Ryder System, Inc.

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Ravi Shanker: Fantastic. Let's keep it going here, but also change a little bit and very happy to back to Laguna again, Ryder and very happy to have EVP and CFO, Cristina Gallo-Aquino. Thank you so much for being here.

Cristina Gallo-Aquino: All right. Thank you for having me.

Ravi Shanker: So plenty to talk about, given your diversification given all your segments and obviously, a lot of the tech trends as well. But maybe let's just start at a high level kind of when you look across the business right now and look at the cycle, which obviously has been a big topic of discussion here at this conference so far, how do you see things?

Cristina Gallo-Aquino: Yes. Well, we've done a lot to transform our business, as you said, we've had 7 consecutive quarters of earnings growth. And really, we've done that by consistent execution on our balanced growth strategy, which we've been talking about for quite a few years and it's great to see now how that strategy has demonstrated that we have a very resilient business model that has been able to perform well during the last few years of this freight downturn.

So what we've done is really what we've created a structural change in the business. And we think it's provided the right foundation, a solid foundation with good quality contracts, that's really going to lead us into the next phase of this market and the recovery when it comes. We've all been thankfully waiting. But we've done that by derisking the model. We've done that by enhancing the returns and the cash flows of the business and by shifting the mix of the business to be more of an asset-light business model. And those 3 things have resulted in what we've seen here over the last few years, with our earnings growth and being able to weather the downturn and still generate 18% return on equity for our business portfolio.

So we're really excited about it is what it's done. But we're more excited about what's to come, right? And what's next? And really, we're just waiting for that -- the growth in the business with the market returning, as well as getting some of the transactional businesses to generate earnings the way that they used to. Our focus really right now is on executing relentlessly is what we're focused on. We're focused on innovating and investing in growth and then obviously growing the contractual parts of the business.

So we're going to do that through operational excellence with all the capabilities that we've added to our business model, with all the acquisitions on the supply chain side. We have a nice suite of end-to-end capabilities to offer our customers to fit any transportation or logistics need that they may have. We are investing in technology to innovate, to be customer-focused technology and making sure that our customers have proactive- you know, the ability to proactively look at their supply chains and really gain a competitive advantage in the market, and then growing that contractual business.

So we have put out there that we think with the market recovery, we expect to have at least $250 million of additional earnings from the transactional parts of the business. That's primarily going to be on the used truck sales side as well as the rental demand coming back. But the other piece is just growing the contractual parts of the business with our high-quality portfolio, that contractual business is really going to be the key to just compounding earnings growth year after year.

Ravi Shanker: Got it. Your reinvention is obviously well documented. The stock market has absolutely rewarded you for that. We can argue not enough, and there's a lot more to come. But how would you characterize elements of that reinvention in terms of being more defensive in a downturn versus allowing you to play more offense and upturn?

Cristina Gallo-Aquino: No. I mean, like I said, I think that this is a structural change that we've made, right? And we've created that discipline within the organization. And as long as we stick to that discipline, we are doing business with the customers that we want to do business that are going to be partners with us throughout any cycle. And it's really allowed us to do well during the downturn, I would say, prior to the transformation, we had customers that would not have survived this downturn, and we would have suffered as a result of it. But by choosing to do business with the right customers at the right returns, it's created just such a solid foundation that we're able to weather any storm. And we think now as long as we stick to that discipline, as we grow and the market comes back, we're going to benefit from all of it.

Ravi Shanker: Very good. So let's talk about that. You raised the low end of your full year 2026 EPS guidance to $14.40 from $14.05 to your point, reflecting into your outlook for used vehicle sales gains as well. What is giving you that confidence in the back half? Is it everything you're seeing on the tightening side of the TL cycle? Or is it more idiosyncratic to you?

Cristina Gallo-Aquino: Yes. No, I think what caused us to raise our guidance is what we're seeing in the market. And -- but it is principally tied to the used truck market. And in the second quarter, we've seen a second consecutive quarter of sequential mid-single-digit growth in used vehicle pricing. We do believe that there are many drivers in the market that are causing used vehicle proceeds to benefit. You talk about capacity has definitely exited the market, right? So the tightening of the equipment has been a key driver. The fact that new equipment is going to be -- have a significant price increase is going to drive people to used vehicles as well as just what's happening with spot rates in the market.

So I think all 3 of those things coming together, especially the excess capacity leaving the market, we're finally seeing replacement level like OEM builds at replacement levels right? It had been at least 3 years since we had seen that. So all those are driving [Indiscernible] and that's what caused us to raise the bottom end of the range for the balance of the year. We're still not seeing it on the rental side and some of the other areas. I would say, in the second quarter, we saw seasonal trends in rental demand. We're not expecting anything more than seasonal trends in rental for the balance of the year. So that's what gives us pause to want to raise it anymore, right, or to raise the top end. I think we're just not seeing any big push up in demand.

Ravi Shanker: Got it. Let's spend a little time on almost a one-on-one type discussion because, a, the advantage of our business is that it's very diversified, but you also have many parts of the business. And there's also a really unique, somewhat say, viewed cycle, just given how strong it already is almost entirely driven by the supply side and demand side hasn't shown up yet. So if this is entirely a

supply side-driven cycle, what parts of the business will do really well? Is it that the rental side is not picking up yet because the demand side hasn't shown up yet? And kind of is that a leading indicator? Can you just talk about kind of different moving parts if this is supply-driven versus a big demand-driven?

Cristina Gallo-Aquino: Right. So I think it's exactly what you said, right? Rental is the side that is not going to benefit if this is just a supply-driven economy, which is why what we have done is really control the things that we can control. And on that end, it's the size of our fleet. We've always mentioned that our target utilization is to be in the mid-70s. We finally got there in the second quarter, but we've done that by depleting the rental fleet. So our rental fleet is 20% lower than it was even pre-COVID levels. So there's been a significant shift in that fleet size, that luckily, for us, we can just adjust as we see the demand coming back, we're ready to make that investment in the fleet.

We also even before that, we're operating at mid-70s, we have the potential to operate even into the high 70s. If needed, we saw that during COVID, we got up to 80% utilization in rental. So we're able to capture the demand immediately and at the same time, determine whether we're going to make the decision to invest the rental fleet. So we're monitoring that very closely down to a detailed level of geographies, type of vehicle, what have you. So that as soon as we start to see that demand increase, we're going to make the investment on the rental fleet. So that's where we're not going to see it, because it's a supply side recovery.

But where we are seeing it is on the dedicated side. So many drivers in the market right now are pointing to the benefit of our dedicated solution. So one, you have tightness in driver capacity right? We've seen what's been happening there. And so that's benefiting us. The fact that new equipment costs just continue to rise and now insurance costs, right? So the 3 -- those 3 things are just a very strong elements of wanting to outsource and moving to a dedicated solution. And we are starting to see that in our pipeline. So our pipeline is the strongest that it's ever been. We're seeing customers that maybe over the last few years, went away from dedicated because there was a cheaper for-hire solution are now coming back to us because they're looking for that dedicated capacity again. So we are definitely benefiting from those dynamics in the market and think that that's really going to benefit our dedicated growth probably in 2027 and forward.

Ravi Shanker: Got it. I think 1 of the big talking points at this conference has been the Montgomery ruling, which maybe -- again, it's been in the works for a long time, but I think it the industry a little bit by surprise. Obviously, kind of for the drivers that you employ versus the folks who are using either rental fleets or dedicated fleets. How is that ruling in particular, having influence on either your cost of operations as well as the demand for your...

Cristina Gallo-Aquino: Yes. So the Montgomery ruling does not really impact us. It's actually a benefit because it's driving people to our dedicated product. But -- the Montgomery ruling impacts more brokerage type business, which we have a small piece of but we go through a very intense carrier vetting process. And again, it's a small part of the business, 3% of our business is brokerage. So really, what it's doing is driving people to a dedicated option.

And from an insurance cost for us, we're already insuring ourselves as is under a commercial auto liability program. So whereas brokers have a different type of insurance program, and that's where they're seeing rising costs. So we're not seeing the rising costs so much on our end other than from just general insurance inflation and what have you. But what it is doing is pushing people to a dedicated solution because we're hiring the drivers. We have a very strong recruitment process. We have very strict safety standards, right? We're top-rated on the safety side, and our safety practices are top-notch. We have inward and outward facing cameras on our vehicles. we monitor safety progress. And -- but we are seeing rising insurance costs. It's just a matter of -- they're not going to rise as much as they are for other people. And ultimately, that's going to make it a better proposition for them to come to a business like us.

Ravi Shanker: Got it. You referenced cost of trucks in your earlier remarks as well. Obviously, EPA 27 is also something that people thought was in the bag and then has surprised people. How is that having an influence on demand for your trucks?

Cristina Gallo-Aquino: On the what?

Ravi Shanker: On demand for your trucks? How is the fact that it's not going to be a lot more expensive to renew a fleet pushing people to maybe renting or leasing trucks-

Cristina Gallo-Aquino: Yes, no, absolutely. So I mean, number one, it's pushing people to the used vehicle side. That's why we're seeing an increase in used vehicle prices. But for our lease customers, it's absolutely creating the opportunity to tell them, okay, if you don't renew now or you don't start making decisions, which has really been the challenge on the lease side is our lease customers have just been hesitant to finally make the commitment to either sign up, whether it's a new customer or just renew their fleet. They've been holding on as long as they can, but it's kind of getting to the point right now that if they don't renew and they don't make a decision soon, they're going to be hit with a higher cost than we have some insight onto what that may be. So as we have those discussions with our lease customers, we are starting to see decisions being made finally, right? And I think during our second quarter earnings call, we also mentioned that we finally hit that turning point where lease customers are making decisions. I believe the technology, the increase in new technology, is what's causing some of that.

Ravi Shanker: Got it. How much visibility or kind of again, just forward look do you have on that pipeline again, I'm sure it's going to be different by business. But again, given the length of the contracts or just the kind of customers who are kind of use you as a kind of as a capacity provider and so they know what is to come, do you guys have a forward look into what demand is going to look like?

Cristina Gallo-Aquino: Well, for our lease customers, it's all contractual. And so we know exactly when the renewals are coming. The other part of our lease business is when our lease customers have supplemental needs, they will rent from us okay? And so we have not had a lot of that business in a long time because they had -- they've been, if anything, excess -- they've had excess capacity and haven't had the need for rental. So really, it goes through a phase first, they're going to turn to our rental and then they will convert into a lease, a longer-term lease.

We're starting to see some of that. But again, it's similar to rental right until the demand, we're not going to see a lot of it. It's more just customers making a decision to renew the fleet because it's gone to an age that they can't continue to run it. So we do have visibility, you could say about 7th of our fleet renews every year. And so we know exactly which customers are coming up for renewal, and we're obviously talking to all the ones that are coming up in the next 12 months because with the higher equipment cost, we're going to need to let them know what they're faced with next year. So they've got to make a decision now or just pay that price later on.

On the supply chain and Dedicated side, it's more of the pipeline and the pipeline is doesn't go too far out, it's a 6- to 12-month trajectory. But really, that pipeline on the supply chain side, if you think about it, even with visibility into those needs. By the time we win a customer, it still takes about another 6 to 9 months to start them up. Luckily, we've been saying since last year. Supply chain has had a very strong sales year, and we've been starting up a lot of those new operations this year, albeit right now a little slower than we expected. We also mentioned that where the ramp-up is taking longer or they've actually pushed back the start dates just based on their own internal capital priorities, but that's the visibility we have there.

And then on the Dedicated side, I would say it's similar to lease. Our dedicated contracts are typically 3 to 5 years. So we know exactly what's renewing. We're already talking to those customers so that we understand their needs. But like I said, the dedicated pipeline is strong, and it's not just new customers that are coming in, but even our existing customers are asking for expansion of their fleet. So we're really excited about what we're seeing there.

Ravi Shanker: Got it. Let's unpack SCS a little bit more because I think, over time, there's probably -- the business a few or it has the best structural growth opportunity. Do you feel like that pushout of volumes is purely cyclical? Do you feel like some of these companies are completely kind of structurally reevaluating their supply chain as a whole, given changes in the geopolitical environment? How do you see it playing out? Right.

Cristina Gallo-Aquino: Interesting question. I would say the ones that have already committed to a new contract it's just that their volumes have not materialized the way that they expected. So I think it's also economy-driven, just they're not seeing -- their volumes are not materializing. And so that's why it's been a slower ramp up than expected. I think the ones that haven't made a decision are still debating whether outsourcing is the right solution, what do they want to do. It's a little harder sell on just the new customers that we're trying to convert and convince them that the solution that we're proposing is the right one for them.

You know, it's a big investment, and it takes a lot, and it disrupts any time you're transitioning from one way of doing business to another, right? So we got to make sure that everyone is fully on board and understands what it means.

Ravi Shanker: Understood. And I think you guys have a little more automotive exposure here, kind of any signs of I think one of our takeaways from yesterday was that on the one hand, people are surprised that SAR as high as it is. On the other hand, they are like surprised it is not lower. So any visibility in terms of how that business is going?

Cristina Gallo-Aquino: I mean, so for us, it's specific to the customers that we serve -- and we've been talking a couple of things there. A lot of the customers that we serve have been in the process of retooling their existing plants. And so there's been a little bit more than usual shutdown on the automotive side, which has created some volume pressure year-over-year. In addition to that, we also specifically mentioned that there was one automotive customer that we lost the fourth quarter of last year that we've been having some of that year-over-year headwind in our business. So we will lap that here after the third quarter and the fourth quarter. will finally be an apples-to-apples comparison.

But the last estimate I had on SAAR was that it was going to be flat for the year. I would say flat is kind of- that’s- that's what we've been seeing.

Ravi Shanker: Okay. Just to go back on dedicated for a second because, again, another topic of discussion in this conference has been whether dedicated is just going to be a structurally better business going forward, just given that it's been again, for 4 up cycles now, we've been saying we're never going to see an up cycle, the strong ever again the next one is bigger and kind of more disruptive -- and one way to control your again, control your costs and manage revenues is to, A, outsource your operations or your fleet to someone who knows what they're doing and, B, sign a long-term contract to do that, right? So does it feel like the pipeline and the momentum behind Dedicated is like the strongest you've ever seen? Or do you think there's still room for that to be?

Cristina Gallo-Aquino: I think there's still room for it. I think we're in the early parts of it. I think there's been a lot of developments even in the last few months on just market dynamics that continue to push more for favorable economics to outsource and all that. So I think those conversations are just starting to happen internally at some of these companies, and our salespeople are out there as best they can to be touting what we can do for them and why it's going to take risk off the table because whether it's difficulty in finding a driver or your insurance costs are rising to a level that you can't or you've got new technology that you're not going to know how to maintain next year. All those things are going to drive them to come to us. And I think it's just a matter of time. So I think we have seen it be as robust as possible in the last few years, but I think there's still more to come.

Ravi Shanker: Great. Let's see a little bit. Obviously, we spend a lot of time on the segments and the top line here. But also you referenced the strategic initiative, the $250 million of. So you remain on track to deliver $70 million this year, completing the $170 million program, next cycle peak, you're

targeting $250 million. Remind us again kind of what the buckets are, how much of this kind of you have very high visibility to how much of this needs a cycle for you to deliver and kind of what that cost operational looks like?

Cristina Gallo-Aquino: Yes. Okay. So first, on the $170 million, which is just the underlying initiatives specific to Ryder, those we feel very confident in being able to deliver that by the end of this year. Those are related to our pricing initiative on the lease side as well as cost savings on the maintenance side of the house. So those have been kind of just once we started this process 6 years ago and had the maintenance initiatives, we just created a well-oiled machine that part of the organization just knows how to do it, how to do it well, and they have a continuous improvement mindset. So every year, they're coming up with new initiatives. And so even though we're hitting the end of that initiative for this year, I wouldn't doubt that there will be more to come as we continue to ask that organization for more.

But on the $250 million, which is the part tied to the cycle, as I mentioned, $20 million expect to come this year, UVS simply from the used vehicle sales proceeds being higher. But the majority of that $250 million is tied to rental and then to use vehicle sales, right? So I would say rental is the predominance of that with used vehicles being the second part. As I mentioned, our rental fleet is at an all-time low. So in order to achieve that $250 million, we're going to need to make an investment in the rental fleet. We're down about 10,000 units from prior to COVID. So it's a pretty significant investment that we would need to make over the next few years, probably at least 12, 18 months. And we can still get some of the $250 million simply from our utilization being at a higher rate. But that's not going to be ideal. The idea would be to invest in that rental fleet and capture that new demand.

Ravi Shanker: Got it. Just going back to your Montgomery response, kind of you said, hey, no real impact on apart from the general inflation insurance inflation that the industry has seen Obviously, this is an industry-wide problem, like we've big reports on this together with our insurance analyst. Is there anything you guys can do? Or is it just kind of, hey, that's the way the industry is going and kind of you just have to price for it and pass that through?

Cristina Gallo-Aquino: Yes. Well, I mean, I think other than lobbying efforts, which are-

Ravi Shanker: -tort reform at this conference, but good luck with that.

Cristina Gallo-Aquino: -it would be needed, but right, we won't count on that, but I do -- we do have our efforts out there because just some of the things that are happening are really unimaginable, right? But other than that, we just focus on our safety standards, right, and making sure that we are -- safety has always been culturally for us, number one. So we start every meeting with a safety message. I mean that's how much it is ingrained into the culture at Ryder. And we monitor our safety metrics constantly, so making sure that for our drivers, and it's really for our drivers that is top of mind and that they -- we train them, they go through their practices. We have a process where if we have multiple incidents from a driver, there's consequences. So we have great practices in that area, and I think that's the way we're going to be able to control it. But it's a tough one. And like I said, I think it is industry-wide, but as long as we can keep ours as low as possible, then we're going to be better than the person next to us.

Ravi Shanker: Sounds good. Speaking of safety, I didn't want to shift gears and spend some time talking about autonomous trucks, I've been asking everybody about it. It's been a big theme of the conference partly because I've been asking people about it. but also because kind of I hear that it's coming up in a lot of the investor meetings kind of I'm sure you guys have seen that as well. And also because you are -- I would consider a leader in the space, even though you're not an OEM or an autonomous technology company, I think you have probably more partnerships with more

stakeholders across this universe than anybody else. Right? So I know that technology is something that you guys spend a lot of time on. So what is the current house view on autonomous trucking, what works well, what still needs work and kind of what role do you think that you guys can play in that cost?

Cristina Gallo-Aquino: Yes. Yes. There's a lot going on there. I would say in the last year, we've seen a lot of development advancements in the developments of the AV technology. We are keeping a very close eye on it. Mostly, we want to make sure we understand how the technology is evolving. We want to know how it's going to be commercialized, and ultimately what value it's going to add to our customers. That's the priority. So in order to keep our finger on the pulse here, we have partnered up with OEMs like Daimler and international motors, and we've also partnered up with technology companies like Aurora and Gatik and Kodiak to pilot their technology. And we have seen success but in limited applications, right? It's not fully -- it's not going to be an end-to-end solution, at least not yet. What we're seeing is pockets of success. And basically there, we've tested it in yard management, in over the road. And so yes, we're seeing pockets of benefit. To me, I think it's still a few years out. I think that we need to understand what the regulatory environment is going to be; that's a big question, and there hasn't been a national framework for AV. So that's important. I think the other one is OEM readiness. Right now, everything is being retrofitted into a vehicle, but it's not necessarily being manufactured that way. And so what do those economics look like and what does that mean? And then the liability side, right? So we've been talking a lot about insurance and what does it mean? Who's going to be liable for this? So until we have those questions answered and understand what those economics look like. I think it's going to take some time. That's why I think we're still a few years out. But when it does come around or we are going to be ready to be part of that ecosystem as you referred to it.

In FMS, in our leasing division, we are going to be able to provide maintenance on this equipment, just like we provide maintenance on our regular ICE vehicles today. The solution will be not only maintenance on the underlying base equipment, but also maintenance on the technology itself. Right now, that maintenance is being done by the technology provider, but over time, it's probably -- it's going to be outsourced.

And then that vehicle that AV, Autonomous Vehicle, is going to be just like our vehicles today. We're going to be able to lease rent, provide maintenance and all of our ancillary services to it, like fueling and washing and everything else. So that's on the leasing side. One thing to keep in mind is our FMS network has over 800 shops across the United States. Our supply chain, we have 100 million square feet of warehouses across the U.S. these vehicles are going to need hubs to transition. We could be a provider of that, right? We have the footprint to be able to provide that service should it be needed. So I think that's another avenue that we have top of mind.

On the supply chain side, I will tell you that if we end up adopting AV and go down this route, no matter where you are, it's going to disrupt supply chains, and we are here to redesign our -- either our existing customers or new customers that now need to think of a whole new supply chain infrastructure. So I think we can benefit from that as well.

And then on the Dedicated side, I think there, as I mentioned, this is not end to end. I think there is still a first mile, last mile that's going to have to be done by dedicated. The other thing, too, is the dedicated business that we provide. About 70% of it is specialized Dedicated, which requires some type of handling of the load by a human, right? So I'm not sure how it's going to work, and I think those are things that still need to be figured out. But I think we're going to be there to help in that process, and we're ready wherever we are in that journey.

Ravi Shanker: Got it. That was incredibly comprehensive and detailed response -- just a couple of follow-ups there. It's very logical to you with your service footprint, with your real estate footprint, playing

apart kind of, again, in that ecosystem, if you will, have you guys gone so far as to think of how will this practically work? How do we for this, what does that revenue look like? You don't have to share it with us right now. But has that math happened? Have you thought about at this point?

Cristina Gallo-Aquino: It has not. No. have not gone that far. I think some of the things I mentioned, which is just what is the cost of all of this still to be determined, right? And until we understand that, I don't know we have not come up with what that means. And ultimately, we're going to do whatever our customers want right? As you said, we're not manufacturing this. We're here to serve our customers. And if our customers see the economics and the benefits of doing it, that we're going to be there for them to help them. We are agnostic to the technology, whether it's EV, AV or any other type. If our customers see the benefit and the need for it, we're going to be there for them.

Ravi Shanker: Got it. We just published this kind of big report on autonomous trucking last week. You were very helpful with giving us a bunch of data for that report. And one of the conclusions of that report was just kind of raising the point of are the 4 stakeholders involved, which is the autonomous trucking companies, the OEMs, the fleet operators and the shippers, are these 4 stakeholders talking to each other? Kind of are they kind of addressing each other's concerns. The questions you raised are very, very valid, very relevant questions, but I would say also somewhat basic. So are you having these conversations with the OEMs? Are you telling them, "Hey, we don't know what the unit economics are like. We don't know if you still need humans at both ends obviously, you're working with Aurora working with Kodiak, are you telling them about these things and kind of what does that dialogue look like?

Cristina Gallo-Aquino: Yes, that's exactly the purpose of the pilot. So we're there for them so that we can provide the feedback. We're introducing these vehicles into certain applications, testing it out and providing continuous loop of feedback to say, this is what's working, this is what's not. So companies like Aurora, Kodiak and Gatik, those are all companies that we've actually made some investment in also as part of our Ryder Ventures fund. And so we have a stake in it as well, right? And so their successes are our success, and we want to make sure that they're getting all the feedback. That's the point of the pilot. So yes, there is that continuous loop. Is it comprehensive? Is everybody at the table at the same time? No, probably not. It's just some of us, but those conversations are happening.

Ravi Shanker: I think if anyone can get everybody to the table, it's probably you guys, given that you have your fingers and kind of all of these pies here. Last question for me on the topic. Again, you addressed kind of for what this means for every segment. Is there additional opportunities beyond stuff you're doing right now? Obviously, these trucks will need like rangers to get out of them if they are stranded on the highway, there's talk of doing intermodal for the road and kind of drayage at both ends and kind of using service points there's talk of having drivers kind of doing load/unload at facilities. There's talk of people potentially having to refuel these trucks, kind of add the fuel stations kind of -- are there other services beyond the ones you offer right now that you think you can offer in an autonomous world?

Cristina Gallo-Aquino: I mean, nothing that we have talked about that you haven't already mentioned. We're looking to complement our existing services. So if our service or our footprint can help in any way, we're there. But I'm sure, just as you -- as with any change in technology and anything else, there will be things that come up that we haven't even thought about yet. And we're, again, part of the pilot. These are all the discussions that are happening behind the scenes to make sure that we have our finger on the pulse, and we know exactly what is changing and how we can be there to support it.

Ravi Shanker: Understood. Super helpful. Any questions from the audience?

Unidentified Audience Member: You talked a little bit at the beginning of the remarks about your discipline on choosing customers who will be with you an up cycle or a down cycle. With a potential up-cycle coming, are you at a higher starting point because it's been a focus of yours over the past few years? Should I think about maybe more tempered volume growth because of that discipline that you've already

had in place. Any thoughts on how that looks in an up cycle? And then also curious about your capital deployment plans. Obviously, you have a lot of flexible capital how are you thinking about M&A, shareholder returns, investing back in the business with that?

Cristina Gallo-Aquino: Okay. Yes. So -- so yes, the growth will be tempered. And I think what we've said, even when we started on this journey, we said that growth of 2,000 to 4,000 vehicles a year on the lease side is what we would expect with this level of returns that we're expecting from our customers. Prior to the transformation, we were growing 10,000 units a year, right? So we're not going to be at those levels. We're going to choose our growth wisely with the customers that we want. So yes, it will. But that will be in line with our targets that are set in our FMS business of being mid-single-digit growth, right, on a percent. So that's the first question. On the second one, your question was-

Ravi Shanker: Capital allocation.

Cristina Gallo-Aquino: Okay, yes. So on the capital side, yes, our priorities with our outlook for the next 3 years, we're expecting to have about $13 billion of capital to allocate to the business. $9.5 billion of that is going to go just for the replacement of existing leases as well as dividends, right? So our dividend policy will stay intact, which leaves about $4.5 billion of discretionary spend. Our priorities there are going to be first and foremost to grow organically. I've mentioned how there's a lot of potential here to grow organically. When we mentioned the $250 million coming back, that doesn't include growth in our contractual business space. And so growing that business base at our targeted margins and our targeted growth rate is going to provide us annual earnings of at least $50 million, which will compound every year, right? That's $50 million every year. So organic growth. But organic growth will also include the investment we need to make in the rental fleet because it's so small right now.

The second priority is going to be acquisitions. So we've done a lot already to grow our capabilities in supply chain. I think we have expanded into the areas that we want to. So any new opportunities that we're looking into are going to be more to expand our existing capabilities, just to grow them, to grow the existing capabilities that we have. We're looking for well-run companies. We don't want the fixer uppers. We want the ones that are well-run that are going to complement our existing business. tuck-ins like we did with Cardinal or anything on the leasing side would be the ideal sweet spot for us. We had a lot of synergies that we recognized from those acquisitions, and those are the ones that benefit us the most.

We're also looking at expanding the health care vertical in supply chain. It's another one that we've been expanding right now organically. But to the extent that there's an acquisition out there that makes sense, we'd want that. And then if there is no organic growth and no acquisition opportunities, we're going to do buybacks right? Our business right now is naturally delevering because of the solid contractual base that we have, we're generating a significant amount of cash, And so it's causing our business to delever. Our target leverage is 2.5 to 3x. So that provides us all this opportunity that I just spoke about.

Ravi Shanker: Got it. I know we're out of time, but just very quickly to bring us home here. going to my previous comment, the good news about Ryder is that the markets kind of recognized all the changes you've made. Stock has been at an all-time high for a long time now, but you're still one of the cheapest stocks in our coverage universe, which is the opportunity, right? So if you could address the investors kind of what are people kind of not getting about the story and kind of how do we drive that multiple will be waiting for it?

Cristina Gallo-Aquino: Yes. I think it's the potential that we have to grow when the market does come back, right? So we're performing at this level at an 18% ROE in a down market, right? Not many companies can say that, and we've been growing our earnings every quarter. So there's still a lot of growth to come from the transactional, but it's really this contractual business growth that I think is the part that's being missed. And it's a significant amount of the earnings potential of our company. So I think that's the piece that's missing. So-

Ravi Shanker: We'll come with the cycle. Cristina, Thank you so much for your thoughts.

Cristina Gallo-Aquino: Thank you. Thank you very much.