Ryder System, Inc. | BOFA - 2026 Industrials, Transportation & Airlines Key Leaders Conference | May 12, 2026

Ken Hoexter:

... jump right in. We welcome Ryder Systems CEO, John Diez. John has been CEO for three months?

John Diez:

Yes.

Ken Hoexter:

After having served as EVP and CFO for nearly five years, president of Ryder's Fleet Management Solutions Business Unit from 2019 to 2021, he's been with the company for 24 years. But given the rapid changes in the truck market, Ryder's exposure to dedicated transport solutions, fleet management solutions, and supply chain solutions provides great insight into the state of the market from its various perspectives. So we welcome Ryder back. If you can believe it, it's your first time since 2005 when we had your former CEO, Swienton, join us.

John Diez:

Wow.

Ken Hoexter:

So a while back, but we're happy to have you with us today. Also joining John is Calene Candela from Investor Relations in the audience. So I guess you're going to send all the tough questions over there.

John Diez:

Yeah.

Ken Hoexter:

Okay. So with that, John, I know you've got a few slides to kick us off here, so I'll turn it over to you. And hopefully within that, maybe you could throw in maybe three key takeaways that you want us to take away with as well along with your slides.

John Diez:

Sure. Fantastic. Thank you, Ken. And good morning, everyone.

If you go to that next slide, let me just give you a quick overview. One more. Let me give you a quick overview on Ryder, who we are, and the customers we serve.

So Ryder is a leader in the outsourced transportation and logistics space. We're strictly focused in North America, so we operate primarily in the U.S., Mexico, and Canada. What I would say is we're organized around three businesses: our fleet management business, our supply chain business, and our dedicated transportation. Everything we do, the customer could do on their own. So if you think about our fleet business, which is 43% of our revenues, customer could go out and finance their own vehicle. They could choose to do their own maintenance on their commercial fleet. In our case, we offer a compelling value for our customers. We have 800 maintenance locations as you see on the screen that help serve the needs of our customers, whether it's at a local level, regionally, or across the country in the U.S. and Canada.

Our fleet management business, really the advantages we offer is better procurement on the front end, compelling financing, and a much better maintenance experience with better uptime than our customers could do it on their own.

Dedicated transportation is an extension of our fleet management business. So if you think about outsourcing the truck, this is outsourcing the truck and the driver. So we take over the delivery of our customer's products from their warehouse or their manufacturing facility to either their distribution network, their end customer, whatever the case may be. We operate 13,000 professional drivers. So we have great drivers that execute for our customers each and every day.

Our advantage is not only the engineering that we bring forward in designing these solutions, the asset flexibility we could offer, but most importantly, our ability to recruit, retain, and manage drivers more effectively than they could do it on their own.

And then lastly, our largest segment today, which is our supply chain business. Our supply chain business, excuse me, is 43%. Fleet management is 38% of the overall revenue. Our supply chain business today is the outsourcing of broader supply chain capabilities. That includes primarily warehousing, but it could be warehousing and transportation through a dedicated and warehousing solution. It could be things like e-commerce and last mile. So if you're looking for support and help in delivering your product to your customer directly to their home, we could do that. Our last mile business is the delivery of large, big, and bulky. Our e-commerce business supports customers and businesses in delivering their product, not only online and grabbing those orders online, but also fulfilling those orders and sending them out to either stores or to the customer directly.

We serve a great number of customers. You see them there. Our customer base is very diversified. Food and bev, retail, and the industrial space are really where we do most of our work. And we have a great number of customers, 14,000 customers in our leasing business alone that we have an opportunity to serve and create value for them each and every day.

Go to the next slide.

So a big part of what we've been focused on over the last several years in 2019, we launched the transformation. We call it our balanced growth strategy. And you see the results of the transformation here with KPIs comparing pre-transformation 2018, which was the peak of the freight cycle, and then post-transformation today in 2026. The key elements of that transformation for you to take away is we launched to de-risk our fleet management lease portfolio in a meaningful way. I'll get into that in a second. We also looked to enhance the returns of our fleet management business. Those were structural changes that we made as well as repositioning the business and accelerating the growth of our asset-light businesses, supply chain and dedicated.

So you see there our revenue mix went from 44% supply chain-dedicated to today 60%. More importantly for us as we've also grown the business from 8 billion to 13 billion, but grew it more profitably even though we're executing today in these challenging freight conditions. Return on equity

with the structural changes we made to the business was 13% in the prior peak. Here in 2026, we're going to deliver 17 to 18%. And you see our operating cashflow grew 60% over that time period.

So if you go to the next slide, really these are the takeaways for all of you. It's threefold is really the resiliency of the model today is performing at a very high level. The structural changes we've made have not only elevated our earnings profile, but there's even more that we think we could enhance and deliver in the years ahead.

Secondly, we're well-positioned for the cycle upturn. So we saw the downcycle begin with interest rates moving up in 2022. That has continued. We think we're at the bottom of the cycle with the opportunity for some earnings recovery as the cycle takes an upturn here. That's what we highlight here in the center, 250 million is what we believe we can deliver over the next several years as the cycle upturn takes hold. And then the third thing is we've added significant number of capabilities. We're happy to serve the market from port to door. So we have capabilities from drayage on the port side, warehousing and fulfillment, dedicated and final mile, which are all capabilities we could package together or discreetly for our customers, which we think is going to help us grow our contractual relationships in a meaningful way going forward.

I think that's it. Is there... Yeah. So that's the quick takeaway.

Ken Hoexter:

All right, great. Thanks for that take, John. Appreciate it.

So let's start maybe high level. Where are we from your perspective on a freight cycle recovery today? Are we past the bottom? Are we seeing early stages or is it just, "Hey, capacity's come out, the government keeps cracking down on the regulatory side and it's really a supply side"?

John Diez:

Right now, clearly we see the supply side helping and we've seen plenty of capacity taken out of the market. We saw the early signs of that last year that has continued. What we did see in Q1 for us, which we think there were early signs and encouraging signs of a cycle upturn for us, was we saw for the first time our fleet management and dedicated customers make commitments. So we've been seeing as they've been kicking the can down the road on long-term contracts. 90% of our business are long-term contracts from three to seven years. We saw strong sales in fleet management and dedicated. And our supply chain business, which came out of a great 2025 record sales year, Q1, was another record quarter for us. So we're seeing higher levels of commitment from our customers on the heels of the fact that we continue to see the market indicators, which is the FTR truck utilization and measure of capacity in the marketplace that's elevated, which is good sign.

Spot rates continue to climb, up 30 plus percent year over year. And then we're seeing even in our business, we're seeing good activity. We saw retail used vehicle sales volumes go up. And we saw good pricing. In fact, pricing came in and kind of came in a little bit stronger than what we had expected. We were expecting that level of pricing to come in later in the year that came in earlier in the year.

Ken Hoexter:

For used equipment?

John Diez:

For used equipment. And then we're seeing good upward momentum with regards to the second half for used vehicle sales from a pricing standpoint as capacity continues to exit. And we expect new vehicles, the price increases to be substantial as we get to the latter half of the year.

Ken Hoexter:

Because of fuel? Because of new technology? What's the...

John Diez:

Yeah. In our space, for new vehicles, we're expecting a new emission standards that's going to trigger a significant technology investment. We believe that technology investment, absent the warranty component of that, is going to be in the neighborhood of 10 to 15,000, so it's quite substantial on a new piece of equipment. Add on top of that inflation with regards to tariffs and even some of the energy prices that you're seeing funnel through to the consumer, that's also going to play through. So we're expecting a large increase later this year for the new equipment.

Ken Hoexter:

So no changes to that '07 emission standard change. The administration is keeping as is. There's no delay to that?

John Diez:

We don't believe there's a delay. I think all of us are expecting now in the industry that it will go through the one change that is happening is originally. They were also looking to add a 10-year warranty period, which would raise the price of the equipment significantly. We think they're going to scale that back and they're not going to move forward with the warranty component.

Ken Hoexter:

Meaning that the OEMs have to guarantee a 10-year?

John Diez:

We have to guarantee a 10-year product for the consumer, and obviously that was going to come at a price.

Ken Hoexter:

Yeah. All right. So 90% of revenue is contractual. Sounds like pretty long-term. Maybe talk about market pricing here and seeing the shifts in the market. How quick can that translate to contract gains? Because obviously you mentioned the rise in spot rates. How do we think about that into contract gains?

John Diez:

Yeah. So we typically see about a six-month lag from the early signs of market recovery to good market activity. So the Q1 performance came in maybe a little bit sooner. We'll see if it's sustained as we get through the year. Typically, we see about a six-month cycle from beginning a process with a customer to ultimate signing. So as we get deeper into the year, our expectations are that customers are going to be willing to commit at higher levels, and we should see stronger sales through the year.

Ken Hoexter:

So you mentioned, I think you noted five to 25% of the market is outsourced. You're talking on the truckload side?

John Diez:

No. So the markets we serve, we're not a truckload carrier, even though we provide dedicated activity for our customers. 5% of the outsource market is in the warehousing side.

Ken Hoexter:

Okay.

John Diez:

15% roughly is on the dedicated transportation side and 25% on the fleet side. That kind of gives you an idea of the markets we serve. What we continue to see is that outsource supply chain space continues to grow at a rapid pace. That has been growing high single digits, and we've been growing organically double digits for the last five years. We've added some acquisitions that have really elevated our growth levels, but even on an organic basis, we continue to grow that business double digits.

Ken Hoexter:

Perfect. So given that outsourcing is increasing and then given the labor challenges that we're seeing, given the difficulty in getting access to labor right now, what is that doing on ... I mean, how quickly are we seeing driver pay and what is that doing to cost?

John Diez:

Great question. So spot rates have been moving up. Capacity has been taken out of the market. Driver pay in particular, typically you first see signs of an improving freight environment. You're going to see it on the driver's side with turnover and activity move up. We have seen some of that as we exited Q1. You'll then see sign-on bonuses to attract drivers in the marketplace. Sign-on bonuses are not broadspread, but in select markets, we are seeing sign-on bonus. And then later on, you're going to see wage inflation, which will be the next part of the market dynamic.

Ken Hoexter:

So given that, I guess, tightness of labor, do we see an acceleration of ... Are you testing autonomous? Is that something that's squeezing into your use of capacity?

John Diez:

Well, right now, and as you look forward, we do think there's going to be tightening labor capacity and it's going to become more challenging, which is good for our dedicated business. We should see good growth. We are leaning into autonomous. I think we're still a few years out. We do need-

Ken Hoexter:

Few years being what?

John Diez:

Great question. We've been saying five years for each of the last five years. So I would think certainly five years is not out of question. You're seeing on the passenger side, more autonomous vehicles. So that will carry through for the commercial side, but we do need regulation to catch up. So for it to really take hold, you're going to need to see regulation change. I think the technology by and large has seen evidence of improvement, evidence of success in select applications. Certainly there's good activity. We have partnered up with a number of providers, both OEMs with their autonomous platforms, as well as other providers like Gatik and Aurora that we have pilots in place. So we are seeing the technology improve over time, but clearly there's still a little bit of ways to go before we see that in the marketplace.

Ken Hoexter:

It does seem like we're moving from theoretical to commercial reality.

John Diez:

Yes.

Ken Hoexter:

We're still very early, but... Okay, great detail on the transformation program. So talk to us about changes that are structural at Ryder versus maybe cyclical like you were talking about used truck pricing.

John Diez:

Yeah, that's probably the most exciting part for us. So if you think about the de-risking actions we took and improving the overall returns, we set out to remove about 100 million of annual maintenance costs from our leasing model and we delivered that. We just came out and said we were going to go and get another 50 million. Those are structural change-

Ken Hoexter:

Bottom harder? How did you do that?

John Diez:

A few things. One, process redesign.

Ken Hoexter:

Okay.

John Diez:

Buying smarter with regards to our parts. And adding technology. Those have been the catalyst for us to deliver that 100 million. The second component, which probably was the most challenging for us in that we were dependent on the market dynamics, is we reduced our residual values and raised pricing. Each of those came with price uplift to the customer. So if you think about the first step was reducing our residual values for pricing of our leases and then we raised the expectations on our spread on our lease equipment. We did that over a number of years. We're on the tail end of that. We've repriced the entire portfolio, the last pieces this year. That has delivered or will deliver 125 million of annual savings. So

that business structurally, it's about 200 million plus improved in the margin profile, less dependent on used vehicles to deliver on earnings.

We lifted also our earnings profile for the fleet management business. That business typically would do low double digits in a normal market conditions in the best of times. And now we said over the cycle of that business, you could expect it to deliver low teens over the cycle.

Ken Hoexter:

So if you're increasing the residual values, are you getting better-

John Diez:

We're reducing.

Ken Hoexter:

I'm sorry, reducing residual values. Are you getting better gains on sale when you move to sell?

John Diez:

We are. Obviously we're in the heart of the freight market recession right now. Used vehicle performance has not been great, but we're on track to deliver 20 to 30 million of gains this year. Our typical gains, as we've called out in a normal cycle, would be more like 75 to 100 million.

Ken Hoexter:

Okay. And then you've talked about a lot about a balanced growth strategy. So what does that mean today versus what it was five years ago?

John Diez:

Yeah. So the second component of that balance growth strategy, we made the structural changes on our fleet management business. We diversified to more of the asset-light businesses. Those businesses are performing at a very good level. Those are contractual businesses. So if you look at the earnings profile of the company today, very dependent on those contractual models. They continue to perform at a very high level.

What's next? Well, we're going to get to see this model perform for the first time through the upcycle. We think we could do two things. One, deliver on that 250 million of earnings uplift. We still have 70 million to deliver on our structural changes. And as exciting for us is all the capabilities we've added over the last couple years should help accelerate growth in our contractual businesses over this cycle.

Ken Hoexter:

All right. So given the transformation, how is the capital intensity in this capital business as you shift to SES and lighter asset business?

John Diez:

We continue to look to grow our fleet management business. So if you look at the capital intensity, it's all allocated towards that fleet management business. The supply chain dedicated businesses don't require a lot of capital. We have seen some capital deployed on supply chain for automation, but it pales in comparison to the vehicle capital expenditures we have there. We do expect with this freight

recovery, we're going to have to spend more capital to upsize our rental fleet in particular. And then we expect our lease customers to start coming back and adding fleet, which will add additional capital requirements for the business.

Ken Hoexter:

Okay. I think you had the margin targets, right? So if you look at SES going from 7% from 8, 7 a year ago, dedicated 5.2 to 5.9, talk about now you're looking at targeting high single digits in each of the segments. What gets you from where we are now to those levels?

John Diez:

So I think the numbers you were quoting are Q1. So seasonally, Q1 is our lowest performing quarter, so that's okay. If you look longer term last year, each of the businesses delivered at those target levels, both supply chain dedicated at high single digits, and Ken has them there for us. So supply chain dedicated last year delivered high single digits. Fleet management was just around 10% last year. As this freight market recovery comes back, we expect that fleet management business to get into the double digits, mid low teens. And then in the peak of the cycle, it should deliver mid to high teens levels. So that fleet management is dependent on the freight cycle. Supply chain dedicated continues to deliver at target levels last year and continuing into this year.

Ken Hoexter:

Okay. So fleet management solutions benefited from the stronger used vehicle sales. Is that shifting in this market in terms of gains?

John Diez:

Well, we have seen gains improve year over year. So last year we saw gains in that 20 million range. We're expecting it to be about 30 million this year. So a slight uptick. As we get through the cycle, we would expect that number to climb to that 75 to 100 million. And at the peak of the cycle, it should be above that 100 million level over time.

Ken Hoexter:

Okay. All right. So let's take a step back, right? The thesis of supply chains becoming more complex. We just had Amazon announced their supply chain services business opening to third parties. They're going to try and simplify for shippers lower costs. What do you think about that capability? Does it affect Ryder?

John Diez:

Yeah. So Amazon has been providing or access to their supply chain network to their existing vendors for some time. This is not a big departure from that in that most of the people that we deal with on our customers, they've elected either to move away from Amazon and have chosen to do it themselves, or those that work with Amazon continue to work with folks like ourselves as well. I do think our e-commerce and last mile businesses where you may have some overlap, but those are very small parts and components of our overall business. Our e-commerce and last mile overall is about 4% of the total revenue.

So over time you may see some impact there, but from what we do, most of what we do on the supply chain side is customized tailored solutions highly engineered for our customers with automation and

technology really customized for the solution at hand for that particular customer. That is not being impacted by this. And certainly it's a big part of our growth strategy for supply chain. That's where we continue to see growth.

Ken Hoexter:

So you said the opportunity is to make it simpler for the drivers or to outsource, right? You presume you're paying a little bit more for that. So are you winning share from the asset-based carriers, the 3PLs that lack the asset depth? Where are you gaining the share from?

John Diez:

Well, I think people are going to see that capacity is very tight and they're going to look for capacity to continue to grow and deliver the products that they sell. And we're well positioned because we have the assets on the ground to serve their needs. So that's one. We do see over time when spot rate market moves up, a number of retailers switch from four higher carrier solutions to a better service and a more competitive rate on the dedicated side. So they'll trade service for rate when the market's sloping down. When the market comes back up, they'll come back and get the better specific.

Ken Hoexter:

[inaudible 00:24:24]. Yeah. Yeah. So you quickly raised your full year got in the first quarter after setting it just a few months earlier, right up to 14.05 to 14.80 from 13.45 to 14.45. What shifted quickly in your outlook? Was it used sell prices? Was it contracts that you've renewed? What was the leading the game?

John Diez:

Well, when we set out our guidance for the year, that's highly dependent on executing on our strategic initiatives. So 70 million of our strategic initiatives coming out of Q1, we felt good about delivering on that. So that was reinforced in the guidance. Number two, we saw Q1 come in a little bit better. The catalyst there being used vehicle sales performance. What we're seeing there, Ken, is relative to our expectations, we saw kind of pricing level off sooner in the year than what we had expected. And that's really the reason for lifting the overall guidance for the full year. Q1 was a little bit better. And then UVS expectations improving.

Ken Hoexter:

I'm sorry, you said you saw pricing leveling off earlier?

John Diez:

Yes. So we had seen, especially on the tractor side, a slide, and we expected that slide to continue in Q1 into Q2. But we saw, as we exited Q1, better pricing coming out of the quarter. And we expect upward pressure to be there for a better tractor pricing in the second half due to the new pricing of equipment as well as capacity continuing to be taken out of the market.

Ken Hoexter:

Okay. Let me just see if there's any questions. Otherwise, I'll keep going.

Yeah, Ham? Hang on. We got a mic.

Ham:

If autonomous becomes real in five years, how do you think that impacts your business?

John Diez:

Yeah. So we've been working with a number of players where we could add value through that process. One, we have a few pilots right now. One is maintaining that equipment. We have a great large network across the country where we could provide maintenance services not only to the vehicle itself, but also the technology that's equipped on that vehicle.

Number two, leveraging our network. We think many of these autonomous networks will be redesigned and they're going to need space and they're going to need someone to operate them. So clearly we're well-positioned to do that.

And then thirdly, I would tell you from a transportation management perspective, that final mile delivery is still going to be required, and it's not as simple to do that. So we're really well-positioned to be able to take that autonomous vehicle trailer and deliver to its final destination through our capabilities on final mile.

Ham:

Do you envision that you're putting capital into these assets and growing your business, or are you an outsourced provider for someone else that puts the capital in for all this equipment?

John Diez:

I don't know. We're going to be prepared to either put capital in if we see the opportunity there. We deployed significant amount of capital on equipment that's extremely expensive. The price of a new tractor going into next year will be close to 200,000 or 200,000 plus. So deploying capital to meet the needs of the marketplace, not something we're afraid of, but it's still early to tell. That's a great question.

Speaker 4:

Are you using AI currently in your operations and are you seeing any near term sort of uplift earnings from it?

John Diez:

Yeah. So from an AI perspective, the question was, are we utilizing AI? And the answer is yes. Obviously one of the great things we've done over the last couple of years is investing in technology. We have our own proprietary technology, one of which is RyderShare, which provides visibility and control to our customers about their delivery. We're embedding AI there. We're embedding AI in our RyderGyde, which is our fleet management solution as well. What that does is creates a more proactive solution for our customers where they can have early indicators of what's happening in their network, take action automatically for them. So those AI solutions are being embedded in each of those proprietary technology solutions.

Number two, we have invested, we have a venture fund, a Ryder venture fund where we invest in different AI technologies. We've probably looked at more than a hundred of these. We've made some investments in a few that have created good yield and momentum for us. HappyRobot is one, GenTech AI technology, we've deployed that in our transportation management, and brokerage business where they do the negotiation with carriers at a better higher yield than what we were doing it traditionally.

We have seen that also from a effectiveness and efficiency perspective we're having to use less labor to support that business as a result of some of these technologies. Then longer term, we've got a number of use cases that we're tackling through AI, which we think can be significant in value longer term. No breakthroughs there, but when you look at our maintenance spend, our warehouse efficiencies and some of the things we're doing on a customer acquisition side, we think there's great opportunities going forward from an AI perspective.

Ken Hoexter:

Any others? That was great. Those were two of my next four questions, was the AI and the autonomous. So I guess if we think about the... Where was I? In improving freight recovery, where do you benefit? Where do you get pinched? What are the guideposts to measure your success in that market?

John Diez:

Yeah. So the clear benefits for us, which we've laid out, 250 million, most of that's going to come via rental and used vehicle sales. Those two businesses will scale up pretty quickly when we see the market recovery. Longer term, you will see higher levels of growth. We think with the capabilities we've added, we could accelerate that growth relative to other cycles. So those are the things we're looking for.

What are the guideposts? To your question, we clearly need to see higher levels of demand. Our rental orders, we're promising as we exit a Q1, but they're still below normalized levels, I would say. So once we see our order intake on the rental side, I think we're going to see us deploy more capital towards rental and you're going to see that product line grow.

Overall, I think market pressures are that capacity will continue to come out in the first half. That should be good for used vehicle pricing as we get deeper into the year. And you need a good economy. And so we're still dealing with the Iran conflict. I think there's a level of uncertainty that comes with that. Hopefully we get through that quickly so that customers and our businesses that we support will start investing and committing to long-term solutions.

Ken Hoexter:

So the fleet management solutions, that's where you're seeing the increase and decrease of use truck prices where that can flex that business dedicated where you're outsourcing and managing capacity for drivers and becoming the full driver for them. And then you've got supply chain, which includes the warehousing where you're outside. Go ahead.

John Diez:

So we're starting to see evidence of a tighter driver market. As soon as that becomes really an acute point for people to deal with, we're going to see dedicated start taking off and you're going to see good revenue growth from that business. So there were early signs in Q1 for dedicated. We're hopeful that will continue.

Ken Hoexter:

How do you adjust in that market in a rapidly rising market to ensure you're covering for the cost of the driver, future cost of the driver, inflationary costs in that relative to what Werner or J.B. Hunt is doing on their dedicated side?

John Diez:

So we saw this during COVID and we went out and really we had to look at all of our contracts. We introduced in our contracts kind of a labor index that allows us to, as market conditions change, to serve our customers the right way. We have protection for some of this wage inflation as we move through the market. So from that perspective, we should be in a good place. And obviously the more exciting piece of that is we should see better growth overall from a dedicated perspective.

Ken Hoexter:

Okay, great. Any other questions? Well, I think if I sum up, it sounds like you've got a good used truck market pricing right now, which can accelerate going into the '07 emission standards change that can make pricing really tight. You've got an improving backdrop, although more supply side driven than demand, but you are seeing some of the demand creep in, it sounded like. And that good pricing, which you can balance out with costs with the way your contracts are structured. Anything I'm missing?

John Diez:

No. And more importantly for us is our port-to-door solutions give customers an opportunity to deal with any supply chain challenge they may have. So if they're looking for warehousing, transportation or an integrated solution, we could deliver that. So I think we're well-positioned for what's to come.

Ken Hoexter:

Great job on the overview. Thank you very much.

John Diez:

Thank you. Appreciate it.

Ken Hoexter:

Appreciate the time. Thank you.