

Conference Title: Ryder System First Quarter 2026 Earnings Release Conference Call

Date: Thursday, 23rd April 2026

Operator: Good morning, and welcome to the Ryder System First Quarter 2026 Earnings Release Conference Call. All lines are in a listen-only mode until after the presentation. Today's call is being recorded. If you have any objections, please disconnect at this time. I would now like to introduce Miss Calene Candela, Vice President, Investor Relations for Ryder. Miss Candela, you may begin.

Calene Candela: Thank you. Good morning, and welcome to Ryders First Quarter 2026 Earnings Conference Call. I'd like to remind you that during this presentation, you'll hear some forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from these expectations due to changes in economic, business, competitive market, political and regulatory factors.

More detailed information about these factors and reconciliation of each non-GAAP financial measure to the nearest GAAP measure is contained in this morning's earnings release, earnings call presentation and in Ryder's filings with the Securities and Exchange Commission, which are available on Ryder's website. Presenting on today's call are John Diez, Chief Executive Officer, and Cristina Gallo-Aquino, Executive Vice President and Chief Financial Officer. Additionally, Tom Havens, President of Fleet Management Solutions, and Steve Sensing, President of Supply Chain Solutions and Dedicated Transportation Solutions, are on the call today and available for questions following the presentation. At this time, I'll turn the call over to John.

John Diez: Good morning, everyone, and thanks for joining us. The Ryder team delivered solid first quarter results that exceeded our expectations. Outperformance was driven by better-than-expected used vehicle sales results in fleet management. I'll begin today's call by providing an update on our balanced growth strategy and an overview of our Port-to-Door Logistics offering. I'll also provide you with key highlights from our first quarter performance. Cristy will then provide you

with an overview of our segment performance, and will discuss our capital spending and capital deployment capacity. I'll then review our raised outlook for 2026. Let's begin with a strategic update.

I'm proud of the team's ongoing execution and our balanced growth strategy, which remains consistent and focused on clear priorities. We're building upon our transformed business model and the actions taken to de-risk the portfolio, enhance returns and cash flow, and strengthen the model's resiliency. De-risking actions included significantly reducing our reliance on used vehicle proceeds to achieve our targeted returns. Our multiyear lease pricing and maintenance cost savings initiatives continue to contribute meaningfully to our increased return profile and positive free cash flow over the cycle. Accelerated growth in our asset light supply chain and dedicated businesses has resulted in a more resilient business mix that is less capital intensive. We remain focused executing on our strategic priorities of operational excellence, customer-centric innovation and profitable growth.

Operational excellence is where we stand out and what enables us to leverage our full end-to-end capabilities to solve our customer's toughest logistics and transportation challenges. We're investing in customer centric innovation that enables a proactive supply chain, giving our customers a competitive advantage. In RyderShare and RyderGyde, we're embedding Agentic AI in order to enhance capabilities and drive the evolution of these proprietary platforms. We're also leveraging AI and use cases across the company, including FMS customer service and roadside assistance, where Agentic AI is enhancing the customer experience while improving effectiveness. Additionally, we continue to deploy automation and robotics in our warehouses to drive operating efficiencies. We remain focused on profitably growing our contractual relationships. Over 90% of our revenue is generated by long-term contracts. Our high-quality contractual portfolio has proven to be a key driver of business model resilience over the cycle. Our transformed model has demonstrated the effectiveness of our balanced growth strategy by outperforming prior cycles.

Our three complementary business segments are leaders in North American logistics and transportation, with secular trends that support further growth opportunities. We're encouraged by the earnings power, and resilient performance of our transformed business model and believe that executing on our balanced growth strategy will continue to enable us to outperform prior cycles and position us well to benefit from a cycle upturn.

Our scaled Port-to-Door logistics and transportation offerings provide Ryder with significant opportunities for long-term revenue and earnings growth by addressing many of our customers toughest challenges. Our Port-to-Door solutions give customers end-to-end control from pick-up at any North American port to final delivery. We combine warehousing, fulfillment, cross border, cross docking, lease and maintenance, transportation logistics, contract packaging, and last-mile delivery with powerful technology and our supply chain experts to give real time visibility, flexibility and speed. Whether our customer needs a complete solution or support at any discrete step, Ryder can provide a solution that aims to perfect their supply chain. As we continue to pursue profitable growth opportunities, we're focused on higher return segments and verticals and increasing our share of wallet with our Port-to-Door offerings. By executing relentlessly, investing in our future, and growing our contractual relationships, we're well-positioned to profitably grow our businesses, creating value for customers and shareholders.

Turning to page six. Key financial and operating metrics have improved since 2018, reflecting the execution of our strategy. In 2018, prior to the implementation of our balanced growth strategy, the majority of our \$8.4 billion of revenue was from FMS. Ryder generated comparable EPS of \$5.95 and return on equity of 13%. Operating cash flow was 1.7 billion. This was during peak freight cycle conditions.

Now let's look at Ryder today. In 2026, we expect our transformed business model to deliver meaningfully higher earnings and returns than it did during the 2018 peak. Through organic growth, strategic acquisitions, and innovative technology, we shifted our revenue mix towards supply chain

and dedicated with approximately 60% of 2026 expected revenue generated by these asset light businesses, compared to 44% in 2018. Our 2026 updated comparable EPS forecast range of \$14.05 to \$14.80 is more than double 2018 comparable EPS of \$5.95. Our return on equity forecast of 17% to 18% is also well above the 13% generated during the 2018 cycle peak. As a result of profitable growth in our contractual lease, dedicated and supply chain businesses, forecasted operating cash flow of \$2.7 billion is up approximately 60% from 2018. In 2026, the business is expected to outperform prior cycles even when comparing the pre-transformation peak to the current market environment.

Moving to key performance highlights from the first quarter. The Ryder team delivered our sixth consecutive quarter of comparable EPS growth in a challenging freight environment. Comparable EPS for the quarter was up 3%. Results reflect the strength of our contractual portfolio and resiliency of our transformed model. Return on equity was solid at 17%, in line with our expectations given where we are in the freight cycle. We're on track to deliver \$70 million in incremental benefits from strategic initiatives during 2026. These initiatives are part of a \$170 million multiyear program launched in 2024. Consistent execution on these initiatives is the key driver of expected earnings growth in 2026.

And finally, freight cycle conditions in the first quarter were better than our expectations. Used vehicle sales results were higher year-over-year for the first time since the third quarter of 2022. Outperformance was driven by higher retail volumes relative to our expectations, and retail pricing was stable sequentially. The sequential change in commercial rental demand was in line with historical seasonal trends for the first time in three years. We also experienced improved contractual sales activity. Supply chain generated record sales in the first quarter, continuing the momentum from prior year record sales and reflecting the value of our solutions. We're also encouraged by stronger sales in fleet management and dedicated, segments which have been experiencing sales headwinds reflecting freight market conditions. Sales for both segments during the quarter were above prior year and ahead of expectations. That said, these conditions remain

below normalized levels, and geopolitical and macroeconomic factors continue to influence the pace and durability of the recovery. I'll now turn the call over to Cristy to further review our first quarter performance.

Cristina Gallo-Aquino: Thanks, John. Total company operating revenue of \$2.6 billion in the first quarter was in line with prior year, as contractual revenue growth in supply chain was offset by lower revenue in dedicated. Comparable earnings per share from continuing operations were \$2.54 in the first quarter, up 3% from the prior year, reflecting benefits from share repurchases, partially offset by lower earnings. The decline in earnings was due to lower supply chain performance compared to a robust prior year, partially offset by a lower tax rate driven by discrete items in the quarter from stock-based compensation tax benefits. Return on equity our primary financial metric was 17% in line with the prior year. Free cash flow increased to \$273 million from \$259 million in the prior year, reflecting reduced capital expenditures, partially offset by higher working capital needs.

In fleet management solutions, operating revenue was consistent with prior year. Earnings before taxes were 99 million up versus prior year, reflecting continued execution on our strategic initiatives. Used vehicle results reflect a year-over-year improvement and better-than-expected performance. In rental demand remained below prior year, but we are encouraged that the sequential seasonal decline was in line with historical trends as mentioned earlier. Lower rental activity was partially offset by higher rental power fleet pricing, which was up 3% year-over-year. Rental utilization on the power fleet was 68%, up from the prior year of 66% on an average fleet that was 13% smaller. Fleet management EBT as a percent of operating revenue was 7.9% in the first quarter, up from prior year, but below our long-term target of low teens over the cycle.

In used vehicle sales, year-over-year, used tractor pricing increased 6% and truck pricing declined 5%. On a sequential basis, pricing decreased for both tractors and trucks, with tractors down 3% and trucks down 4%. Sequential pricing reflected a lower retail sales mix as retail pricing remained

stable. In the first quarter, 61% of our sales volume went through our retail channel, down from 69% in the fourth quarter. Our retail mix was above prior year levels of 56%. During the quarter, we sold 4,600 used vehicles, up 1,000 units sequentially and down versus the prior year. However, volumes for trucks, our largest inventory class, were up year-over-year. Used vehicle inventory of 9,500 vehicles is slightly above our targeted inventory range. Used vehicle pricing remained above residual value estimates used for depreciation purposes. Slide 21 in the appendix provides historical sales proceeds and current residual value estimates for used tractors and trucks. For your information.

In Supply chain, operating revenue increased 3% driven by new business in omnichannel retail, partially offset by lost business and lower volumes in automotive. Earnings before taxes decreased 17% from prior year due to lower automotive results and, to a lesser extent, productivity of new business ramping up. Year-over-year comparisons were challenging in supply chain due to record first quarter performance in the prior year. Supply chain EBT as a percent of operating revenue was 7% in the quarter at the segment's long-term target of high single digits. In dedicated, operating revenue decreased 5% due to lower fleet count, reflecting the prolonged freight downturn. Earnings before taxes were below prior year, reflecting lower operating revenue, partially offset by strategic initiatives. dedicated EBT as a percent of operating revenue was 5.2% in the quarter, below the segment's long-term high single digit target.

Next, let me cover capital expenditures. First quarter lease capital spending of \$314 million was below prior year, reflecting the timing of replacement activity. In 2026, we're forecasting lease spending to be \$1.9 billion, reflecting higher replacement activity versus the prior year. First quarter rental capital spending of \$37 million was below prior year, as expected. In 2026, we're forecasting rental capital spending of approximately \$100 million, reflecting lower-planned replacement activity. Our ending rental fleet is now expected to decrease 3% during 2026, and our average rental fleet is now expected to be down 11%. The rental fleet remains well below peak levels as we manage through an extended market slowdown. We continue to closely monitor market conditions and may

increase our planned capital expenditures if improved market conditions persist. In rental, in recent years, we shifted capital spending to trucks versus tractors, as trucks have historically benefited from relatively stable demand and pricing trends. At quarter-end, trucks represented approximately 60% of our rental fleet.

Our full year 2026 capital expenditures forecast of approximately 2.4 billion is above prior year. We expect approximately 500 million in proceeds from the sale of used vehicles in 2026, in line with prior year. Full year 2026 net capital expenditures are expected to be approximately 1.9 billion. In addition to increasing the earnings and return profile of the business, our transformed contractual portfolio is also generating significant operating cash flow. Improving the overall cash generation profile of the business is one of the essential elements of our balanced growth strategy. Better earnings performance is driving higher cash flow generation, and in turn is delevering our balance sheet at a more rapid pace. This momentum is creating incremental debt capacity, given our target leverage range of between two and a half and three times. As shown on the slide, over a three-year period, we expect to generate approximately \$10.5 billion from operating cash flow and used vehicle sales proceeds.

Our operating cash flow will benefit from increased contractual earnings. This creates approximately \$3.5 billion of incremental debt capacity, resulting in \$14 billion available for capital deployment. Over the same three-year period, we estimate approximately 9.5 billion will be deployed for the replacement of lease and rental vehicles and for dividends. This leaves around 4.5 billion, which equates to approximately 60% of our quarter-end market cap available for flexible deployment to support growth and return capital to shareholders. We estimate about half of our flexible deployment capacity will be used for growth CapEx, and the remaining will be available for discretionary share repurchases and strategic acquisitions and investments.

Our capital allocation priorities remain focused on profitable growth, strategic investments and returning capital to our shareholders. Our top priority is to invest in organic growth. Aligned with

these priorities, in the first quarter, we funded lease and rental replacement CapEx of approximately \$400 million and returned \$272 million to shareholders through buybacks and dividends. We've been executing under our discretionary 2 million share repurchase program authorized in the fourth quarter of 2025. Our balance sheet remains strong, with leverage of 269% at quarter-end, in our target range, and continues to provide ample capacity to fund our capital allocation priorities. With that, I'll turn the call over to John to discuss our outlook.

John Diez: Thanks, Cristy. We've increased our full year 2026 comparable EPS forecast to a range of \$14.05 to \$14.80 above prior year of \$12.92. Our increased forecast reflects stronger than expected first quarter performance, a modest improvement in used vehicle market conditions and continued strong contractual performance. Our 2026 ROE forecast is unchanged at 17% to 18% and is in line with our expectations given current market conditions. Our free cash flow forecast of \$700 million to \$800 million is also unchanged from our prior forecast and reflects higher replacement capital expenditures. Our second quarter comparable EPS forecast range is \$3.50 to \$3.75 above prior year of \$3.32. Our transformed model is well-positioned for earnings growth.

We continue to expect 2026 earnings growth to be driven by incremental benefits from multiyear strategic initiatives, which began in 2024, with total expected benefits of \$170 million. These initiatives represent structural changes we're making to the business and are not dependent on a cycle upturn. Through year-end 2025, we realized \$100 million in benefits, leaving \$70 million of incremental benefits expected in 2026. In fleet management, we expect our multiyear lease pricing and maintenance cost savings initiatives to benefit 2026 results. In dedicated, we expect benefits from margin improvement actions related to our flex operating structure in 2026. In Supply chain, we continue to focus on optimizing our omnichannel retail warehouse network through continuous improvement efforts and better aligning our warehouse footprint with the demand environment.

In 2025, we downsized and exited select locations which will benefit future performance. In addition to driving our performance relative to prior cycles, our transformed model also provides a solid

foundation for the business to meaningfully benefit from the cycle upturn. By the next cycle peak, we expect to realize meaningful improvement in pre-tax earnings. We estimate that this potential benefit could be \$250 million, with the majority expected to come from the cyclical recovery of rental and used vehicle sales in FMS, with additional benefits from higher omnichannel retail volumes leveraging our rationalized footprint. We expect to recognize these benefits over time as freight market conditions improve.

Based on our increased forecast, we expect to realize approximately 10 million of upturn benefits in 2026, primarily from higher used vehicle sales results. In addition to benefiting our transactional businesses, we also expect additional opportunities for profitable contractual growth as freight conditions normalize. We've been pleased by the businesses' resilience and performance during the prolonged freight market downturn, and are confident each of our business segments is well-positioned to benefit from the cycle upturn.

Our transformed business model continues to deliver value to our customers and our shareholders. We continue to outperform prior cycles, and our results are benefiting from consistent execution and the strength of our contractual portfolio. We continue to see significant opportunity for profitable growth supported by secular trends, our operational expertise and ongoing momentum from multi-year strategic initiatives. We remain committed to investing in products, capabilities and technologies that will deliver value to our customers and our shareholders. That concludes our prepared remarks. Please note, we expect to file our 10-Q later today. At this time, I'll turn it over to the operator to open the call for questions.

Operator: Thank you. If you would like to ask a question, please signal by pressing star one on your telephone keypad. If you're using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Again, press star one to ask a question. We'll pause for just a moment to allow everyone an opportunity to signal for questions. Thank you. We will take our first question from Ravi Shanker with Morgan Stanley.

Nancy: Hi, this is Nancy on for Ravi. Thank you for taking my question. I know you had pointed to roughly 10 million of benefits in 2026 from upturn conditions. What is keeping you from being able to unlock more of the 250 million that you pointed to at peak with your current momentum in the year? Is there some conservatism embedded in that 10 million expectation?

John Diez: Hi, Nancy. John here. Yeah. We had set out that we had about a \$250 million opportunity as we saw cycle conditions improve. We did see in the first quarter good activity from UVS, from our used vehicle sales. Primarily retail volumes came in better than what we had expected. We also saw stability, I would say in UVS pricing. That stability was a little bit sooner than what we had expected coming into the year. So both of those components is really what's taken us to a higher expectations for the balance of the year, and part of the reason for the raise in the guide. As to your question, what is, I guess, preventing us from raising it further at this point?

Clearly, a big component of the 250 is attributed to rental and another component attributed to used vehicle sales. There may be opportunities with used vehicle sales to continue moving up. Obviously, we're seeing capacity continue to exit the market. We have also seen that – or we do expect later on this year that we're going to see significant increases on new equipment, which will provide support for higher used vehicle sales pricing. We just haven't put that into the forecast because we need to see more development on that side to of get confident in that activity. On the rental side, which is a big component of that 250, and I would say it's probably as big, if not bigger than the used vehicle opportunity, we continue to see rental get to normalized levels. We saw a seasonal trend in the current quarter. Nothing for us to get excited about, and that's why you probably didn't see from us any upside momentum on rental for the balance of the year.

We do expect that as things continue to improve and if market conditions continue to improve, customers are going to need rental activity and rental assets in the months ahead. But none of that is that rental upside is contemplated because we just didn't see any breakout performance or anything in the Q1 that led us to believe that's going to hold.

Nancy: That's helpful. And then, one more quick question on used vehicle sales. With the supply side regulations cracking down, is there a risk to used vehicle sales as trucks potentially flood the market from these carriers exiting? Or is there enough strength from an improving market to offset?

John Diez: Well, I mentioned that I do think there's some structural changes happening in the marketplace that are going to provide upward momentum, irrespective of what you're seeing in the regulatory side on drivers. The driver impact that you're seeing is primarily on the over the road activity and for hire carriers, which will impact our sleeper class. We think we're well-positioned with our used truck inventory. If you look at it, 60% of it is comprised of trucks with 40% being tractors. And I would say a bigger portion of our inventory on the tractor side is day cabs, which is a different application than the over the road activity. So I think we're pretty well-calibrated there, we don't think that's going to be a meaningful impact even if things continue to or there's pressure on the sleeper class moving forward.

Nancy: Great. Thank you so much.

Operator: Thank you. If you find your question has been answered, you may remove yourself from the queue by pressing the star key followed by the digit two. We'll take our next question from Jordan Alliger with Goldman Sachs.

Jordan Alliger: Yeah. Hi. Question on dedicated. Getting back to this capacity in trucking is tightening, driver situation is tightening. I'm just curious, have you or do you expect to see a significant step up in inquiries around the dedicated business, the dedicated pipeline, I would think that this could work to that business operations advantage. Thanks.

John Diez: Hey, Jordan. Thank you. Good morning. With regards to what we're seeing in the marketplace and dedicated, clearly, we've talked about the fact that a tighter driver market is good for dedicated long-term. We did see in the quarter and we mentioned that on slide seven. We did

see stronger sales activity in both dedicated and fleet management. We have seen a number of inquiries and the level of commitment and activity from customers to sign up for longer-term contracts up in the quarter, which was very encouraging. So clearly, there are signs out there that we are seeing pressure on that side that's going to bring more demand for us. So we're pretty excited if in fact the market changes from a driver perspective and driver availability has shown, even as we exited the quarter, the level of activity and turnover and also inquiries has gone up. But certainly, we're excited about the opportunity to be able to sign more dedicated activity as the market becomes more challenging.

Jordan Alliger: And just as a dedicated follow-up, given where margins start at the first quarter – started at the first quarter, and then the longer-term high single digit target. Can you maybe give a little thought or color around potential step-up trajectory in dedicated as we look ahead to the balance of 2026 from a margin standpoint? Thanks.

John Diez: Yeah. Typically, dedicated does have some seasonality when you look at the quality of earnings. Second and third quarter are typically our strongest quarter, so you should see a meaningful step up of two to 300 basis points as we get through the middle part of the year. And then Q4 typically has a little bit of a step back, we do expect to get to the high single digit level for the full year. And that business has consistently done that. In fact, I think eight out of the last ten years, the dedicated business has delivered the high single digits, and we're confident that we were going to get back to that level as we get through the year.

Jordan Alliger: Thank you.

Operator: Thank you. We'll take our next question from Harrison Bauer with Susquehanna.

Harrison Bauer: Great. Thank you for taking my question. I was curious if either John or Tom, if you could provide some maybe demand commentary as it relates to trucks versus tractors. You

mentioned some strengthening and maybe some lease signage on the FMS front, so curious if that's truck or tractor based.

John Diez: Yeah, I'll make some general comments here, Harrison, I'll turn it over to Tom. I will tell you, one of the things that we did see in the quarter was on the used vehicle side, we saw better pricing on the tractor side. So retail pricing was up both sequentially which was very encouraging for us. And then when you look at the activity across the different classes and the different services that we offer, we continue to see good demand across the truck class in both rental and lease. But I'll let Tom maybe give you a little bit more color on what he's seeing within the lease space.

Tom Havens: Yeah. So as we mentioned earlier, demand and the fleet were both down year-over-year. But as Cristy mentioned earlier, we are seeing a trend that's a little bit better than what we had expected and particularly on the truck classes, the demand was higher than what we had expected. So that was the bigger driver of the uplift and versus what we had expected. We also saw pricing up in rental was up about 3% year-over-year as well, which was coming from both classes really, but that was good to see that our pricing discipline held as we saw the demand maybe tick up just slightly versus our expectations. And as mentioned earlier, kind of in line with what we would typically see historically.

Harrison Bauer: Thanks. And then maybe could you provide some updated thoughts on any potential pre-buy for either tractors or trucks, how that might be affecting your business, and then what's contemplated in your guide for this year. And then maybe even potentially some early thoughts on how that could affect 2027 in your investment next year. Thank you.

John Diez: Yeah, I'll make some comments and, and have Tom weigh in as well. With regards to the pre-buy in our guidance, we don't have any meaningful pre-buy activity contemplated. Typically, where the pre-buy comes into play for us is on the sales side. We'll typically see a front-loading of sales activity for lease and then you'll see the benefits of that play out a little bit sooner. Obviously,

with used vehicles, we do expect, and we haven't seen yet what the OEMs price increase will look like. We do think that price increase will be meaningful, certainly in that 10% to 15% range at a minimum which will provide some support for used vehicle sales. But I'll let Tom add some additional color on the pre-buy activity.

Tom Havens: Yeah, we've been obviously out talking with our customers about this and the potential price uplifts that are expected in 2027, but as John mentioned those aren't in the marketplace yet. And our customers, very few, some have, some have looked and have taken advantage of what you would expect to be lower pricing than going into to 2027 and have ordered vehicles, but we haven't seen any large uptake in any way or any large volumes in that area. And then maybe just one other point, for us, if we do see things starting to turn, particularly in rental, we still, we would expect to potentially place an order and we believe we have slots to be able to get vehicles maybe not necessarily driven by a pre-buy, but driven by any demand that we would see coming here in the second quarter if things change.

Harrison Bauer: Thank you.

Operator: Thank you. We'll take our next question from Rob Salmon with Wells Fargo.

Rob Salmon: Hey. Good morning, guys, and thanks for taking our question. A quick follow-up in terms of the contractual sales activity that you had noted, the improvement in FMS and DTS. Could you give us some color about what that's up and when you'd expect to see the fleet to start to grow. In those two end markets obviously, the cyclical factors are continuing to pressure fleet sizes here. So just curious for some color on the activities, how that's compared to recent quarters and when we can inflect a positive growth.

John Diez: Yeah. Rob on the contractual sales, a few highlights there, which I think are meaningful. Number one, we did see strong sales activity across all three segments. I know your question was aimed at DTS and FMS, but our supply chain business really saw robust sales activities with

another record performance in the quarter, which really demonstrates the value from our solutions that the customers are seeing as most of the activity came from expansion business. Our existing customers are seeing the value we deliver for them and are awarding us accordingly.

On the fleet management and dedicated side, we did see a reversal of trend. If you look at where we've been the last several quarters with stronger sales across the board, we saw some numbers we hadn't seen in several years, so that's really encouraging for us. Whether or not that will continue, obviously, we would like to see that continue, but the start of the year was stronger than what we had expected. And the more important piece for us is we started seeing customers begin to commit to long-term leases at a higher rate. And then we did see, as I mentioned earlier, more dedicated activity with our pipeline and dedicated being at the highest levels we've seen. So we did see good activity, first quarter was strong and we're hopeful that will continue.

As far as lease fleet growth and both dedicated and fleet management, these have significant lead cycles, I would say. As we start putting together a few quarters back-to-back, you'll start seeing the fleet level off at the end of the year and into next year, you should start seeing the growth assigned to those wins. That's the trajectory of how we see the fleet growth moving.

Rob Salmon: Really helpful. In your prepared comments, I didn't hear you mentioning of the SCS. You talked about the momentum in terms of the business, but I didn't hear you reiterating getting back to the double-digit targets toward the end of the year, maybe. Can you give us an update on that? What you saw from the lost customer that was alluded to in the presentation and how we should think about margins trending from 1Q.

John Diez: Yeah, I'll let Steve comment on what he's seen. We did make mention of the record sales. We do expect, as we exit the year, we're going to get back to near low double digit target levels on growth. And clearly, based on the last quarter's performance, Q4 of last year and Q1 of this year,

as we look ahead to 2027, I think we're well-positioned to hit our target growth levels, but I'll let Steve add a little bit of color of what he's seen on sales and the progression of the revenue base.

Steve Sensing: Yeah, Rob. Again, a healthy pipeline continues to strengthen. As I said last quarter, it's all about our relationships from our vertical leads all the way through our sales team, and more importantly, the frontline operators and how they execute focus on continuous improvement innovation. Those deep relationships allow us to expand with our customers. As John said, last year was a record sales year. Q1 was record, this year, we should be exiting at low double digits or approaching in Q4 of this year, so we feel really good about that.

You also asked about margins. Last year, Q1 was 8.7. That was a record quarter. While we had some challenges last quarter due to, we did have some lost business in automotive where a customer was trading dedicated service for truckload. As that tightens back up, we could see that come back around in the upcoming years. We still were challenged with volumes across OEMs as they retooled and balanced their EV and ice production. That'll continue here through the first half and we expect that to return close to normal in the back half. We feel really good about that, and again, Q1 of this past year was second highest Q1, so still performing in that high-single digit range.

Rob Salmon: Appreciate the context.

Operator: Thank you. We'll take our next question from Ben Mohr with Citi.

Ben Mohr: Morning. Thanks for taking our questions. I wanted to just ask more about your guide raise, which is on the used vehicle sales and strong contractual performance. You had guided last quarter for 2026 UVS, having kind of being flat versus the 22 million from last year. Congrats on the strong 12 million in 1Q. How do you expect used gains to trend through the rest of the year, and what would you say is an updated target for the full year?

John Diez: Yeah. Ben, with regards to our used vehicle sales and the guide, a few things. Number one, really excited about the fact that we came out of the blocks really strong with our initiatives are really on tracked for the 70 million. The majority of the year-over-year improvement is still tied to our strategic initiatives and the execution on the team. As far as used vehicle sales, which is part of the reason for the raise, I would say we do expect used vehicle gains to come in about 10 million higher. We pointed to that in our slide with regards to the 250, we put in 10 million in the current 2026 year. How that will play out over the course of the year, it really depends on the level of wholesale activity. There may be quarters where we may do more wholesaling than retailing, so it's not going to be a linear, I would say progression. It would be a little bit lumpy. You saw pretty strong print in the first quarter that may stay at that level or if not, may come down a little bit as wholesale activity goes up in the latter part of the year. But we do expect the full year to be up about 10 million, up from the 20 million that we gave last year.

Ben Mohr: Great. Thanks so much. And on the other part, the strong FMS contractual business performance. Can you parse out what part of that is volume? What part of that is price? What part of it is the strategic initiatives in 1Q, and then maybe a similar parse out for the remainder of the year?

John Diez: Yeah. I would say the majority is going to be driven by the strategic initiatives. I'll let Tom give you a little bit more color. But if you look at the two biggest components are pricing initiative that continues to deliver strong results coming into 2027. That was the reason why we upsized our strategic initiative overall target and the catalyst for raising it to 70 million in 2026. That's behaving as we would expect. And then, if you look at our maintenance initiatives, that continues to be a big part of the story. As far as volumes we haven't seen outside of the volumes, we saw in used vehicle sales. We haven't seen a big move there from our original expectations, but I'll let Tom give you a little bit of color here.

Tom Havens: Yeah. John's right on it. There's no fleet increases that impacted the results in FMS. It's all related to the strategic initiatives around pricing and maintenance, and I think your specific question was around how much of each, and it was about 50/50 of each. 50% of the benefit was from price, 50% of the benefit from maintenance initiatives.

Ben Moore: Got it. Great. Thank you very much. Appreciate the time and insights.

Operator: Thank you. We'll take our next question from Scott Group with Wolfe Research.

Scott Group: Hey, thanks. Good morning. Can you help us think about the progression from Q1 to Q2? I think you said dedicated margins should improve two to 300 basis points sequentially, but how should we think about the other two businesses sequentially within the guide? And I don't know – any thoughts on how fuel is impacting the P&L right now? I think it's generally a pass through, but I don't know, there's a big wholesale retail spread. I don't know if that's helping your numbers right now or not.

John Diez: Yeah. So Scott, a few points there. I think you could expect all three businesses are going to continue to get better as we get through the year. Clearly, our fleet management business in rental in particular are return to seasonal progressions will help that business, and that's a part of it. If you look at our fleet our lease portfolio, certainly the pricing and maintenance initiatives are playing a big part in that as well. You should expect all three of the businesses, fleet management dedicated and our supply chain businesses volumes typically are stronger in the middle part of the year. For all three of those businesses, they're going to benefit from higher revenue base going into the year. As far as fuel, we did see fuel, which is generally a pass through for us, not be a meaningful part of the story. We do benefit every now and then when we have rapid changes in energy prices, and we saw that in Q1. That benefited a little bit the Q1 results, but nothing meaningful as we look forward.

Scott Group: Okay. Helpful. And then just want to follow-up on rental. I don't know if you, maybe I missed this, but can you just talk about the utilization trends throughout the quarter, what you're seeing so far to start Q1? And then, just looking at the rental fleet, it's about as small as a percentage of the relative to the full-service lease fleet, I think we've ever seen. How do you think about starting to grow the rental fleet again in an up cycle? Yeah, just that's the question.

John Diez: Yeah. I'll pick up where you left off. The rental fleet clearly is significantly lower than the peak fleet levels. I think we're down nearly 10,000 units from peak levels. So as demand comes back, we're more than ready to implement our asset management actions. I'll let Tom talk through those, and then clearly, even if we see activity rise here over the next several weeks, we have the ability to go out and put some orders in and take advantage of vehicles that can be delivered later in the year and meet that demand. I'll let Tom make a few comments with regards to that and utilization.

Tom Havens: Yeah. From an asset management perspective, the first lever you pull is you stop sending trucks to the UTC, to our used truck center. So you can immediately increase the fleet and capture demand with existing fleet that you have in the business, which gives you time then to place orders and allow the OEMs to deliver new vehicles to you. We're obviously looking for those trigger points to start making those decisions. As we've said, we haven't started to do that yet. Hopefully, we'll have to. And then just looking at the utilization trends. You asked about the utilization trends. I will point out, and we've mentioned it on the call that demand and fleet obviously are down quite a bit double digits on both year-over-year. But the utilization was better than what we had anticipated in Q1. So the January, February, March numbers, just the trend we started in January at 67%, that went to 79 in February and then just slightly above 70 in March. Sorry, did I – 67, 69 to 70. Sorry, I misstated that. And that was about 270 bips above prior year in the quarter. And then here going into April, we're still about at that 270 number better than last year going into April. So that's what we're seeing. So we're seeing that same trend rolling into April.

Scott Group: Very helpful. Thank you.

John Diez: Thank you.

Operator: We will take our next question from Brian Ossenbeck with JP Morgan.

Brian Ossenbeck: Hey. Good morning. Thanks for taking the question. Just coming back to the sales in SCS, it sounded like a lot of that was just expansion of business with existing customers. If you could share some color in terms of what verticals those would be. And then what does it take, or are you expecting to see some pickup and maybe some new customers, new logos? Is that in the pipeline? Do you have visibility to that?

John Diez: Yes. Brian. I'll let Steve add color. The majority was expansion, but we did see a number of new names also added to the portfolio.

Steve Sensing: Last year was about 80% expansion. So you had 20% of new names. We've had several new names that have started here in Q2 that we sold late last year, so we'll continue to do that. I think the great story there is any time we get a new name in within the next, two to four years, because of our execution, innovation, continuous improvement, we expand with those. So those numbers are typically – expansions is typically about 70%, so last year it was just a tad bit higher than normal.

Brian Ossenbeck: Any verticals in the industry?

Steve Sensing: Yeah, the majority of it was coming out of the omnichannel retail over the past, I call it six months. We're still seeing good pipeline activity in CPG and solid pipeline activity in our transactional businesses. That's, our Co-pack Co-man type business. We're seeing good activity

in our e-com. I'd say last mile right now is a little slower than normal, but a good diversification there.

Brian Ossenbeck: Okay, thanks. Steve, just to make sure I understand the outlook and expectations for UVS for the rest of the year. Sounds like the first quarter was a little bit better and you're expecting some improvement from here, but I didn't hear that you're expecting some big ramp up from here on out, but I just wanted to make sure I understood what your guidance assumes right now. And if there's any distinction between truck and tractor, considering your mix is a little bit different than it has been in prior years. Thanks.

John Diez: Yeah. When we guided to here is a modest improvement, and we did exit Q1 with higher pricing than what we had expected. We reached stability on pricing a little bit sooner relative to our previous guide, and we are seeing improved pricing across both tractors and trucks relative to where we expected to exit Q1 originally. A little modest improvement for the balance of the year, driven by higher levels of pricing across both tractors and trucks.

Brian Ossenbeck: Okay. Very helpful. Thank you.

Operator: Thank you. We'll take our next question from Jeff Kauffman with Vertical Research Partners.

Jeff Kauffman: Thank you very much. John, congratulations. Pleasure to have you leading our call.

John Diez: Thank you, Jeff

Jeff Kauffman: A lot of questions have been asked, but I want to go back and hammer a little bit on what gives you confidence. You talked a little bit about customers are coming back for longer contracts, some things like that. But in terms of metrics, the rental fleet utilization was up 200 basis points in

the first quarter, but 68 is a pretty low number historically for the first quarter. The rentals rates down 11%. You've shifted the mix to trucks from tractors, so one of the questions I have is, does this give you a little less bounce into the up cycle than you would traditionally have? It was a little safer on the downside, but does it rob some of the potential upside to both gains on equipment sales and operating margins in the next step cycle? I guess my two questions are, what metrics can you look at that tell you, "Hey, things really, really feel like they're turning here"? The truckload guys are pointing to a lot of things. What can you point to, and then does this strategic shift to favor trucks more, is that more a function of the environment, and that's just the way it is? Or did you make that decision, and is it going to cost us a little bit of upside when the cycle does turn?

John Diez: Yeah. I think a few points to take stock of before I get into our metrics specifically, we are looking at broad market conditions. And Jeff, when we look at what's happening with capacity and active truck utilization, we've seen three consecutive months of truck utilization above 95%. We haven't seen that in some time since 2021. So that's a great indicator that capacity is coming out of the broad market. We are seeing and we do expect higher costs for new equipment later in the year, which is going to put a premium on existing units. I think we're well-positioned to deal with that with our rental fleet, as you called out, at very low utilization levels. I have plenty of upside there to take advantage of the equipment that's sitting today and deploy that for customers.

As far as the evidence that things are turning, we saw normalized levels, I would say in rental, but it's still soft as you indicated, and we agree with that. But the things we could point to clearly for us are UVS. We saw retail pricing sequentially stabilized, with tractors up 1%. We did see rental, even though it's still below normal levels sequentially, we saw that seasonal uplift that we would see coming out of Q4 into Q1. Contractual sales was the best we've seen in a few years. That really gave us some confidence and encouragement that, "Hey, customers are coming back in. They're looking to add fleet and make commitments". You see, if you go to our stats in the back in the presentation, if you look at redeployments and extensions, they were both up. That's a good indication for us. I would encourage all to take a look at those statistics, which really pop when you

start seeing things move up. And then lease power miles, even though not a meaningful improvement were up in the quarter year-over-year. We did see our lease power miles start coming back up. So those are all great indicators for us that things seem to be looking to get some steam. Obviously, we would need to see that progress as we get into the year before we could start making decisions on adding fleet, especially to our rental fleet over time.

Jeff Kauffman: And the second part of the question on leverage this cycle with a larger percentage of trucks versus tractors.

John Diez: Okay. Yeah. With regards to rental, clearly for trucks we've seen that market activity. It's kind of more of a secular move with last mile coming out of COVID, we're seeing more truck demand that has moved us to reshape some of the things we do on our rental fleet. And even as we go to market with our lease activity. With regards to tractors, obviously there's going to be a little bit of pressure there with what we're seeing on the over the road space with drivers, regulations, etc., that may put a little bit of pressure. But clearly, if the tractor market comes back, that's the one asset class that we could order and get the equipment quickly. So that is something that we'll participate in that space as well. But I think we're well-positioned to take advantage of the secular trends and what we're seeing on the truck side.

Jeff Kauffman: Okay. Thank you very much.

Operator: Thank you. At this time, there are no additional questions. I'd like to turn the call back over to Mr. John Diez for closing remarks.

John Diez: All right. Thank you, everyone. Appreciate everyone joining us today, and we look forward to seeing you out on the road. Take care.

Operator: That concludes today's call. We appreciate your participation.