Ryder System, Inc.

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Unidentified Analyst: Hi, everyone. Welcome to Deutsche Bank's Industrials Conference. We're in the afternoon session here, I think we're in the final inning. So very pleased to be joined by John Diez at the current moment, CEO of Ryder. John, thank you for being here and supporting us at this conference.

John Diez: Thank you. Great to be here.

Unidentified Analyst: So maybe we can start with a few opening remarks by you, just giving us some insight on the current lay of the land as you see it, what the market looks like, how Ryder fits in, and we'll take it from there.

John Diez: Sure. I'll give you a little bit of background and an introduction to Ryder. We're a $13 billion business. We're organized around 3 segments. We're in the outsourced transportation and logistics business. All of our business is B2B and 90% of it is contractual in nature, and it's organized around the 3 segments: Fleet management, which is our truck leasing and rental business. That accounts for about 40% of the portfolio. Then you've got our Supply Chain business, which is end-to-end supply chain logistics capabilities. Warehousing is the predominant service that we provide there, but we also provide transportation and integrated transportation and warehousing solutions to our customers. And then our dedicated business is the smallest of the 3, just over 20% of the business, and that is where you elect to outsource your transportation. We do the delivery for our customers to their customers or if it's a middle mile solution to their distribution site. All 3 businesses operate in North America and we don't operate outside of North America. And then I think the big thing for Ryder to take stock of is we've gone through a transformation that began in 2019, 2020.

The transformation was aimed at doing three things. One was de-risk our lease portfolio. Second was to increase and enhance the margins of the business. And third, really diversify the business portfolio and accelerate the growth of our Supply Chain and Dedicated business. Fast forward from 2019 to 2020, I think by and large, we're fairly complete with our transformation. If you look at our lease portfolio, we reduced the residual values. What that translated into was increased price to our customers. We had to reprice the lease portfolio. That's been very successful over that period of time. If you look at our Supply Chain Dedicated business, that used to be 44% of our overall revenue base. Now it's 60% of our revenue base. So highly diversified business. Most important for us is cash flow from operations has improved 60%. Profitability has more than doubled over that period of time. And then if you look at kind of the earnings power of the business is substantially greater, and you can look at our return on equity metric, which we're looking at guiding 18% return on equity today in kind of just coming off the bottom of the cycle. And in 2018, at the peak of the cycle, we were doing 13% return on equity. So that's a quick overview.

As far as market conditions, I touched on it a little bit. We are seeing a freight recovery. It's a supply-driven freight recovery, which benefits parts of our business. What we haven't seen is kind of an acceleration in demand, but we are seeing that conditions are improving across the business. We see it in our sales activity in FMS, in our Supply Chain business. And then we are seeing used vehicle pricing. We started seeing in first quarter and second quarter, they're starting to go up and lifting from where they were a year ago. So that's a quick summary on Ryder and what we're seeing early in 2026.

Unidentified Analyst: Okay. Great overview. So maybe we can dig a bit more into the used equipment market in particular. I think you more than most I've spoken to today should be very well equipped to weigh in on that, just given, again, that the Truck Leasing business that you have, 40% of your operation. Just how it might be influenced by like the capacity and driver constraints in the industry. This is the used truck market. And how do you think it evolves? What does that mean for Ryder? What are you exactly seeing? You said the last 2 quarters, you've seen a nice little uptick. Talk to us about that.

John Diez: Yes. So we started seeing improving conditions at the beginning of the year. Capacity has been taken out of the market, both from a regulation enforcement of that regulation as well as kind of non-domiciled driver activity. And what you saw is the spot rate market started recovering late last year. And obviously, that is also a function of capacity being taken out.

UVS pricing, we saw sequential improvements from Q4 into the beginning of the year. Q1 was better than the prior year, slightly better. And then Q2 was certainly sequentially better than what we saw in Q1. Our expectations and what we've seen thus far this year is a 5% improvement on year-over-year pricing. We expect that to continue moving up. And then we would expect as market conditions continue to get tighter, next year, we'll be in that double-digit range for year-over-year market improvement.

Unidentified Analyst: Okay. But it's a little bit of like a unique situation, right? Because if there's drivers that are being pushed out of the industry, effectively, there's maybe a glut of capacity that's like trucks that aren't being used by drivers. I mean, am I thinking through that correctly? Or what is it?

John Diez: I think you have. I think we started seeing that last year, and a lot of that capacity has washed out. And now you're seeing the fact that the spot rate market has moved up. There's probably more attractive freight to move for over-the-road carriers, those that want to come back into the market, which have been sitting on the sidelines, and that's giving us a little bit of a lift in that used vehicle pricing environment. So even though some of the capacity have been taken out, that helped lift spot rates. And then with the spot rates moving up, you're seeing a little bit more demand come into the marketplace.

Unidentified Analyst: And talk about the value proposition right now used versus new, like what we're seeing in the new market, order trends, maybe new emission standards, all that?

John Diez: Yes. I'll take it one at a time. Clearly, we're anticipating used vehicle pricing to keep moving up part because the new vehicle pricing environment is moving up as well. So we are expecting EPA regulations to take effect next year. That's going to move pricing up. We do expect that to be meaningful. It could be high single digits to low double-digit increases based on the latest information. What we have seen at the beginning of the year is Class 8 orders and activity has been moving up. First quarter was weak, I would say, Q2 didn't move up meaningfully. I think that's a reflection of people looking to start taking advantage of what they're seeing in the freight environment and also anticipating some of that price increase going into next year. So we do see momentum across the board in both new sales activity as well as used vehicle activity.

Unidentified Analyst: And do you think some of the new sales activity is a reflection of like prebuy or anything like that? And what do you think replacement versus growth?

John Diez: Yes. I think what we're seeing right now is predominantly replacement activity that had been deferred, where you had seen fleets and even ourselves, if you look at our fleet age profile, that has been aging out even further over the last 12 to 18 months. I think a lot of fleets had delayed making replacement decisions until they saw market activity starting to firm up a little bit. I think that's what you're seeing. If you look at the full year Class 8 numbers, I think we're still below replacement levels. So we're catching up on that replacement level number. And then next year, I would anticipate that you are going to see overall fleet growth in this environment. So I think that maybe answers your earlier question. We're still at below replacement levels with the new activity, even though it's moving up. So the overall market is still taking capacity out of the market in 2026. But as you get into 2027, you may get to a more neutral or even in a growth mode, depending on the strength of the orders.

Unidentified Analyst: Can you put some numbers around that? Like what do you think is replacement like normal replacement demand? What do you think -- if I see a number above X, it signifies like maybe more growth?

John Diez: Yes. It's hard for me to quote because everyone does these a little bit different. I would tell you, I think right now, the last set of numbers I saw were about 5% to 10% below replacement levels. So if you see a move up 5% to 10% above that, you get back to replacement levels. And then from there, you should be at replacement levels, whether you're talking Class 8, whether you're talking Class 3 through 8, there's all different figures out there that I don't want to misquote. But that's kind of the order of magnitude, 5% to 10% below replacement levels for 2026. And then obviously, if the order volume continues to move up, which it has been trending upward, I would expect that to crest that neutral point into 2027.

Unidentified Analyst: Yes. It's interesting, right? Like it seems like kind of a sanguine sort of outlook on potentially getting back to growth mode. But you and I were just talking on the side about some of the challenges that the industry is facing, right? Like from a cost perspective, things are getting much more expensive, inflation and then you have the regulatory landscape that's been changing. So talk about, I guess, feedback from some of the smaller carriers that work with you and their ability to grow. On one hand, we do see the spot market signaling like lots of good opportunities to capitalize on these strong rates. But on the other hand, again, like all these cost increases are probably not easy to stomach. So-

John Diez: Yes. I think the big companies and the big customers we deal with are able to digest that better. I think the smaller players are looking for clarity in the marketplace and they're looking for some level of certainty around market conditions and the business environment. They're dealing with higher insurance costs. They're dealing with higher equipment costs. They're dealing with the uncertainty in the overall economic space. So for them to make a commitment on signing up for a long-term lease makes it that much more difficult. So I think everyone is still looking for a little bit of clarity. The big players that have been delaying to replace their fleets. I think those are the ones that we're seeing are making decisions around replacing their fleet or growing their fleet as they see business conditions start to improve.

Unidentified Analyst: And given that clarity is tough to come by, so a lot of unknowns out there around what's going to happen, do you think that increases the value proposition of leasing?

John Diez: I certainly think so. With regards to our value prop, not only -- I think the biggest thing for us is the costs keep going and rising for our customers. So if you're looking to operate your own transportation network and you're dealing with rising equipment costs, trying to find diesel mechanics to work on your trucks and then you've got insurance costs moving up. Certainly, our dedicated offering provides a great opportunity for us to grow. And even in our leasing business, we continue to see opportunities there where you take some of that risk off the table, you're not putting forth capital to invest in your own fleet.

Unidentified Analyst: Okay. All right. Very good. Moving to the supply chain solutions. You've done a good job of increasing your exposure to maybe more asset-light supply chain side. At the same time, this year, we also saw a lot of Amazon headlines wanting to get big in asset-light supply chain. Is that something that like competes with your business? You said warehousing is a big part of that. Like are you worried about Amazon being more of a formidable threat?

John Diez: Well, we're aware of the Amazon announcements. What's exciting for us on supply chain is that is a business that- most of that business is highly customized engineered solutions that are tailored to that one customer. So we're dealing with large Fortune 50 type companies that are looking to really us execute their supply chain on their behalf. When you look at that business, we've been growing that business organically over the last five years, double digits. It's a scalable business now. We just came out with the results. Our sales for the last 18 months are at record levels. So we haven't seen a slowdown in the opportunities and the value we create in the marketplace. We do have -- as a part of our supply chain business, we do have an e-commerce fulfillment business, which that's where we would think an Amazon would come in and be an alternative to our customers. That's a much smaller piece supply chain business a customer could elect to do the fulfillment through us, but put that business through the Amazon network and have Amazon be the supply chain arm for them. Most of the customers we serve there have elected thus far to do business with us as opposed to Amazon, but it's a very small portion of our supply chain portfolio overall. We haven't seen Amazon really show up in our space as of yet. But clearly, that's something that we'll keep an eye on.

Unidentified Analyst: How small of a piece do you think is that?

John Diez: So it's about a $400 million business and supply chain overall now is closer to $5.5 billion, $6 billion. So that gives you an idea. It's just under 10% of the overall supply chain business.

Unidentified Analyst: Okay. That's helpful. All right. So let's consider maybe the broader dynamics in the spot market. I'm going to zoom out a little. I understand that a significant portion of your business. I think you said 90% is contractual, right? So I'm curious how quickly you can capitalize on the improving rate environment and substantial gains we've been hearing about. We've been hearing some estimates double-digit increases, pricing ever have that significant of an impact at Ryder or a stable business, so less volatile, but you will eventually see good, solid increases. Just help us think through that?

John Diez: Yes. Look, over time, there's always a trade-off between lower price and service as well as on the flip side now, as we're seeing is higher price relative to service. So as the spot rate market continues to move up, contract rates move up as well and dedicated benefits from that. These are 3-year contracts. So it does take time for some of that pricing to funnel into our dedicated contracts over time. We should benefit from that and we are seeing our sales so far this year have been tremendous on the dedicated side.

So a lot of folks are trading price for service now that they could get a much better service at a competitive price relative to the spot market. So we are going to continue to see growth in our business there. The pricing impact will not be as dramatic as what you see in the spot rate market, right? It's a gradual increase, as you highlighted, and it does take some time. Where we do see the impact of that is tangentially in our used vehicle sales activity. So you are seeing kind of the early innings of a recovery of used vehicle sales with that spot rate market moving up, we have a lot more people buying into used equipment and getting started to participate in that market. And we should see continued healthy strong uplift in tractor used vehicle pricing.

Rental benefits a little bit, too, from that as people look to start a trucking operation, they may start first with a rental piece of equipment from us, get into the market, expand their business and then they'll look to sign off for a longer-term lease.

Unidentified Analyst: I see. I see. Can you just explain that bifurcation a little bit more, the rental versus the lease and how -- what portion of your business caters to either?

John Diez: Yes. We operate and manage about 230,000 vehicles. 30,000 of those vehicles are in our commercial rental fleet. And many of our customers first began with no long-term commitment. They decide to just rent trucks on a short-term basis. As you see kind of these volatile conditions, typically, people will begin first with a rental truck to execute loads and execute freight against that. Then as the market strengthens over time and they get a lot more confident with their business and the volumes longer term, they'll sign up for a 5-year lease commitment with Ryder and that's typically the pattern we see in our customer profile. They'll start with rental, no commitment, and then they'll go on to lease and then they'll go from lease into our dedicated solution.

Unidentified Analyst: So it's more like a gateway opportunity in the rental business. And given that there's not as much of a commitment aspect, I'm sure the pricing is more favorable.

John Diez: Yes. The pricing in rental usually comes at a premium over lease for that reason, but it provides an adequate entry point, as you said, for fleet operators to begin operating.

Unidentified Analyst: Okay. And then you made this point about how you're seeing tremendous sales in your leasing division. I guess just talk about like what is driving that? I mean, what's the feedback from your customers around that? What is the thing that's like- is it just- and is there more of like a private fleet aspect of that? Just give us a flavor for.

John Diez: I think there's 2 components. So typically, the freight recovery happens through demand and we usually see it come through our commercial rental business. And then there's a 6-month lag, which takes effect and we see our fleet sales start moving up. This one is unique. I think it is a supply side recovery where you've seen capacity kind of taken out of the marketplace. So what we are seeing is a lot of deferred replacement activity and customers and private fleets have been holding to replace their fleet. And now they're coming in and saying, okay, I need to replace my fleet. That's one.

Two, I do think private fleets are looking to -- in this spot rate environment, looking to grow their fleet. And if they could put more freight through their vehicles as opposed to using the for-hire carrier market for some of that excess freight capacity, I think they're bringing it in-house, and that's creating a little bit of opportunity for us as well.

Unidentified Analyst: Okay. And just you said that you're working through and striking contracts, albeit you're not going to see the same dramatic increase that we typically see, how far along are you in this process of touching some of the contracts to reflect kind of current conditions, albeit it's going to be more muted, but you are still going to see nice increases. How much of the book have you repriced?

John Diez: Yes. So about 1/3 or just under 1/3 of the book gets repriced each year. And each time we're looking at reflective of market conditions, what's happening in the driver market. The driver market is starting to see signs of tightening capacity. We're signing on bonuses, we're paying more sign-on bonus than we were maybe 6 months ago. You are going to see follow-on effects, the knock-off effects is wage inflation in the driver side. We haven't seen that yet, but we do anticipate that to come. So all that gets factored into the economics as we reprice business. So you will see that continue to progress as that book of business comes up for replacement.

Unidentified Analyst: And what do you think of like the prospect for wage increases? Like we've heard from some of your peers that, yes, they will come eventually, it will happen, but it maybe won't be as significant as what we saw during the COVID?

John Diez: Yes. I think COVID and I've seen 2 of these. In 2018, we had a pretty tight driver market. And then in 2022, obviously, and '21, we saw kind of the lid pop off the business. I don't think it will be as dramatic as what we saw in COVID just because the demand environment won't be at that kind

of accelerated environment. But I think you will continue to see as drivers keep being taken out of the marketplace. You are going to see tighter capacity and wages will need to move up to attract people to come back and then become drivers in this country.

So I have found that, that kind of works itself out over time. But do I think it will be as dramatic as what we saw post-COVID? I don't think so, but you will see something similar to what we saw in 2018 without a doubt.

Unidentified Analyst: Okay. And do you share some of your peers' views that like we are still in the early innings of the supply correction?

John Diez: Yes. Yes. We're kind of feeling the effects right now of this supply-driven recovery. What will be interesting to see what happens when demand comes back and how significant acceleration that is. And if it does come back with strength, then we may be caught with a capacity crunch, right? That's really -- but I don't anticipate that. If you think about market conditions, the industrial side on the demand side seems to be going strong. The consumer is kind of a mixed bag.

And then housing, which is the third leg here, Housing has been pretty weak for some time. The only way I would see that happening is if housing comes back strong, then you'll see kind of that demand acceleration. But I do think demand will continue to move up from here. It will just be, I think, a little bit more gradual than what we've seen in other cycles.

Unidentified Analyst: You anticipated my next question. Just can you color that maybe with some feedback you're getting from your customers? You're pretty well diversified, big in food and bev. Like what are your customers seeing? And how are they feeling about the current backdrop?

John Diez: Right. So if you look -- we're very diversified. So we serve over 35,000 businesses in our rental business. We have 14,000 lease customers. So if you look across our end markets, I would say just over 1/3 or almost 40% is tied to the consumer, so food and beverage, retail, just under 1/3 is the industrial space. And then the other, I would say, 25% is all kinds of services.

Housing is in there, technology and health care. I would tell you, the consumer food and beverage has been down, especially the beverage side. If you look at beverage companies, they're seeing lower volumes, and that may be a function of GLP-1s and younger people not drinking as much, but we are seeing the impact there, food and beverage being down. Retail is a little bit of a mixed bag.

As I mentioned, there are some retailers that are doing quite well. So there are pockets in retail that continue to be strong. Industrial started moving up late last year. We saw manufacturing continue to be strong most of this year. So I do anticipate that will continue. And then the housing sector, which is a smaller part of our business has been down, and it has been down double digits when we compare demand on the rental side to last year. So I think that will continue and we're hopeful that maybe the demand on the consumer side starts picking up. Obviously, we're dealing with an energy inflationary environment right now. If that kind of subsides and we get back to normalized gas prices, I think you may see the consumer come back in and spend more money.

Unidentified Analyst: On the industrial side, if you could break that up a little bit, like data center exposure, do you have any of that? Or kind of what in the industrial, like we do -- we all see the ISM kind of improving, still nascent, it feels like. But yes, what sort of type of customers are seeing improvement?

John Diez: So if you look at our industrial segment, 3 big broad brushes for using auto manufacturing in the U.S. Our supply chain business, a big portion of that is auto manufacturing, over 20%. So we support that manufacturing activity. A lot of what we do even in dedicated and some of the support on the fleet management side is steel companies, and they're benefiting from the data center build-out. So they provide steel products that go out into those builds. So there is some exposure there.

You have the commercial builders, bricks guys, masonry guys that are participating in that. Those are kind of the big elements that we support. And then you've got like HVAC systems, which those folks are also benefiting from the data center element. So I would say, by and large, most of the industrials we serve is businesses that have been around for some time. And I would say probably a little bit of the growth we're seeing from them is coming from the data center build-out because the HVAC folks are benefiting from that. The steel folks are benefiting from that, and some of the brick folks are also benefiting from the build-outs that we continue to see out there.

Unidentified Analyst: So it's a nice little undercurrent. Okay. Cool. So let's get back to some Ryder-specific stuff. So I think your transformation, you made a concerted effort to kind of get your business to 60% asset-light, the supply chain-driven stuff. But maybe focus on the trends facing that side of the business in particular, what differentiates you? And maybe give us some examples, right? You said like in automotive, a lot of that business, you do service through supply chain. Like what exactly are you doing?

John Diez: Yes. So automotive, we provide end-to-end. So all the parts that are going into a manufacturing assembly plant in the U.S. We coordinate the transportation, and we execute some of those transportation moves all the way from Mexico into the U.S. manufacturing facilities. We stage that product in one of our warehouses, and then we feed the assembly line every day. And we do that for some great brands in the U.S. So that is a big part of what we do in automotive and that Mexico cross-border activity is a key component of what we do.

So, we do a significant number of border crossings from Mexico into the U.S., and we continue to execute that very well. So that's an exciting piece of the business. We have seen significant growth in the retail space. So we continue to win with big retailers, big box retailers that are coming to us to provide them the- to award us with their supply chain network. And we execute for all the big brands there that you can imagine. And what we do is we're behind the scenes. So all the product that ends up in the stores we pick it, ship it and coordinate it to make sure that it arrives at the stores on time.

Unidentified Analyst: [inaudible]

John Diez: It's a great question. The question was, can supply chain grow without margin erosion. We've been very proud. And in fact, I said it earlier today, we've grown that business 11% organically and 17% with the acquisitions. And we've actually maintained or improved the margin profile of the business. So that business is operating at our target level of high single-digit EBT as a percentage of revenue. And we've done that fairly consistent here over the last 5 years. So that's a great question. We continue to see pricing discipline and execution against the design to be very, very, very effective. So we design a solution, we price it out, and then we go out and execute it, and we've been very successful at executing to the design over time. Yes.

Unidentified Analyst: And who are your competitors? And is this like basically an outsource? Like is the customer itself kind of a competitor of yours like...

John Diez: No. The customers are typically large shippers, right? So you're looking at large shippers like a Conagra is one of our customers. And GM is a customer on the automotive side that would look to outsource to us. Who do we compete with?

The big competitors for us is you look at folks like DHL, GXO and then in particular verticals in certain industries, you may see some other competitors come into the space. Penske is also a competitor in that space. So we compete with those folks. We manage over 100 million square feet today. So we manage the second largest footprint as an outsourced logistics provider or warehouse space in the country. So continue to scale that business up. And now with our end-to-end solutions of port-to-door where we could deliver, help them with bringing in the product across the border or from Asia and deliver it all the way to the customer's home through either our e-commerce

business or our final mile delivery business, we have the end-to-end solutions to help our customers.

Unidentified Analyst: And I guess what I meant by that is the customer competitor, there's this dynamic of like trying to convince them to outsource that operation to you. Do you feel like that's-

John Diez: Yes. We actually feel our biggest competitor is always private. We call it private fleet. But in this case, it could be a private operator because they want control. They don't want to relinquish control. It's our job to convince them that we could do it better in a more cost-effective way than they can. One of the competitive advantages and the value prop that we serve is we're making investments in technology that serve the needs of our customers, and we make big investments in technology that they take advantage of, where it becomes very costly if you individually are having to make those kind of investments in supply chain technology each and every time. So we come to our customers now with sophisticated technology solutions that they could take advantage of that we've made that investment for.

Unidentified Analyst: Where are you in that journey in terms of automation and physical AI implementation in the warehouse?

John Diez: Yes. I think we've come a long way. The last 5 years has been crazy. We've seen an acceleration there. I think 5 years ago, less than 20% of our warehouse space had some level of automation, now closer to 60% of our warehouse space have some form of automation. So we've seen that evolve. We've seen the economics also improve on the robotics and automation solutions that are available. What we do for our customers is we test all kinds of solutions that we execute against. And if they work or if they don't create value for our customers, we're not going to offer up to them. But we can advise them on what works for this application or for a separate application. It all depends on order flow, whether it's high velocity, low velocity, if it's individual cartons or if it's pallet in, pallet out. So we see all the solutions that customers need, and we could tailor a solution that's going to create value for them.

Unidentified Analyst: Anyone else have any questions or can continue? All right.

John Diez: Yes. So the question is, what is Ryder's mid-cycle earnings power? Look, right now, as I opened up, our return on equity profile is sitting at 18%. Yes, over the cycle, we think the business can perform in the low 20s. So at the peak of the cycle, we think the business can perform in the mid-20s or even a little bit closer to the high 20s. So clearly, the earnings profile of the business has been tremendous and has been elevated significantly. At this same point in 2018 at the height of that freight cycle, we would execute at 13%.

Unidentified Analyst: So a lot of improvement. Yes. Where are you, you think, in this transformation journey? Are you done? Do you still think that there's left to go?

John Diez: Look, there's always more to be done. I would say that. But we're clearly in the late innings. We did a few things. The $100 million multi-year maintenance productivity initiative is behind us. We've outperformed that $100 million. So that means $100 million of cost savings each year are benefiting the shareholders. The lease portfolio repricing, we think this year will be close to the end, if not going into next year, we will be done. That also contributed over $125 million of benefits to the bottom line. And then as you think about what we've done with the business and the diversification in Supply Chain and Dedicated, I think we're on our way. We're going to continue to grow those businesses at scale. But there's always more to be done with productivity. And if we could get more in the future from maintenance initiatives and some rationalization initiatives in supply chain, we'll do that, and we'll continue to push for that. Yeah?

Unidentified Audience Member: [inaudible]

John Diez: So the question is, our leverage is in a good place. Why not do more buybacks? Our leverage, we do try to manage it between 250% and 300%. We do have a buyback that the Board has approved

out there, and we're executing against it. We are expecting higher level of CapEx over the next 12 to 18 months as we invest in growing back our rental fleet. Our rental fleet is down 20% from the peak. With the freight market conditions continuing to improve, we would add fleet there. Lease sales and dedicated sales continue to be strong. So I am going to be needing to spend capital to grow those businesses, which obviously are more of the capital-intensive businesses. But nevertheless, even with that profile, the balance sheet that we have still delevers even at negative free cash flow levels. So we'll continue to delever over time, which gives us opportunities to either invest in good acquisitions, which is our second priority behind organic growth or if not, continue to do buybacks.

Unidentified Analyst: And I think to put numbers around that, you gave fleet growth target of 2,000 to 4,000. Is that right? Talk about potentially like what's it going to take? Is that all organic, first of all, yes?

John Diez: That's all organic. Yes.

Unidentified Analyst: And yes, what's it going to take for you to execute that?

John Diez: Yes, 2,000 to 4,000 is kind of our target of what we have for the lease fleet to grow over time. I think if you see an acceleration in demand, we may get above the 4,000. I would think next year, we're going to be in that range band. If things continue to improve, maybe the year after, we get above the range band, we'll see. I hope that's the case. We have no [inaudible]. That's just kind of what we think the market and what we could execute. That's all on the premise that we're going to continue our pricing discipline of underwriting lease activity. So with that discipline, we think we can get to a 2,000 to 4,000 level over time.

Unidentified Analyst: Okay. And then you talked about technology within the- maybe the supply chain solutions more. But what about more broadly speaking, it seems like you're a very technology-focused company. Like tell us what you're incorporating into the business? Where are you on that journey?

John Diez: Yes. So a few key highlights there. We have our own proprietary technology that we continue to invest in. And then we have a Ryder Ventures fund, which we really utilize to figure out whether it's robotics and physical AI or other technology solutions that are coming into the market that we think we can leverage to create long-term value for our customers. We'll make small seed investments and start-up activities that are executing in that space.

On our proprietary technology, we've invested heavily in some of our solutions like RyderShare. RyderShare provides our customers visibility and control of their transportation and full visibility. We are adding AI capabilities there so that our customers get more real-time information and they could execute against that quicker and better than before.

Our fleet management customers have their own fleet management system, if you will, where they have full visibility to their fleet, status on their fleet, effectiveness of their fleet and which ones are being utilized, which assets are not being utilized and they could take action just the same.

So we continue to introduce AI to our proprietary solutions. On the warehouse side, we partner with a number of software providers and tailor those solutions to the needs of our customers, just the same. So we are seeing continued evolution of that. I think on the robotics side and the physical AI side, we continue to see an acceleration. I touched on that before. And we will continue to look at opportunities to make investments from a Ryder Ventures point of view in that space over time.

Unidentified Analyst: Okay. Excellent. I guess we're coming up on time, but any sort of closing thoughts as you speak to investors today, what differentiates you? I mean, going from -- you said improving your ROE by, what, 500 basis points cycle over cycle, seems like a pretty good value proposition. See at what could happen as you go from last mid-cycle to next mid-cycle. But yes, like what else?

John Diez: Yes. Look, we're excited because the best hasn't been shown yet for our company and what the transformation looks like. With our port-to-door scale capabilities, we think we could serve the needs of the customers in North America, whatever they need from a supply chain point of view. And then for our shareholders, we would expect that the earnings power of the business and with some help from the marketplace, we're going to get to that low 20s ROE target, which not only is it ambitious, but I think it's unparalleled in our industry.

Unidentified Analyst: Great. Thank you.

John Diez: Yes. Thank you.