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Earnings Call

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Presentation

Operator

Good morning, and welcome to the Ryder System Second Quarter 2026 Earnings Release Conference Call. [Operator Instructions] Today's call is being recorded. If you have any objections, please disconnect at this time. I would now like to introduce Ms. Calene Candela, Vice President, Investor Relations for Ryder. Ms. Candela, you may begin.

Calene F. Candela
Vice President of Investor Relations

Thank you. Good morning, and welcome to Ryder's Second 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 a 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 Cristy 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 J. Diez
CEO & Director

Good morning, everyone, and thanks for joining us. The Ryder team delivered our seventh consecutive quarter of comparable EPS growth. Solid results were primarily driven by consistent execution on our strategic initiatives. Improving market conditions in used vehicle sales also contributed to our higher results.

I'll begin today's call by providing an update on our balanced growth strategy, and we'll then provide you with key highlights from our second quarter performance. Cristy will provide you with an overview of our segment performance and discuss our capital spending and capital deployment capacity. I'll then review our outlook for 2026. Let's begin with a strategic update.

Consistent execution of our balanced growth strategy has demonstrated the resiliency of our transform model and has enabled Ryder to outperform prior cycles. By executing on our strategy, the Ryder team built a solid foundation that reflects actions taken to de-risk the portfolio, enhance returns and cash flow and shift to less capital-intensive, more resilient business mix.

Building on this transform foundation, our strategic priorities remain focused on executing relentlessly, investing in the future and growing contractual customer relationships. These priorities are aimed at creating value for our customers as well as our shareholders.

Operational excellence is where we stand out and what enables us to leverage our full end-to-end capabilities to solve our customers' toughest logistics and transportation challenges. Investing in customer-centric innovation that enables a proactive supply chain gives 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 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're focused on profitably growing our contractual relationships by increasing customer engagement across our portfolio of port-to-door solutions. Over 90% of our revenue is generated by long-term contracts. Our high-quality contractual base has proven to be a key driver of business model resilience over the cycle, and reflects the actions taken to de-risk the model and enhance returns.

Our transform model has delivered meaningful out-performance relative to prior cycles, demonstrating the effectiveness of our balanced growth strategy. Our three complementary business segments are leaders in North America logistics and transportation with secular trends that support further growth opportunities.

Finally, we're encouraged by the earnings power and resilient performance of our transform business model and believe that it positions us well to benefit from a cycle upturn.

Turning to Page 5. 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.

Our revenue mix has shifted towards Supply Chain and Dedicated with approximately 60% of 2026 expected revenue generated by these asset-light businesses compared to 44% in 2018.

As a result of organic growth, strategic acquisitions and innovative technology. Our increased 2026 comparable EPS forecast range of $14.40 to $14.80 is more than double 2018 comparable EPS of $5.95. Our return on equity forecast of 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 $1 billion or approximately 60% from 2018.

In 2026, the business is expected to significantly outperform prior cycles, even when comparing the pre-transformation peak to the current market environment.

Moving to key performance highlights from the second quarter. Comparable EPS for the quarter was up 12%, making it our seventh consecutive quarter of comparable EPS growth. Results reflect the strength of our contractual portfolio, benefits from strategic initiatives as well as improving market conditions in used vehicle sales.

Return on equity was solid at 17% in line with our expectations given where we are in the freight cycle. We remain 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 this year.

And finally, we're encouraged to see continued momentum from improving freight cycle conditions. Contractual sales activity was strong across all three segments, reflecting customer confidence. We continue to see improved Fleet Management and Dedicated sales activity, which have been experiencing sales headwinds due to the extended freight downturn.

Supply Chain continued to generate strong sales activity with record sales in 2025 and year-to-date 2026, reflecting the value of our solutions. Used vehicle sales results were higher year-over-year and retail pricing improved sequentially for both trucks and tractors. Commercial rental utilization returned to target levels of 75%, driven by our planned asset management actions. That said, market 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 second quarter performance.

Cristina A. Gallo-Aquino

CFO, EVP & Principal Accounting Officer

Thanks, John. Total company operating revenue of $2.7 billion in the second quarter increased 3% from prior year, reflecting contractual revenue growth in Supply Chain. Comparable earnings per share from continuing operations were $3.73 in the second quarter, up 12% from prior year, reflecting benefits from share repurchases and higher earnings in Fleet Management.

Return on equity, our primary financial metric, was 17%, in line with the prior year. Free cash flow increased to $684 million from $461 million in the prior year, reflecting reduced capital expenditures.

In Fleet Management Solutions, operating revenue increased, reflecting contractual revenue growth partially offset by lower rental demand. Earnings before taxes were $150 million, up 20% versus prior year, reflecting benefits from strategic initiatives on ChoiceLease results as well as strengthening used vehicle market conditions.

Used vehicle results reflect a year-over-year improvement and better-than-expected performance. In rental, utilization returned to our targeted level of 75% on a 15% smaller average fleet. Although demand remained below prior year levels and historical seasonal trends, it was the strongest sequential increase we've seen in 4 years.

Rental pricing was up 1% year-over-year. Fleet Management EBT as a percent of operating revenue was 11.5% in the second 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 3% and truck pricing increased 6%. Year-over-year results benefited from a higher retail mix due to elevated wholesaling activity in the prior year to manage aged inventory.

In the second quarter, 56% of our sales volume went through our retail channel, up from 50% in the prior year and down from 61% in the first quarter. On a sequential basis, overall pricing was stable for both tractors and trucks, reflecting a lower retail sales mix.

However, retail pricing for trucks improved 7% and for tractors improved 3%. During the quarter, we sold 5,100 used vehicles up 500 units sequentially and down 1,100 units versus prior year, largely reflecting the prior year's elevated wholesaling activity.

Used vehicle inventory of 8,500 vehicles declined and is within our targeted inventory range. Used vehicle pricing remained above residual value estimates used for depreciation purposes. Slide 20 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 7%, driven by new business, partially offset by lost business in automotive. Earnings before taxes decreased 7% from prior year due to lower automotive results and to a lesser extent, productivity of new business ramping up, partially offset by benefits from the optimization of our omnichannel retail network.

Year-over-year comparisons were challenging in Supply Chain due to record results in the prior year. Supply Chain EBT as a percent of operating revenue was 8.4% in the quarter, at the segment's long-term target of high single digits.

In Dedicated, operating revenue decreased 3% due to lower fleet count, partially offset by higher pricing. Earnings before taxes were below prior year, reflecting lower operating revenue and adverse development of prior year insurance claims, partially offset by benefits from strategic initiatives. Dedicated EBT as a percent of operating revenue was 7.9% in the quarter at the segment's long-term high single-digit target.

Next, let me cover capital expenditures. Year-to-date, Lease capital spending of $605 million was below prior year, reflecting the timing of replacement activity. Our 2026 forecast for Lease spending is $1.9 billion, reflecting higher replacement activity versus prior year. Year-to-date rental capital spending of $94 million was below prior year as expected. Our 2026 forecast for rental spending is $200 million. We expect our average rental fleet to be down 11%, consistent with our prior forecast.

Our fleet remains well below peak levels. We continue to execute asset management actions that can provide us with flexibility to modestly increase rental capacity in the second half of the year if market conditions were to accelerate. In the short term, we can deploy vehicles that are coming off lease or in our dedicated fleet to rental. And in the long term, we can increase our rental capital spending later this year, which would primarily benefit earnings in 2027 and beyond.

At quarter-end, trucks represented approximately 60% of our rental fleet, reflecting our shift in spending towards trucks versus tractors in recent years. As trucks have historically benefited from relatively stable demand and pricing trends. Our full year 2026 capital expenditures forecast at 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. Our high-quality contractual base is generating higher earnings and cash flow which is de-levering our balance sheet at a more rapid pace than prior to our business model transformation. This momentum is creating incremental debt capacity given our target leverage range of between 2.5x and 3x.

As shown on the slide, over a 3-year period, we expect to generate approximately $10.5 billion from operating cash flow and used vehicle sales proceeds. This creates approximately $3.5 billion of incremental debt capacity, resulting in $14 billion available for capital deployment.

Over the same 3-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 45% 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, year-to-date, we funded lease and rental replacement CapEx of approximately $700 million and returned $406 million to shareholders through buybacks and dividends.

Additionally, earlier in the quarter, our Board authorized a new discretionary 2 million share repurchase program that replaced a program that was largely completed during the quarter. And more recently, our Board approved an 11% increase to our quarterly dividend, marking the fourth consecutive year with a double-digit increase.

Our balance sheet remains strong, with leverage of 259% 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 J. Diez
CEO & Director

Thanks, Christy. Turning to our outlook on Page 14. We've raised our full year 2026 comparable EPS forecast by increasing the low end of the range to $14.40 from $14.05 while maintaining the high end at $14.80.

Our forecast continues to expect strong earnings performance in our Contractual Lease, Dedicated and Supply Chain businesses. The increase to our forecast largely reflects an improved outlook and reduced downside related to used vehicle sales, with gains now expected to be approximately $40 million for the full year, up $10 million from our prior forecast. This benefit is partially offset by the timing of new business onboarding in Supply Chain.

Our 2026 return on equity forecast is revised to 18% from a range of 17% to 18%. This forecast remains in line with our expectations given current market conditions. Our free cash flow forecast of $700 million to $800 million is unchanged and reflects higher replacement capital expenditures versus prior year. Our third quarter comparable EPS forecast range is $4 to $4.20, above prior year of $3.57.

Turning to Page 15. Our Transform model is well positioned for earnings growth. We continue to expect 2026 earnings growth to be driven by incremental benefits from multiyear strategic initiatives. These initiatives represent structural changes we're making to the business and are not dependent on a cycle upturn.

In 2024 and 2025, we realized $100 million in benefits leaving $70 million of incremental benefits expected in 2026. This year's benefits will reflect our lease pricing and maintenance cost saving initiatives in Fleet Management. Our margin improvement actions related to our Flex operating structure in Dedicated and optimization of our omnichannel network in Supply Chain.

In addition to driving outperformance relative to prior cycles, our Transform model also provides a solid foundation for the business to meaningfully benefit from the cycle upturn. By the next cycle peak, we estimate this potential benefit could be $250 million with the majority expected to come from the cyclical recovery of rental and used vehicle sales in Fleet Management 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. We now expect to realize approximately $20 million of upturn benefits in 2026, primarily from higher used vehicle sales results, up from $10 million in our prior forecast.

In addition to benefiting our transactional businesses, we also expect additional opportunities for profitable contractual growth as freight conditions normalize and customers seek safe, efficient and reliable capacity. We've been pleased by the business's resilience and performance of the cycle and are confident each of our business segments is well positioned to benefit from the cycle upturn.

In closing, our Transform business model continues to deliver value to our customers and 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 for multiyear strategic initiatives. We remain committed to investing in the future with products, capabilities and technologies that will deliver value to our customers and our shareholders. We're confident our Transform model provides a solid foundation for Ryder to meaningfully benefit from the cycle upturn. 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.

Question and Answer

Operator

[Operator Instructions] And your first question comes from the line of Bascome Majors with Stephens.

Bascome Majors
Stephens Inc., Research Division

I would hope you could focus on the Supply Chain business a bit. A few months ago, the announcement of Amazon competing, and I know we've heard your initial comments on that. But big picture, as they've been in that market, maybe repackaging their offering a bit more formally for a few more months.

What have you heard from your salespeople? Are they approaching the market differently? Do you still think it is a sort of shared warehouse, retail focused approach to the market? Or is there some intent or desire to compete more in the Dedicated site stand up that you think would have more of a competitive response?

John J. Diez
CEO & Director

Yes, let me make a few comments, and then I'll turn over to Steve who could provide deeper insights here. Clearly, from a Supply Chain perspective right now, that business, and we've seen it now for the last 18 months continued to perform really well when it comes to the sales side of the house. So we haven't seen any sort of impact with regards to the businesses that we're looking to engineer, design and hopefully launch with customers.

I would tell you, the Supply Chain pipeline continues to be strong and evidence of that pipeline changing or moving it's only moving in one direction and continues to get stronger and stronger. So that gives you a little bit of a backdrop of what we're seeing today, but I'll let Steve give you more of forward-looking view of the business.

John Steven Sensing
President of Global Supply Chain Solutions & Dedicated Transportation Solutions

Yes. I think your comments around the focus of where they're looking is more on the retail side, I would say. As I think about our business, I have not seen us go up against them yet in any RFQs or any opportunities. We don't have clear visibility to who we're competing with at all times, but haven't heard their name yet.

Remember, our solutions are highly customized, as John said. So these are typically a single box dedicated to a single customer. And remember, 60% of our revenue comes from customers that use more than one service. So typically, we'll run warehouse, again, highly engineered and then offer an additional service from our port-to-door capability.

Operator

[Operator Instructions]. The next question comes from the line of Jordan Alliger with Goldman Sachs.

Jordan Robert Alliger
Goldman Sachs Group, Inc., Research Division

Just curious on Dedicated, what you may be seeing in terms of contract renewals there, retention as well as the pipeline of new business in the context of a tighter trucking markets with drivers, is that flowing additional opportunity to you? Or will it?

And then just on supply chain. I know you touched on it briefly, but when does the productivity catch up with the new ramp that you could start to see margins improve again in that sector? Like what's the timing of it or sequencing?

John J. Diez
CEO & Director

Yes. Thank you, Jordan. Let me address the DTS side of your question. On the Dedicated side, we continue to see the capacity exit the market, and we're seeing more and more opportunities come forward. We highlighted last quarter and we continue to see strong activity. Our pipelines are at record levels for us right now. We've seen a number of opportunities come back where customers have been running their transportation with for hire carriers, and they're looking for Dedicated capacity and coming back to us.

More importantly for us on the Dedicated side, most of what we do is specialized in nature. So 70% of our revenue base in Dedicated is still specialized. And I would say the value prop there continues to resonate with our customers. Secular trends continue to favor outsourcing on the dedicated side, whether it's rising costs, tighter driver capacity or rising insurance costs, all of which bode well for us.

So on the Dedicated side, I would tell you, we saw an improvement in the year-over-year comps from a revenue perspective. That will continue as we finish the year, and our expectations are to continue to see kind of growth when we get into 2027 with the activity we continue to see.

On the Supply Chain side, you did highlight we have had a number of projects that we've launched. They've taken a little bit longer to get to full ramp up. Volumes haven't been there, which has put a drag on kind of our expectations.

We also highlighted in our prepared remarks that we thought some of these projects that we had expected to launch later in the year are also going to be extended into 2027. So that's impacting a little bit of our guide for the second half of 2026. But I'll let Steve provide you a little bit more color on the Supply Chain ramps?

John Steven Sensing
President of Global Supply Chain Solutions & Dedicated Transportation Solutions

Jordan, I would just kind of remind you, last year, Q2, 9.7% EBT was a record Q2 for us. This quarter, we're in at 8.4%. I think a bigger driver of the quarter was the lost automotive business that we talked about earlier this year. And then we're still seeing plants continue to retool for EV and ICE vehicles here in the quarter. So as John said, some of these take us a little more time to work out of. And once these volumes bounce back, I think we'll be in pretty decent shape.

Operator

The next question comes from the line of Robert Salmon with Wells Fargo.

Robert Hudson Salmon
Wells Fargo Securities, LLC, Research Division

You had talked -- so it sounds like the pipeline is getting better. When I look at the FMS fleet, the active units were roughly flat, but we had seen a sequential decline in the ending units overall. Could you talk a little bit how we should be thinking about the active units and kind of what the dynamics were that caused those two to diverge?

John J. Diez
CEO & Director

Sure. Robert. And I'll turn it over to Tom to give you a little bit more color here. But we have seen a good, strong sales activity on the Fleet Management side to start the year. The number of customers that are coming forward, the closing rates on those opportunities has increased. And obviously, the pipeline continues to get stronger and stronger.

So we are seeing sales and that should translate into higher fleets going forward. That takes a while because our sales cycles typically take 3 to 6 months. So you should see that kind of that decline in the active fleet abate. And then as we exit the year, that should continue to turn positive for us. But I'll let Tom provide you additional color.

Thomas M. Havens
President of Global Fleet Management Solutions

Yes. I think you're right, John, its really just timing of the sales activity and when those trucks actually hit the fleet when you signed a new deal with a new vehicle. We do have to have the truck on order, takes a little bit of time, a quarter or 2 before the sales results really flow into your actual fleet count. So I will say that we've seen two straight consecutive quarters of positive net sales in the first quarter and then here again in the second quarter. Obviously, very good signs for us that things are starting to change a little bit from a sales perspective and really from a customer confidence level to add that fleet back.

But like John said, we do -- you might see a slight reduction in the fleet still until that timing comes in, but we certainly expect that fleet to grow near the end of the year and into 2027 based on what we're seeing in sales.

Robert Hudson Salmon
Wells Fargo Securities, LLC, Research Division

Really helpful. And John, in your prepared remarks, something jumped-out at me is you were talking about we're back at the commercial rental utilization target levels. But with below normal demand. Should we think about this as the normalized level has been raised given some of the internal company initiatives? Or is this unique just because we're still shrinking the fleet and we're getting to those normalized levels despite suboptimal demand?

John J. Diez
CEO & Director

Yes. I think as we thought, I think this cycle feels and it's shaping to feel a little bit different than some of the others. It's kind of a capacity-driven recovery. So we've taken the actions ourselves to reduce the fleet. I think we -- in the prepared remarks, we highlighted we're going to be down 11% of average fleet in the rental side for the year.

So what you're seeing there is a combination of a little better demand activity, more seasonally oriented than we have seen over the last couple of years. And then the actions we've taken to de-fleet primarily in the second half of last year and into the first half. We do expect demand to continue to hopefully build, and we're going to look to grow the fleet slightly in the second half. That was part of our plan all along, and how we were taking in our replacement units in the second half.

So it's a little bit of that. I would tell you from a demand perspective, we have seen -- unlike other cycles, we have seen demand shock on the Lease and Dedicated side, where folks are coming forward. Typically, we would see rental be the leader there and see an acceleration on rental. We have seen, as I mentioned, a rental uptick there. And that's our expectation that we'll continue to build. But we would love to see rental demand accelerate. And clearly, we're ready for it. As soon as that starts taking off, we could add fleet and take advantage of the good returns that, that product line provides us.

Operator

The next question comes from the line of Ravi Shanker with Morgan Stanley.

Nancy C. Hipp
Morgan Stanley, Research Division

This is Nancy on for Ravi. I was curious what you would need to see in the cycle to start sizing the fleet up significantly? And then I also saw that there was pretty solid improvement year-over-year in truck pricing during the quarter. What further benefit would you even see there as well to increase that used vehicle sales outlook? And what have you seen with buying patterns as we approach any changes going into 2027 with the EPA rules?

John J. Diez
CEO & Director

Yes. So thank you for the question. First, on the used vehicle side, the second part of your question, we continue to see good momentum there. Second quarter where we've seen year-over-year improvements in our used vehicle performance. As you called out, we saw sequential improvement in our retail pricing on trucks of 7%, tractors was 3%. That continues to move up.

We do expect and in our guide, we do expect second half continued improvement. I think when we see an acceleration from kind of the mid-single digits, at that point, then we could feel confident in lifting that guide further. And certainly going into 2027, we would expect year-over-year that pricing will continue to accelerate to that double-digit range.

As far as rental on the rental fleet, as I mentioned, with regards to this cycle, it does feel a little bit different in that the recovery has been kind of a capacity-driven recovery. We typically see demand accelerate in rental first. I think we're still waiting for that to happen. As soon as that happens, then we could add equipment and add fleet and really capitalize on the momentum of that product line. So we don't have that in our guide clearly with regards to rental. That's something that we're still waiting for. And as soon as we see it, we'll take advantage of.

Operator

The next question comes from the line of Harrison Bauer with Susquehanna.

Harrison Ty Bauer
Susquehanna Financial Group, LLLP, Research Division

Great. I'm curious kind of building off some of the fleet and capital allocation discussion. How much visibility do you have into your capital plans for this year? For example, I mean, are all of the lease purchases planned for the year? Or what's the opportunity for upside if leasing activity continues to improve?

And you gave a little bit of color on how you're thinking about your rental and leasing fleet for the year, but maybe some thought about where Dedicated fleet might shake out exiting the year? And what's the opportunity for growth for that is into next year?

John J. Diez
CEO & Director

Yes, Harrison, a little bit on visibility for capital forecast. I would say 75% of the year from a capital perspective is probably good. I think we're still -- as we navigate through the third quarter and how conditions change there, we may see a change in our full year outlook when we get -- when we exit Q3 into Q4.

I would tell you, rental is one that we continue to monitor closely, because that's the one that we're probably going to need to add fleet as you saw in the results, utilization kind of returned to normalized levels. We still have some utilization capacity that we could service more demand some.

But we do expect, as demand starts picking up, we're going to need to go out and add fleet to our rental fleet. So that hasn't happened. But clearly, as we see kind of conditions change, we may we may take actions between now and the end of the year.

With regards to Dedicated and the Fleet there, look, sales had a great in Dedicated to start the year. We are seeing evidence of tighter driver capacity. We've seen it in some of our measures. Turnover has ticked up. We are seeing the number of days that it takes to find drivers. That has ticked up a little bit. So we are seeing that momentum build. Our pipeline shows that. Our sales activity shows that.

So I would suspect we're going to continue to see good strong sales here for the balance of the year. We do expect the fleet to start flipping positive as we get into the second half of the year, probably in Q4 and into Q1. So that's probably when you're going to see it.

And then if we do see demand pop on both Lease, Dedicated and Rental, we obviously have access to OEM slots that we could take advantage of and ready to capitalize on the opportunities as we see them there.

But rentals one that we have an eye on with CapEx. And clearly, if lease continues to be strong, we can add more fleet there as well.

Harrison Ty Bauer
Susquehanna Financial Group, LLLP, Research Division

Great. And maybe as a follow-up on used vehicle sales. The rental versus wholesale mix percentage of rental that fell back a little bit sequentially. What do you expect the rest of the year on some of your -- or sorry, rental retail rather, we expect for the rest of the year on your retail versus wholesale pricing. Where do you want that to be? And how much control does the team have in terms of driving more retail versus wholesale sales to capitalize off of some better pricing?

John J. Diez
CEO & Director

Yes. I think our UVS retail wholesale mix in Q2 was probably the low end of what we would expect for the full year. It just came down 500 basis points from Q1, if I recall the numbers, I think moving forward, we're still going to be in that high 50s, low 60s range as we navigate through the inventory. The inventory did fall -- so as the inventory continues to fall, we have less actions we need to take and should see that retail wholesale mix rise.

Ideally for us, we're not even where we want to be long term. I think once the market really starts heating up, you should see us get back into the 70s range in that retail wholesale mix, and that's ideally where we want to operate at.

Operator

The next question comes from the line of Brandon Oglenski with Barclays.

Brandon Robert Oglenski
Barclays Bank PLC, Research Division

Yes. Maybe this is for John or Cristy, but when you guys show the 3-year outlook for about $4.5 billion capital available for flexible deployment, how do you balance the growth CapEx versus, say, acquisitions when you look out there and maybe what are priorities when you think about M&A in the future?

John J. Diez
CEO & Director

Sure. I'll let Cristy address that.

Cristina A. Gallo-Aquino
CFO, EVP & Principal Accounting Officer

Brandon, yes, so look, our priorities remain on profitable growth. So the organic growth in our fleet is always going to be the top priority. But with the capital that we have available, we mentioned $4.5 billion available for flexible deployment. That's more than enough available to also provide for acquisitions.

We're always looking for well-run companies that are going to complement our existing capabilities or add service -- expand our existing services. So we have more than enough. We estimate that of the $4.5 billion over this 3-year period, maybe half of that is growth related and the other half is for acquisition and repurchase related activity.

Brandon Robert Oglenski
Barclays Bank PLC, Research Division

I appreciate that. And quickly on Supply Chain, I mean, what is the sales pipeline looking like there, especially as we head into '27?

John J. Diez
CEO & Director

Steve?

John Steven Sensing
President of Global Supply Chain Solutions & Dedicated Transportation Solutions

Yes, the pipeline remains healthy. I'd say it's kind of flat year-over-year. And remember, we had a record sales year last year and off to a great start. So a lot of that is business that we've won that's come out of the pipeline. But I'd say across the verticals, as you see in the appendix, we had a good quarter in retail sales up 24%. CPG was relatively flat.

Industrial, we're adding new names there. And then other is health care, we just launched a new health care account in the quarter. So extremely positive, and I think we'll continue to ride the momentum.

Operator

The next question comes from the line of Jeff Kauffman with Citizens Bank.

Jeffrey Asher Kauffman
Citizens JMP Securities, LLC, Research Division

John, congratulations on taking the reins at the new role. I was just kind of curious more on the customer side. I mean there's been a lot of commentary over the shifting environment and how you're reacting to that. But you made a decision some time ago to staff the rental fleet more with straight trucks as opposed to tractors. What are your customers asking you for now today versus maybe what it was 6 or 8 months ago given the tightness of capacity and the over-the-road truck market?

John J. Diez
CEO & Director

Yes. Thank you, Jeff. Well, we did that both deliberately and I think as a reaction to the marketplace, if you recall, coming out of COVID, we saw extreme demand activity for straight truck market as we saw an acceleration in the e-commerce space. So some of that, we did that to capitalize on those opportunities in the last-mile opportunities that we saw over the last several years.

At the same time, we were seeing kind of that for-hire carrier market on the tractor side kind of wobble. And we decided that we wanted to be a little bit more measured with our rental fleet and how we fleet it up there.

Today, I would tell you, clearly, we're seeing probably better signs on the tractor side and demand there seems to be starting to move up kind of as we would see. We haven't seen an acceleration, as I mentioned in my remarks. But we are starting to see stronger demand on the tractor side but up I'll have Tom who maybe give you a little bit of color on what he's seeing across each of the classes.

Thomas M. Havens
President of Global Fleet Management Solutions

Yes, we continue to be focused on the truck markets, as John mentioned, as part of our shifting strategy. And like you said, we've seen a number of large customers that do business in that straight truck market as some customers have even shifted their delivery mechanisms from more tractors to less trucks to meet the driver market as well. So you've seen that, and we've taken advantage of that.

But I would say as we look to add back rental fleet, and you've probably seen this, where through this downturn, the tractor fleet is down pretty dramatically. So some of the investment, obviously, is going to need to be in that tractor space, to meet that demand, but we still expect, even during the upswing to have a predominance of trucks in the fleet, when we look at it as a percent of the total fleet we'll be leaning towards trucks.

Operator

The next question comes from the line of Scott Group with Wolfe Research.

Scott H. Group
Wolfe Research, LLC

So I wanted to just ask about earnings seasonality first. We -- there was a bunch of years where we would see a big pickup in earnings Q3 to Q4. Last couple of years, it's been more flattish. It seems like the guide this year assumes sort of flat Q3 to Q4.

Is that your view that this is sort of the new seasonality of Q3 and Q4 are similar? Or do you think there's going to be some conservatism, we can go back to that old seasonality of Q3 moves and then Q4 moves a lot higher than Q3?

John J. Diez
CEO & Director

Yes. Scott, actually, great question. I think it's a little bit of both in that you are going to see some seasonality as you historically called out. But the second component when it's flattening out a bit is the fact that the transformation we've gone through has flattened out the earnings of the business. So if you think about what we've done by growing the Dedicated and growing the Supply Chain asset-light businesses in a meaningful way, you're now seeing kind of the stability and the structural shift in that portfolio. So that's number one.

I would tell you, you are still going to see some seasonality. In fact, second half is still going to be stronger than the first half from an earnings perspective is in that mid-50s level, is what you should expect, where before the second half used to be about 60% of the earnings for the full year. So I would tell you, it's a function of both. You are going to see seasonal impact. But we -- through the transformation, we flattened out that earnings profile over the last several years.

Scott H. Group
Wolfe Research, LLC

Okay. And then just last two things. The $70 million of strategic initiatives this year. You have an early number on what you think you could do next year? And then just separately, we've now got clarity on EPA. We got clarity this morning from Cummins. Do you have views on how this impacts sort of truck ordering, purchasing behavior for you, your customers?

John J. Diez
CEO & Director

Yes. I would tell you that we're not ready to provide any sort of guidance towards next year, but I'm really proud of the team, and they continue to execute very well across all three businesses, as you saw. From a Supply Chain point of view, a Dedicated point of view and even in our FMS business, all three are contributing towards that $70 million. So we're really proud of the work the team overall continues to deliver there.

We would expect they will continue to deliver going into next year, and we'll kind of come out with that later in the year. As we think about the clarity that you mentioned with regards to EPA, I think we're still sitting on the fact that we're waiting for the OEMs to reveal what the price increases are going to be for the second half.

We did get some clarity, but not until we get that information from the OEMs, we won't be able to pass along to our customers. I don't think it's going to be dramatically different than what we've been planning for, which is the fact that we're still expecting significant increases to not only deal with the EPA regulatory change, but also with some of the inflation and tariff-related activity that the OEMs are looking to pass on to the customer.

So we'll probably have more clarity in Q3. By then, we should have that in hand. And obviously, that should help Lease activity should help Dedicated activity. And longer term, we think it's going to be a good add for UVS and support for UVS pricing.

Operator

The next question comes from the line of Ben Mohr with Citi Bank.

Benjamin H. Mohr Mok
Citigroup Inc., Research Division

Going back to the used vehicle sale topic, looks like you benefited year-over-year from higher retail mix in 2Q and you raised your UVS full year target to the $40 million that you mentioned from the previous $32 million. Just wanted to make sure we get kind of clarification, what's driving that? Is it volume? Or is it price? Or is it both? How would you parse that out?

And do you think for your UVS, you could potentially get better retail mix from what we're seeing in the marketplace, the one truck owner operator exits. I understand it's a slightly different market. They have more sleeper tractors or you have more trucks and day cab tractors, but could they be driving potentially some more retail over wholesale mix for you? And then related, could they be as they exit the markets scrapping their older trucks, we could lift used sales and used sales price for you?

John J. Diez
CEO & Director

Yes, Ben, I'll let Tom provide you color on that. I think our retail wholesale mix, as we continue to see our inventory levels declined. We do expect to manage that. We do have control over that. We should be able to manage that and push that up. Clearly, the type of customers you highlight there are the type of customers that come into one of our 60 retail centers in North America and that we sold retail to. Those are not the typical wholesale buyers that we're serving. So -- but I'll let Tom provide you a little bit of color on what we saw on the UVS trends year-over-year.

Thomas M. Havens
President of Global Fleet Management Solutions

Yes. So we are seeing benefits from both price and volume. I will say that, but more of it is coming from price. So we have seen sequentially retail sales improve, throughout here, obviously, more retail sales gives you a better result. And then -- but more of it I think is coming from the price uplift that we're seeing -- not only is our inventory coming down, but the overall marketplace inventory is coming down. And when that happens, obviously, that's a benefit to price.

You did mention some of the various external factors that are still out -- still out there that could impact used vehicle sales, what's going on with fuel pricing could potentially impact how used vehicle buyers view the market, depending on what happens with interest rates going up or down, right? Obviously, interest rates coming down could potentially help UVS, but we'll see where that goes.

And then obviously, other geopolitical activities going on. So we'll see how that all plays out, obviously, here in the next couple of quarters. But what we're seeing today better retail sales volumes and better retail pricing.

Benjamin H. Mohr Mok
Citigroup Inc., Research Division

Great. Very much appreciate that color. For the follow-up, moving over to SCS, can you maybe kind of help clarify the offset to your new guide that looks like it's a headwind on new business on-boarding in your SCS. It sounds like you mentioned what would have come later in '26 is pushed on to '27. Is that the only factor? And are we still expecting a strong 3Q starts similar to your 2Q starts? And then maybe looking at the headwinds, tailwinds in 2Q, your SCS had lapped tough autos comps from 1Q last year with the OEM shifts in production days. So that's left and that's behind us.

And then it sounds like in 3Q, there likely shouldn't be any more headwind from your lost autos business in second half of last year, that should be lapped. But it sounds like you mentioned there's still some retooling from EV to ICE. So that should still go on. And so if you could just help us kind of parse out whether this is an accurate outlook or what some of the key headwinds and tailwinds are for your SCS in terms of on-boarding that contributed to that offset, please?

John J. Diez
CEO & Director

Yes, Ben, good color there on Supply Chain. With regards to our guide and the offset, what we called out and what we expect is some of the wins that we had signed earlier in the year, we thought those were going to start being realized and showing up and on-boarded here in 2026. A few of those have pushed 2027. We also saw lower volumes on, a few of those on-boarding activities. So that should continue for the balance of the year.

I think Clearly, as you called out, we're going to lapse the auto loss business from last year here in the second quarter and third quarter from a comps perspective, are going to get better for us. So those two dynamics are playing.

I do think we continue to see good sales, healthy sales, as Steve called out, but I'll let Steve give you color on what he's seeing on the loss -- on the auto volumes, which I think you also mentioned in your question.

John Steven Sensing
President of Global Supply Chain Solutions & Dedicated Transportation Solutions

Yes. It's kind of the OEMs are a moving target right now. We did see in Q2 a little more downtime than what we expected. We are seeing some locations that are also saying they may shut down a little bit more in Q3, Q4. So that's kind of not baked yet at this point. And then I think as John said, we lapped that lost auto in -- after Q3 of this year.

So many of these deals that are pushed out are driven by customer for various reasons, could be a funding decision this year, could be a minimization strategy not to start a building up during peak or then maybe the network is not ready for it. So it's typically customer-driven.

Operator

The next question comes from the line of Brian Ossenbeck with JPMorgan.

Brian Patrick Ossenbeck
JPMorgan Chase & Co, Research Division

Just a couple of quick follow-ups on rental. It sounds like the majority is still going to be in the straight trucks. Maybe you can give us a little bit of context as to how much what the mix is right now? And then also just for some further details you can provide just how the utilization trended throughout the quarter? Because clearly, we're hearing and seeing more activity, better activity on the -- you said transactional side, the spot side of the freight market. So want to hear how that trended for Ryder rental in particular?

John J. Diez
CEO & Director

Tom, do you want to provide, Brian, with a little bit of color on the trends and then the fleet mix.

Thomas M. Havens
President of Global Fleet Management Solutions

I'll start with the utilization trends. We did see utilization, as you would expect, increased throughout the quarter with June being the highest utilization and we certainly did take advantage of USA 250th birthday. A lot of activities and events going on with that. So utilization was was pretty strong.

So we started at 72% in April, finished at 78% in June, which was -- gave us that 75% for the quarter. Sitting here today, we're still running in that mid-70s utilization number. And as John mentioned earlier, I believe we're expecting to be in that mid-70s through the balance of the year.

In terms of the truck versus tractor fleet, I'll have to look that one up, let me see if I got the numbers here. I don't have that number in front of me. I have to get back to you on the percent of the truck versus tractor fleet.

John J. Diez
CEO & Director

But clearly, Brian, as we mentioned earlier, Tom mentioned that we have reduced the tractor fleet significantly. So that typically used to be almost equal. I would say before we made the shift where you saw an equal amount of tractors to trucks. We had kind of shifted that to 60% range. I would suspect it's a little bit over 60%. But I think, Tom, you have it now?

Thomas M. Havens
President of Global Fleet Management Solutions

It's at 60% today.

John J. Diez
CEO & Director

It's at 60% today. So that hasn't changed dramatically from kind of the shift we made a few years back.

Brian Patrick Ossenbeck
JPMorgan Chase & Co, Research Division

Okay. I guess the overarching question stepping back at the $250 million of cyclical benefits. Obviously, some of that's in used vehicle, which you talked about. But would you get your -- I guess, would you hit your target with the 60% truck? Or do you think that that's something you need to visit back to maybe a little bit more balanced with tractor to feel some of that cyclical upside?

John J. Diez
CEO & Director

Yes, the $250 million, we think, clearly, with rental coming back over the next couple of years, we'll get a large majority of that and UVS. We don't think we need to make dramatic shifts in our fleet to achieve that. What we need is the market to come back and specifically around rental, we need that market to start accelerating for us. And we do think that will continue to get better as we move through the year and into next year.

Operator

There are no further questions at this time. I'd like to turn the call back over to Mr. John Diez for closing remarks.

John J. Diez
CEO & Director

Well, thank you, everyone. Appreciate all the good questions. Thank you for taking an interest, and we'll see you out on the road. Take care.

Operator
This concludes today's conference call. You may now disconnect.