part of the Ryder story. We continue to demonstrate earnings growth even in this muted economic environment. This year, we haven't seen much top line growth, but we are seeing earnings growth, and it's all driven by our initiatives that Reed alluded to. This year, the initiatives will contribute $70 million of incremental bottom line benefits to the shareholder. What that looks like for us is, we've been repricing the lease portfolio. We're in the latter innings of that. That this year will contribute incrementally about $20 million to the overall performance.

We announced a year ago a maintenance cost reduction initiative of an incremental $50 million after completing a $100 million initiative. And just to put it in perspective, we spent over $1.2 billion in maintaining the fleet of 230,000 commercial vehicles that we operate. So that's a big initiative for us. We purchased a Cardinal Dedicated competitor. That, as we introduce them into the Ryder platform, we've been able to take out about $30 million to $40 million of cost in that business incrementally from last year, that has contributed another $10 million to $20 million year-over-year.

So these initiatives are – keep driving the earnings growth story for Ryder without much help from the market. That we do expect to continue going into next year. So $70 million was the

incremental benefit this year. We're projecting that to be $50 million for 2026, absent any sort of market dynamics, we think that will continue to drive kind of our earnings story for the future.

<<Reed Seay, Analyst, Stephens Inc.>>

Definitely. And you touched on capital allocation briefly earlier. With your excess cash, you turn off a lot of cash. M&A, something you look at in terms of repurchases and debt repayment, what would be a priority?

<<John Diez, President and Chief Operating Officer>>

Yes. For us, we would like to candidly invest more in growing our existing business. If we could deploy more capital to grow our fleet. Our rental fleet has been coming down over the last three years in this market and freight environment. So we would like to reignite and grow that fleet again. That will require capital to do that. We would like to grow our lease fleet. So that's our number one priority. We think any money we spend there will only expand our portfolio of customers and really create long-term value for our shareholder.

Secondly, we would look to continue to buy good businesses. We're not looking to fix businesses. So these are well-performing businesses with a great management team. And then lastly, if there are no opportunities in the acquisition space, we're going to take any excess cash and return it back to our shareholders, which we've done quite a bit of that. We've bought back 20% of the shares over the last four and a half years. We would look to continue to do that. We have a current buyback program in place that just got approved, another 2 million shares got approved by the Board.

So we will look to deploy capital in that way. We're waiting for this market to take an upturn to reinvest in the fleet again, grow the fleet and then start seeing kind of the earnings profile of the business even get more augmented through that growth period.

<<Reed Seay, Analyst, Stephens Inc.>>

Definitely. And as we look out to 2026, there's some things to be excited for. What are you most excited about? And what worries you the most?

<<John Diez, President and Chief Operating Officer>>

Yes. Well, look, I think the excitement for us has been our Supply Chain business, I alluded to it. They're on pace for another record sales year. So it looks like even though their top line growth has been muted this year, as we look into next year, we should see that business deliver great top line growth in the second half and bring earnings with it. That business is on pace for a record earnings year here. So as we continue to expand our services, our port-to-door solutions, we see that business continuing to grow, irrespective of market conditions.

Exciting for us is this capacity getting tighter. The quicker that occurs, I think the better is going to be for the other parts of the business for us. So an acceleration of tightening of that capacity, I

think, will bode well for us. And really, we need help from the market, right? The economy hasn't been great for freight. I think you're going to hear that from everyone today. If we could get any sort of clarity and eliminate some of the uncertainty that exists today, I think you're going to see people invest, look to grow their businesses. So it would be great if we could get some support there.

I think this tariff discussion will get a little bit more muted as we go into next year. I think it will still be with us. I'm not naïve to think that it won't be with us. But if we could put some of that behind us, I think we'll have clarity and you should see the economy start to gain some traction, especially the affordability discussion will drive, hopefully, housing to take an upturn and manufacturing to take an upturn.

<<Reed Seay, Analyst, Stephens Inc.>>

Perfect. Well, thank you, John. Appreciate you joining us today.

<<John Diez, President and Chief Operating Officer>>

Thank you. Appreciate it.