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<<Robert Salmon, Analyst, Wells Fargo>>

[Call Starts Abruptly] Ryder System, Inc. With us is CEO, John Diez, as well as Nicole Dominguez, who is in the front row. John is going to provide a couple of minutes of prepared remarks, and then we are going to jump into the fireside discussion. So thanks for being with us.

<<John J. Diez, Chief Executive Officer>>

Sure, great. Well, it's good to be here. I am John Diez with Ryder, and I will give you an overview on Ryder, a quick overview, and then we will jump into it. So for those of you that may not know Ryder, we're a $13 billion company in the outsourced transportation logistics space. We are a leader in the outsourced market. Everything that our customers outsource to us, they could do on their own. So we typically work behind the scenes, and we are an extension of their business. We're North America-focused. 93% of our revenue comes from the U.S. alone, so very high concentration to the U.S. with Canada and Mexico footprint. And we're organized around three segments, which you are going to hear about today.

So our fleet management segment is the – if you think about the outsourcing or the leasing of trucks and renting of trucks, we provide the maintenance on those trucks. We manage about 240,000 trucks, which you see on the screen, and through 800 locations across the U.S. and Canada, with over 4,000 diesel mechanics that do the service on those trucks each and every day. Dedicated transportation, if you think about outsourcing of the truck, is outsourcing of the truck plus the driver, along with the engineering transportation network design that we offer. We do that in a large way. We're the second-largest dedicated provider in that space, and we like to do dedicated. Much of our dedicated, 70%, is specialized, so our drivers do facilitate and participate in the actual delivery and unloading of the goods that are sitting on the back of the truck.

And then we have our supply chain business, which is the largest segment of the business, a big part of our transformation, which I will touch on here in a second, where we provide end-to-end logistics solutions. So anywhere from port activity, inbound to manufacturing, distribution, to final mile, we could handle it for our customers in the U.S., Canada, and Mexico. You see there our customer base on the far right. Good distribution across a number of industries. Food and bev is our largest, retail, and the industrials account for the majority of the portfolio we serve. We serve nearly 40,000 businesses in North America.

A big part of the story, which you will hear about today, is our transformation. Prior to 2019, at the peak of the cycle, things were going fairly well for Ryder. And then we reached an extended used vehicle market, and we decided we needed to make some changes in 2019. That triggered a two-part approach to our transformation. One was really de-risking the business, our fleet management business, where we're underwriting leases. We were highly dependent on the used

vehicle market on the backside to get the returns we needed for that business, and that used vehicle market volatility was significant.

So we addressed that. What did we do? We reduced residual values from a pricing perspective, along with taking some charges from an accounting perspective, and we raised prices to our customer. That's been a six-year journey. We're on the tail end of that. We've been very successful being able to deliver the value at a higher price for our customers, and we've retained the majority of that business. And obviously, post-COVID, we were able to grow that business as well successfully.

We also look to grow and expand our margins, and we set out to initially take out $100 million of maintenance costs from our fleet management business by becoming more efficient, operating smarter, and introducing technology. We're on the path now to deliver $150 million of annual savings, which is the new target for us from maintenance activity. So between the pricing initiative and the maintenance initiative, we're on path to be over $200 million of incremental earnings from that business.

Second part of the story for us was to diversify away from our asset-intensive business and grow our asset-light businesses. So supply chain and dedicated have grown meaningfully. You see there our revenue base grew from $8 billion to about $13 billion today. And then if you look at the mix of our business, that supply chain dedicated business used to be 40%, now it's 60% of our overall business.

The health of the business, much different. We are today in the tail end of a freight cycle downturn, so very difficult used vehicle market conditions that we experienced last year, and we were able to deliver substantial improvements in our return on equity measure. You see there we're targeting 17% to 18% this year, compared to 13% at its peak, and then cash flow improved by nearly 60% through the transformation. So what's current today and what's to come? On the left side, you see our strategic initiatives, which have been really the catalyst for Ryder for the last several years. Those are the structural changes we made in the business.

We still feel in 2026 there is about another $70 million of incremental benefits from our pricing actions, maintenance initiatives, and some other initiatives around our omni-channel network and supply chain that we could improve the overall earnings power of our business by $70 million. The freight market has been depressed, as I mentioned. We think when the market turns, that cyclical lift will be about $250 million to earnings, which we haven't seen yet. So we posted in Q1 that we think the used vehicle market has turned. That will contribute $10 million of incremental this year, but really the vast majority of it, we're expecting that to come in over the next couple of years.

And then lastly, we continue to work on growing the contractual side of our portfolio. 90% of our business is contractual relationships with businesses, three to seven years. We've had great success there. We'll touch on it, but supply chain continues to grow. We expect that business to grow low double digits organically and with some acquisitions over time. The DTS business should get back up to high single digits, and then fleet management business at mid-single digits.

So that's a quick recap on Ryder, where we've been, where we're going, and then I'll turn it over to you, Rob.

<<Robert Salmon, Analyst, Wells Fargo>>

You bet. Thanks, John. That $70 million that you called out for this year in terms of company specific initiatives that'll be boosting earnings, how much of that did you guys realize in the first quarter? And you noted you're on track to realize it for the first year, but maybe if you give us a little bit of perspective on the cadence.

<<John J. Diez, Chief Executive Officer>>

Yeah, the cadence is, it's not very lumpy. It should be almost linear as we get through the year. The pricing initiative will be front-loaded to the first half primarily, where you'll see the incremental benefits, but the maintenance activity will be more oriented towards the second half. But on balance, I would say of that $70 million, we're expecting to realize a consistent amount each quarter. So we're not counting on a big hockey stick. We're seeing the benefits already come in Q1 and into Q2, and obviously that will continue.

<<Robert Salmon, Analyst, Wells Fargo>>

And obviously, the biggest piece of Ryder's revenue and earnings stream is the contractual business.

<<John J. Diez, Chief Executive Officer>>

Yes.

<<Robert Salmon, Analyst, Wells Fargo>>

You had sounded a little bit more upbeat than you have in a while on the first quarter call, and you'd note that customers are starting to make commitments in FMS and in dedicated. Maybe could you give us an update? There's been a lot of changing dynamics, cyclical uplift that we've been seeing in the trucking market. Has that accelerated as we push through the second quarter?

<<John J. Diez, Chief Executive Officer>>

Yeah. So the tone for us changed a little bit in Q1 from what we've been saying in that supply chain has been growing, sales activity there last year was a record level, but fleet management and dedicated, we had not seen any sort of firm commitments from customers at a meaningful level. In Q1 – we've been seeing dedicated supply chain pipelines grow, which usually is an early indication of pent-up demand. We did see that in the latter stages of last year in both those businesses and then in Q1, that started converting, and customers started making commitments. We saw sales activity for Q1 of 2026 in fleet management and dedicated be at levels we hadn't seen in two to three years. Fleet management had been like three years, and dedicated about two years since we last saw that.

And then we saw customers signs that things were improving as well outside of that. Extensions were up, which is a good indication that they want to hang on to fleet as opposed to reduce their fleet. That was at elevated levels. Customers were looking to us to take advantage of on-ground equipment, our redeployments were up to near record levels in the quarter.

And then our miles run on our customers' fleets, they were up 2% to 3% as well, which is also a good sign for the momentum and some of the acceleration we saw in Q1. But that was just one quarter. We'll continue to see, obviously since then, we're dealing with the macroeconomic conditions and energy pricing that's elevated today, and we'll see how demand continues to play out over the course of the year.

<<Robert Salmon, Analyst, Wells Fargo>>

Have miles driven, because I know you guys look at a lot of metrics across the fleet, how far are we below kind of historical averages today, given that 2% to 3% improvement we saw in 1Q?

<<John J. Diez, Chief Executive Officer>>

Yeah. Great question. So we were down almost 14%, 15% a year ago. Obviously, we're seeing that come back. We're still – even though we saw that sequential improvement in Q1, we're still well below, I would say, high single digits below kind of historical peak levels. That will hopefully continue to move up, and that will translate then into growth for the business.

<<Robert Salmon, Analyst, Wells Fargo>>

So high single digit off of peak.

<<John J. Diez, Chief Executive Officer>>

Off of peak.

<<Robert Salmon, Analyst, Wells Fargo>>

Relative to mid cycle?

<<John J. Diez, Chief Executive Officer>>

Yeah, I would say to normalize levels, it's probably mid-single digits for us. So we're getting close, but we need to see continued momentum there.

<<Robert Salmon, Analyst, Wells Fargo>>

You had noted that you're seeing extensions kind of improve a moment ago. Maybe you could talk a little about customer vehicle churn, right? I would imagine that's also getting better. But I'm curious kind of where we're falling out.

<<John J. Diez, Chief Executive Officer>>

So if you think about our lease portfolio, over 100,000 vehicles on lease, seven-year contract terms. You're seeing about 13% to 17% of the portfolio turnover each year. Every time there's a lease expiration, we have a decision, or the customer has the decision to make, do they need the truck? Downsize the fleet. If they're not so confident in their business, they may just extend the truck, and then typically when we see them get real confidence and they see growth in their underlying business, they're going to add to the fleet. Well, over the course of the last three years, we've been seeing customers actually reduce their fleet with every one of these events and tying their fleet further.

What we saw in Q1 was a clear indication now they're looking to extend. And then we would look to, as we get deeper into the year, they're going to look to hopefully start adding to the fleet as market conditions continue to improve.

So that was a good indication for us. Churn in the business has improved in that you're seeing better stability from our existing customers. We're finding new customers as well. And then you're seeing some reduction in the number of bankruptcies, which is the health of the overall market. We had seen a great number of bankruptcies the last two years. First quarter was at a good level for us. If that could continue, that would be a good indication for us.

<<Robert Salmon, Analyst, Wells Fargo>>

Maybe could you talk a little bit about bankruptcies and how much of a drag they were to the fleet in the past couple of years, which has been declining a little bit?

<<John J. Diez, Chief Executive Officer>>

Yeah, clearly that's a big portion of the decline. I would say the decline in the fleet, the majority of it was just fleet downsizings from existing customers, but easily a third to 40% was from credit pools and bankruptcies. So as long as that continues to get better, I think, that's going to provide some support and uplift into the fleet going into the future.

<<Robert Salmon, Analyst, Wells Fargo>>

As you kind of initiated on your new pricing philosophy, you tempered the fleet growth expectation to 2,000 to 4,000. Obviously, there have been cyclical factors that have been headwinds. Some of the credit dynamics you had just mentioned, as well as reduced overall freight activity. We've been seeing the FMS fleet contract over the past couple of years. It sounds like we're getting close to stabilization, we'll see growth. As we think about growth, is the 2,000 to 4,000 net adds kind of the right level for Ryder, or have dynamics changed pricing different where maybe that number isn't the right growth for us to put in our model?

<<John J. Diez, Chief Executive Officer>>

Yeah, the pricing is not a limiter on our growth. We would love to grow at a higher level because the returns in that business are really good now. They've been the catalyst for the return on equity improvement in the overall business. We just got to find more opportunities to serve customers and new customers. So the 2,000 to 4,000, I would say, early cycle behaviors will be more like 2,000 at the peak of the cycle, like we saw in 2022 and into 2023, we'll probably do more than 4,000. The question is, what can we do consistent over the cycle? That 2,000 to 4,000 seems like a good number as we look forward, but there will be a few years where we're going to get above the 4,000, without a doubt.

<<Robert Salmon, Analyst, Wells Fargo>>

Well, we're looking forward to seeing that.

<<John J. Diez, Chief Executive Officer>>

Yes.

<<Robert Salmon, Analyst, Wells Fargo>>

And then as we think of some of the more cyclical pieces of the business, you noted over $250 million potential talent, I think $10 million coming this year. Is that entirely on the UVS side?

<<John J. Diez, Chief Executive Officer>>

So the $250 million, 90% of our business contractual in nature. Our commercial rental and used vehicle business is the transactional pieces of the business. Of the $250 million, we always say normalized gains for Ryder are going to be in that $75 million to $100 million. Last year, we did about $20 million in used vehicle gains. So you could count on $80 million of the $250 million, more or less, will be coming from UVS. The majority of it, and the balance of that $250 million plus will come from rental. So our commercial rental fleet, which supports our lease customers as well as the market at large was as much as 40,000 units at the peak of the cycle. We're now around 30,000 units, just to give you ballpark numbers. We're down nearly a third of the fleet.

We're going to add to the fleet as we see market demand pick up. And as that market demand picks up, you're going to see the earnings power of that contractual business, which is very robust. Typically, the returns on that business are better than our contractual lease business over the cycle. So the earnings power of that business is pretty robust. So that's how you get to the $250 million plus that we've called out.

<<Robert Salmon, Analyst, Wells Fargo>>

Maybe you could give us some perspective of how much opportunity you have to grow the earnings with the existing fleet before we start adding incremental trucks. Because utilization is below your target range today.

<<John J. Diez, Chief Executive Officer>>

Yeah. So great observation. Today, we're sitting in utilization on a full year basis in the low 70s. Typically, we're in the mid-70s to high 70% range. So if you think about that 300 to 400 or even 500 basis points, there's quite a bit of capacity of demand that we could absorb in our existing fleet before we start adding capital.

So probably – once we get to a consistent number of mid to high 70s levels, and we've been as high as 83% under our measure. So we're going to start adding fleet what we can do in the short run, if we see demand start picking up, we could obviously take advantage of on-ground equipment. We'll reduce the number of outservicing we do of our existing fleet, run it a little bit longer and then start adding to the fleet as quickly as we can. So that gives us a lot of levers. Obviously, the biggest lever there is we need demand to start coming back.

<<Robert Salmon, Analyst, Wells Fargo>>

Yeah. And we're seeing the improvement in terms of the utilization of your existing miles driven across the FMS fleet. How much has – have we seen any improvement in terms of the rental demand from your FMS fleet customers? Or is that still basically nonexistent and it's third party?

<<John J. Diez, Chief Executive Officer>>

Yes. So rental demand from our existing lease customers is a big portion of the business. Typically, it's about 40% of the demand level. And we haven't seen that come back. We have seen pure rental activity move up. What we did see in the first quarter, which we felt good about was we had been below normalized seasonal trends for the last several quarters.

And the sequential trend we saw from Q4 to Q1, that pickup that we – or that movement that we typically see in demand was in line with historical levels where we've been below historical levels the previous two quarters. So that was an indication at least to us that things were normalizing in the demand side of the equation. We just haven't seen an acceleration as of yet. And once we see it, we'll be ready to take advantage of it.

<<Robert Salmon, Analyst, Wells Fargo>>

Historically, spot rates have been a good leading indicator in terms of the utilization.

<<John J. Diez, Chief Executive Officer>>

Yes.

<<Robert Salmon, Analyst, Wells Fargo>>

Obviously, the mix has changed a little bit where you're now much more weighted toward the truck. But are you seeing any noticeable utilization difference in truck versus tractor?

<<John J. Diez, Chief Executive Officer>>

Not a big difference. So our tractor utilization figures are typically higher than our straight truck market. And we still see that kind of differential there. We would like to see the tractor market pick up, and we could add capacity as we see demand come into the space without a doubt. The truck demand levels have been more consistent, I would say, than tractors, which we've been seeing that for some time. But both – on both trucks and tractors, as we see demand pick up, we're more than capable of adding the capacity to meet the demand.

Longer term, I do think the truck activity will continue to stay fairly consistent. We'll continue to grow as we continue to see more last mile delivery and folks moving closer to that consumer for that final mile delivery that will continue to provide support for that straight truck market over time.

<<Robert Salmon, Analyst, Wells Fargo>>

We should think about kind of the incremental margin returns, very, very high as utilization is improving and then above average relative to FMS in rental as you're adding trucks. But obviously, there's some CapEx that we should be thinking about and incremental depreciation that flows through the balance sheet. Yeah.

<<John J. Diez, Chief Executive Officer>>

That's correct. So to put it in perspective, today, our quality of earnings for this business earnings before taxes as a percentage of our revenues is about 10% last year. That number will continue to grow. Our target over the cycle is to be in the mid-teens, if you will, there or low teens, I should say. And then as you get to the peak of the cycle, you should be in that mid- to high-teens level. So back to your point on the leverage of that business is pretty significant. And we're hopefully starting to see that now. So that will continue to move up and 10% being at the trough of the cycle is still very good for Ryder that we posted last year. So if that's the floor, good things are ahead for us.

<<Robert Salmon, Analyst, Wells Fargo>>

And so the building blocks are coming there and then the used vehicle side of the business, too. You're sounding better there as well. Kind of 1Q, roughly 60% was retail. Can you give us a sense of how that compares to like your internal targets and what typical seasonality would be for the first quarter?

<<John J. Diez, Chief Executive Officer>>

So we raised the guidance for the full year after following Q1. Some of that was better than anticipated performance in Q1, but we also saw used vehicle pricing stabilize sooner in the year than we had anticipated. And then to Rob's point, what we did see was higher retail volumes. And we typically get a 30% premium if we sell a truck through a retail channel as opposed to a wholesale channel. And seeing more demand on that side of the house is really encouraging for us and part of the reason why we kind of lifted the overall expectations.

We are seeing market conditions continue to get better. Later on in the year, we're going to have the introduction of technology change, the 2027 engine technology will start hitting the marketplace, which is going to lift the price on new equipment. So if you're a fleet operator, you're trying to make a decision, do I buy used or do I jump into a new equipment, you're going to have to pay a lot more for that new equipment and used equipment with the service quality we could afford them may be more attractive.

So we think the momentum we're seeing right now for used vehicle sales is upward momentum on pricing, which should bode well for the second half of the year. You asked about what is the mix around retail, wholesale. The 50% is clearly below our target levels. We typically like to be in the 70s, 70% to 80% level. When things are really humming, you're going to be in that 78%, 79% retail level.

So we're still doing some wholesaling to manage inventory levels, but that should – as we get into next year that should continue to – the retail percentage should continue to move up and the wholesaling move downward. So we still got some wholesale activity to do later in the year, and we'll continue to manage that based on what the market dynamics introduce.

<<Robert Salmon, Analyst, Wells Fargo>>

Earlier, you had mentioned emissions change. Typically, I would think that, that's a good thing.

<<John J. Diez, Chief Executive Officer>>

Yes. It is typically not only good for our used vehicle market, but it creates a front loading of demand for us and our lease customers looking to get ahead of it. I think market conditions with this market is a little bit different in that the demand side of the equation is still not robust. We're not projecting any sort of prebuy activity ahead of the engine technology change, which we've seen in previous versions. So it's kind of a muted environment with regards to that today. But from a used vehicle perspective, we are seeing – we do expect an uplift from the engine technology change as you get deeper into the year.

<<Robert Salmon, Analyst, Wells Fargo>>

And then we also get a benefit on the FMS side because the sticker price is higher.

<<John J. Diez, Chief Executive Officer>>

Yes.

<<Robert Salmon, Analyst, Wells Fargo>>

For the used, do you think about raising prices kind of to keep the used to new relationship constant? Or you say, "Hey, I'd rather get more retail throughput, so I need to keep prices where they are as OEMs announce these increases?"

<<John J. Diez, Chief Executive Officer>>

Typically, they move together. We typically see – as demand starts accelerating, we'll be able to not only take price up but you'll also see your mix change quite a bit. And we've seen it over multiple cycles, that's the case. First, you see the volumes move up, which we saw in Q1 and stable pricing, which we saw higher volume, then you'll see both start moving upward. And that's part of the reason why we lifted the guidance. We do expect now pricing to start moving up based on what we're seeing in the trends.

<<Robert Salmon, Analyst, Wells Fargo>>

That makes sense. And we've heard that from our channel checks as well. There's also – as we talked to some dealers, they noted that financing has gotten a little bit tougher for some fleets.

<<John J. Diez, Chief Executive Officer>>

Yeah.

<<Robert Salmon, Analyst, Wells Fargo>>

For some fleets, is that providing an incremental opportunity for Ryder to help fleets kind of increase their truck count on the leasing side? I know it's typically a smaller piece that does transportation, but...

<<John J. Diez, Chief Executive Officer>>

Yeah, on the leasing side, we still do quite a bit with transports, even though it's not a meaningful part of the portfolio. That space has been, as you noted, challenged by financing and higher financing costs. But the customers we serve today are well-capitalized to customers. Typically, if we have a customer that can't afford a lease opportunity, we'll put them into rental and let them rent in the interim until they get healthy. We're in the early innings here with the spot rate market up. It was up 30% year-over-year in Q1. It's continued to move up to 50% now. And as these carriers start printing some cash flow, I think they're going to get stronger, and hopefully their balance sheets get a little bit better.

<<Robert Salmon, Analyst, Wells Fargo>>

That'll work itself out.

<<John J. Diez, Chief Executive Officer>>

Yeah.

<<Robert Salmon, Analyst, Wells Fargo>>

Today, we had another announcement out of Amazon.

<<John J. Diez, Chief Executive Officer>>

Yes.

<<Robert Salmon, Analyst, Wells Fargo>>

It's impacted the less than truckload market. A couple of weeks ago, they got into supply chain services saying, we're going to target third parties. I'd be curious just to get your perspective of what business that Ryder has, where you see is potentially at risk. What part of the book of business is really not impacted, but by the announcement and just how you think about SCS's kind of double-digit revenue growth targets as well as its high single-digit EBT target in light of the announcement.

<<John J. Diez, Chief Executive Officer>>

Yeah. So the Amazon announcements, where they impact us is really around our supply chain business. However, our supply chain business, we don't run on an LTL network. So today's announcement doesn't really impact us. What we provide for our customers are really customized, bespoke solutions, highly engineered solutions for large supply chain operators. Those, we don't expect to be impacted, and there's very little overlap with what Amazon can offer.

I think when you look at some of our smaller businesses within supply chain, so e-commerce and our last mile business of big and bulky, combined, they account for about 6% of our overall Ryder revenue. So it's not a big portion of Ryder or even our supply chain business. There is some overlap there, and clearly we'll compete with them as we have competed with them.

What we have seen from the e-commerce side, some of our customers do business with Amazon today. Many of them have elected to do their own fulfillment and not go through the Amazon network. So I do expect a vast majority of those customers will continue to operate in that fashion. We provide competitive and great service to them. So that's the area of the business that there is some overlap, not something that today we're concerned with. Obviously, today's announcement really has no impact to us. If anything, hopefully we could help them grow their fleet and help Amazon grow their trucking activity and rent from us. That would be great.

<<Robert Salmon, Analyst, Wells Fargo>>

That makes sense. And in terms of the SCS, it sounds like a very small piece of the business with Amazon's expansion into third-party supply chain services, that could be a headwind to Ryder, and maybe you get additional truck growth out of today's announcement.

<<John J. Diez, Chief Executive Officer>>

Yes.

<<Robert Salmon, Analyst, Wells Fargo>>

In the first quarter, margins contracted a little under 200 basis points on a year-over-year basis. We had, I think you called out some automotive headwinds as well as some of the omni-channel initiatives that you've gone. I'd imagine weather kind of played into that. Maybe you could talk a little bit about the SCS margins and how we should think about the progression of the year and some of those headwinds?

<<John J. Diez, Chief Executive Officer>>

Yeah. So Rob called out our supply chain business. Year-over-year, we did see contraction in the margin profile of that business. Despite that, our supply chain business last year operated at a record level. Our first quarter 2026 performance for supply chain was the second-best in our history. So you are seeing kind of a bounce from the peak, with regards to that. We did call out automotive. Automotive volumes are down, and we did have some lost business in automotive, where they traded some dedicated activity. They went to the for-hire carrier market away from our dedicated solution.

We think some of that will come back as, obviously, the spot rate market lifts up. So that may be something that we could win back here in time. But that business continues to perform. Our target for that business is high single digits. We're on path to deliver that again this year. And again, like I mentioned, even though the first quarter was not at last year's level, we're not disappointed with the first quarter performance being the second-best in the company's history.

<<Robert Salmon, Analyst, Wells Fargo>>

And you're talking about kind of getting to the run rate of the double digits exiting the year.

<<John J. Diez, Chief Executive Officer>>

Yes.

<<Robert Salmon, Analyst, Wells Fargo>>

Any startup costs?

<<John J. Diez, Chief Executive Officer>>

On growth.

<<Robert Salmon, Analyst, Wells Fargo>>

We should be thinking about as the revenue ramps?

<<John J. Diez, Chief Executive Officer>>

Yeah. Clearly, anytime we're growing at that double-digit level, there's going to be some level of startup disruption. We've invested heavily in our startup effectiveness teams, where we mitigate and minimize the impact of that. But we're going to see some level of disruption as we grow. What's really exciting for us is, not only last year did we have a record year first quarter, we came out of the blocks with another robust growth number for us. So as we think about the growth rate for that business, we're probably going to be in the mid-single digits in Q2, getting to the high single digits as you get into Q3, and then low double digits as we exit the year. And then that will – that should continue to build as we get into 2027.

<<Robert Salmon, Analyst, Wells Fargo>>

So acceleration off of low double digits in 2027?

<<John J. Diez, Chief Executive Officer>>

I think you will see a little bit of an acceleration off of where we exit in 2026, yes.

<<Robert Salmon, Analyst, Wells Fargo>>

That's exciting. How about dedicated? Maybe you could talk a little bit about how you see margins evolving there?

<<John J. Diez, Chief Executive Officer>>

Yeah. Dedicated Q1 seasonally is probably the most challenging margin environment. I think that number was around 5%. We also target there high single digits, so 7.5% plus. We're on path to still deliver high single digits. I think we called out we've been able to deliver that eight out of the last 10 years. Second quarter, typically, we see our margin profile expand 200 basis points to 300 basis points. That continues into Q3, and then Q4 tapers off a little bit. What we're excited about on Dedicated is we have taken some cost actions there to improve the earnings profile of the business, but we're hopeful that we continue to see our sales activity replicate what we saw in Q1. So Q1 was a very good sales quarter. If that continues, then we should be getting back on track to growth for 2027.

<<Robert Salmon, Analyst, Wells Fargo>>

Well, we're at the time. John, really appreciate it.

<<John J. Diez, Chief Executive Officer>>

Terrific. Thank you.

<<Robert Salmon, Analyst, Wells Fargo>>

Yeah.

<<John J. Diez, Chief Executive Officer>>

Really appreciate it.